

A full-page background image of a surgeon in a blue operating room. The surgeon is wearing a blue surgical cap, glasses, and a blue face mask. They are wearing blue scrubs with a small logo on the chest. Their arms are crossed. Above them are large, circular surgical lights. The overall color scheme is blue.

MANY YEARS MANY REASONS

The Lanka Hospitals Corporation PLC
Annual Report 2023



සුවසත් සැපෙත් • CARING CURING • பராமரித்தல் குணமாக்கல்

CONTENTS

COMPANY OVERVIEW

About Us	2
Performance Highlights	6
Commitment to Quality	7
About this Report	8

MANAGEMENT REVIEW

Chairman's Review	11
Group Chief Executive Officer's Review	14
Market Insights	19
Management Discussion & Analysis	21
Operational Review	22
Financial Capital	30
Human Capital	34
Intellectual Capital	38
Manufactured Capital	40
Social and Relationship Capital	42
Natural Capital	45
Board of Directors	48
Exco Members	56
Corporate Governance	58
Risk Management	77
Annual Report of the Board of Directors on the Affairs of the Company	80
Statement of Directors' Responsibility	86
The Board Audit Committee Report	87
The Board Remuneration Committee Report	89
The Board Related Party Transactions Review Committee Report	91

FINANCIAL REPORTS

Independent Auditors' Report	97
Consolidated Statement of Profit or Loss	102
Consolidated Statement of Other Comprehensive Income	103
Consolidated Statement of Financial Position	104
Consolidated Statement of Changes in Equity	106
Statement of Changes in Equity	108
Consolidated Statement of Cash Flows	110
Notes to the Financial Statements	112
Shareholder and Investor Information	169
Ten Year Financial Summary	171
Notice of Annual General Meeting	172
Notes	173
Form of Proxy	175
Corporate Information	Inner Back Cover

The background of the entire image is a photograph of an operating room. Two surgeons in blue scrubs, masks, and hairnets are visible. Large surgical lamps hang from the ceiling. Medical monitors and equipment are in the background. The entire image has a purple color overlay.

MANY YEARS MANY REASONS

From the very best in medical innovations to the warm and caring service by our professional staff, we at Lanka Hospitals are all about instilling and maintaining the trust for which we are known. A comprehensive healthcare solutions provider with a rich history, we have distinguished ourselves from the rest within the industry by upholding our accreditations and standards. Our longevity therefore is undeniably linked with our purpose, our reason for being and going the extra mile in ensuring that all our patients, as well as the stakeholders are always provided with highest quality in professional care. We have grown exponentially to become a healthcare hub in which Sri Lankans and even regional patients feel at home, living up to the many reasons for excellence that the many years have afforded us.

ABOUT US

Vision

"To be the foremost and preferred Private Healthcare Facility in the Country, which will serve to build a healthier nation and to be a preferred destination for medical tourism in the region."

Mission

"To offer cost effective healthcare solutions of International standards while Maintaining exceptional and Compassionate quality."

Our Promise

"We believe that every person has the right to be treated with utmost respect and consideration. Therefore, at Lanka Hospitals we care about our patients, we care about their families who are anxious and concerned, we care about our colleagues and how we as a team provide the best care to our patients. Because we care, we will be sincere, compassionate and sensitive to make a difference in the lives we touch."



The background of the entire page is a photograph of a modern operating room. It features large, circular surgical lights with a grid of small lights, mounted on adjustable arms. The room has a clean, clinical appearance with white walls and various medical equipment visible in the background. The lighting is bright and focused, typical of a surgical environment.

Our History

Lanka Hospitals Corporation Ltd commenced operations in Sri Lanka on 7th June 2002, under the brand name of Apollo Hospitals, a part of the chain of Apollo Hospitals founded by the renown Dr. Pratap C. Reddy in India. As the only purpose built private hospital of its kind in Sri Lanka, Apollo Colombo revolutionised Sri Lanka's healthcare service, and today under the brand Lanka Hospitals, we continue to dominate and lead the healthcare sector. Ours is still considered to be the best health care facility in the country.

In 2012, we celebrated a decade of excellence in healthcare. Over the past decade, Lanka Hospitals has revolutionized the healthcare industry in Sri Lanka through infrastructure development and advancement of its' product and services, through sizeable investments, with a view to deliver healthcare that is on par with global developments in medical technology. We also play a critical role in the nation's strategy to provide to provide world-class medical care whilst balancing the equation of affordability and accessibility for all Sri Lankans.

Our Service Philosophy

Our service philosophy is built on the precepts of commitment to clinical protocols, provision of compassionate care and service excellence that transcends the conventional healthcare offer. Recognising that service excellence is dynamic in nature, we continuously seek to enhance our service delivery in a bid to provide you – our customers – with world-class healthcare experiences.

This drive for excellence has seen us claim many "firsts" in the industry in both clinical as well non-clinical areas. As a firm believer that excellence in healthcare is a combination of excellence in clinical and non-clinical care, Lanka Hospitals has strived at every opportunity to up its game across the service continuum. Whilst our clinical excellence is driven by international alliances with some of the most reputed global healthcare providers in securing knowledge transfer and sharing of best practices, our excellence in non-clinical care stems from a meticulous drive for quality and continuous improvement.

ABOUT US

Lanka Hospitals at a Glance

Lanka Hospitals is a leader in the healthcare industry and the most highly accredited multi-specialty hospital in Sri Lanka, providing an unparalleled array of primary, secondary, and tertiary health services. Focusing on global standards, exceptional patient care, and cutting-edge technology to differentiate itself has allowed the hospital to maintain its distinct competitive edge. Our organization remains committed to investing in modern medical and clinical technology and the development of our team's expertise in order to expand our capabilities and achieve excellence in healthcare.



CENTRES OF EXCELLENCE

- 📍 Heart Centre
- 📍 Orthopedic Centre
- 📍 Neurology Centre
- 📍 Gyn and Obs Centre
- 📍 Genito Urology Centre



ISLAND-WIDE PRESENCE

08 Regional/Mini Labs
60 Owned Collection Centres
1,000+ Collection Centres
26 Pharmacy Network



OUR ACHIEVEMENTS

Total Surgeries 150,000+
Cardiac Surgeries 11,000+
IVF Babies 1,500+
Kidney Transplants 1,200+
Cochlear Implants 150+

OUR PEOPLE

1,123 Consultants
450 Nursing staff
1,713 Other Employees



CUSTOMER CONFIDENCE

26,219 Inpatients for 2023
333,165 Outpatients for 2023

FINANCIAL STABILITY

Rs. 16.3 Bn Total Assets
Rs. 12.6 Bn Equity
Rs. 12.4 Bn Revenue
Rs. 1,345 Mn PAT



PERFORMANCE HIGHLIGHTS (GROUP)

		2023	2022	Change %
Financial Performance				
Revenue	Rs. million	12,419	10,698	16
Results from operating activities	Rs. million	1,203	1,209	-
Profit before tax	Rs. million	1,910	4,061	(53)
Profit after tax	Rs. million	1,345	3,247	(59)
Profit attributable to equity holders of the Company	Rs. million	1,345	3,247	(59)
Dividends	Rs. million	671	671	-
Gross profit Margin	%	42	41	2
Operating Profit Margin	%	10	11	(12)
Net Profit Margin	%	11	30	(64)
Earnings per share (basic)	Rs.	6.01	14.51	(59)
Return on Assets (ROA)	%	8	21	(61)
Return on Capital Employed (ROCE)	%	8	10	(16)
Interest cover	Times	N/A	N/A	
Efficiency & Financial Stability Ratios				
Total Assets	Rs. million	16,319	15,334	6
Total Debt	Rs. million	N/A	N/A	-
Shareholders' funds	Rs. million	12,599	11,981	5
Gearing ratio	Times	N/A	N/A	-
Debt/Equity	%	N/A	N/A	-
Asset Turnover	Times	0.8	0.7	9
Net assets per share	Rs.	56.31	53.55	5
Current ratio	Times	5.01	5.55	(10)
Quick asset ratio	Times	4.60	4.99	(8)
Investor Information				
Market value per share	Rs.	120.25	95.8	26
Dividend per share	Rs	3	3	-
Company market capitalization	Rs. billion	26.900	21.434	26
Price earnings ratio	Times	20	6.6	203
Dividend yield ratio	%	2.49	3.13	(20)
Dividend payout ratio	%	49.89	20.68	141
Dividend Cover	Times	2	4.84	(59)
Infrastructure and Technology				
Property, plant and equipment	Rs. million	5,385	5,125	5
CAPEX Additions	Rs. million	807	422	91
No. of beds	No.	367	367	-
Laboratory collection network (COCOs)	No.	60	42	43
Pharmacy network	No.	26	26	-

COMMITMENT TO QUALITY

Awards and Accreditations



ABOUT THIS REPORT



Welcome to Our Annual Report

This Annual Report aims to provide a balanced review of our financial, operational, environmental and social performance for the period from 1st January 2023 to 31st December 2023.

As our primary publication to shareholders, this Report is intended to address the information requirements of long-term investors. It also contains information that is relevant to other stakeholders, enabling them to make an informed assessment of our ability to create value. In order to gauge a comprehensive overview of our performance, this narrative should be read in conjunction with the annual financial statements.

Scope and Boundary

This Annual Report and Financial Statements of The Lanka Hospitals Corporation PLC (“Lanka Hospitals” or “Company”) and its subsidiary Lanka Hospitals Diagnostics (Pvt) Ltd (collectively referred to as “Group”) present the performance for the financial year ending 31st December 2023. The financial and non-financial information presented in the narrative report represents both entities unless otherwise stated. There were no significant changes to the size,

structure or ownership of the Group or its supply chain during the year. There are also no material restatements of non-financial information presented in previous reports.

Basis of Preparation

The financial statements have been prepared in accordance with the Sri Lanka Financial Reporting Standards and comply with the requirements of the Companies Act No. 7 of 2007 and the Listing Requirements of the Colombo Stock Exchange.

Feedback

We remain committed to continuously enhancing the quality and readability of our Annual Report and welcome your suggestions and comments. Kindly address your feedback to, Senior Finance Manager, The Lanka Hospitals Corporation PLC
Telephone: 011 5439037

<https://www.lankahospitals.com/en/annual-reports-2/>



COMPANY OVERVIEW

More Than 11,000

Pediatric and adult Cardiac Surgeries

Over 150

Cochlear Implants

Over 1,500

IVF babies

Over 1,200

Kidney Transplants



MANAGEMENT REVIEW

A woman with dark hair tied back, wearing a white lab coat and white gloves, is working in a laboratory. She is looking through a glass partition, possibly at a piece of equipment or a sample. The background is slightly blurred, showing laboratory equipment and shelves.

Chairman's Review	11
Group Chief Executive Officer's Review	14
Market Insights	19
Management Discussion & Analysis	21
Operational Review	22
Financial Capital	30
Human Capital	34
Intellectual Capital	38
Manufactured Capital	40
Social and Relationship Capital	42
Natural Capital	45

CHAIRMAN'S REVIEW



“LHC RECORDED TOP LINE GROWTH OF 22%, REFLECTING THE RESILIENCE OF THE BUSINESS MODEL DESPITE THE SIGNIFICANT PRESSURE ON DISPOSABLE INCOME. HOSPITAL OPERATIONS WERE ABLE TO ENHANCE MARGINS THROUGH EXPANDED MENUS OF SERVICES AND VALUE ADDITIONS WHICH SUPPORTED ABSORPTION OF ELEVATED COST LEVELS.”

Dear Shareholders,

The Lanka Hospital Corporation PLC (LHC) delivered resilient performance recording a consolidated profit after tax of Rs.1.3 Bn for the financial year ended 31st December 2023 reflecting the impacts of a challenging operating environment. The financial position of the company strengthened during the year with improved liquidity and minimal debt. LHC continues to be a leader in private health care in the country, acknowledged for its high standards of care.

Economic Recovery

Encouragingly, 2023 saw the country move towards economic recovery by the 3rd and 4th quarters after recording negative growth in the first half of the year, supported by the fiscal and monetary policy measures implemented. The year commenced with high levels of inflation, interest rates, import

CHAIRMAN'S REVIEW

restrictions and significantly higher energy and fuel costs relative to the previous year. The government implemented several measures to reduce inflation and interest rates to stimulate economic growth which saw inflation come down to single digits and lending rates also decreased by the close of 2023. Electricity tariffs which were increased by 75% in August 2022, increased by a further 65% in February 2023, reduced by 9% in July and again increased by 12% in October. Additionally, VAT and income tax rates increased during the year exerting pressure on family budgets.

Encouragingly, tourist arrivals and migrant worker remittances increased significantly, easing the pressure on foreign exchange reserves. The receipt of two tranches of the IMF extended fund facility also served to ease the pressure resulting in the appreciation of the Sri Lankan rupee by 10%. Migration of skilled professionals and technicians is a key concern due to high levels of labour migration, resulting in not just high levels of attrition but also dwindling talent pools in the country. Overall, the signs of recovery are encouraging and seizing the opportunities that come with all disruptions will be key to driving growth in a recovering economy.

Managing Risks & Opportunities

Demand drivers for the healthcare sector include an ageing population and an increasing trend in non-communicable diseases. Life and Health insurance are a key source of funding healthcare and these categories have demonstrated growth as awareness increased with the pandemic. However, penetration rates are relatively low. In 2023, Life Insurance premiums increased by 13% to Rs.152.7 Bn and Health Insurance also increased by 10% to Rs.20.2 Bn reflecting steady growth. The revival of tourism in the country is also positive presenting an opportunity for LHC to aggressively grow its medical tourism business which was a lucrative stream of revenue in previous years.

LHC recorded top line growth of 22%, reflecting the resilience of the business model despite the significant pressure on disposable income. Hospital operations were able to enhance margins through expanded menus of services and value additions which supported absorption of elevated cost

levels. Despite these challenges, the LHC Group maintained operating profits at Rs.1.2 Bn in line with the previous year.

The largest impact on the bottom line of LHC arose from exchange rate movements on its dollar denominated deposits. The gain on foreign currency translation of Rs.1.9 Bn recorded in 2022 stemming from the steep depreciation of the Sri Lankan rupee became a loss of Rs. 0.5 Bn in 2023 as the rupee appreciated. Thus, the decline in profitability is not due to the business model of the LHC Group but to its exposure to foreign exchange risk which has served the Group well in the past. It is noteworthy that capital expenditure and consumables are imported necessitating foreign currency payments and the dollar denominated deposits have served as an effective hedge in the past.

The LHC Group is also exposed to interest rate risk as it has built up cash deposits as well to support its growth aspirations as technology continues to evolve rapidly. The deferral of investments due to significant uncertainty in the operating environment and the finalising of the divestment saw the build up of liquid assets. Consequently, LHC earned Rs.1.2 Bn in interest income including interest income on foreign exchange deposits, an increase of 36% over the previous year. Interest income cushioned the impact of the loss on foreign exchange discussed above.

With greater price stability in 2024 with inflation in single digits and a return to growth, the outlook for private healthcare in Sri Lanka is attractive. The sound financial discipline that has been a hallmark of LHC's governance, is the bedrock for stability as we explore new, cost effective avenues for growth. The volatility in the business experienced in past 4 years was well managed largely due to this, which has now placed the LHC Group in a position of strength with sufficient liquidity for growth.

The migration of skilled professionals also presents an opportunity for growth of the Nursing School as this category of professionals enjoy high levels of global mobility despite current restrictions being implemented on immigrants in many advanced countries. Additionally, the trend of migration

is likely to support greater prosperity outside the Western Province with increased remittance flows, presenting opportunities for growth in pharmacy and diagnostic businesses.

Digitalisation has the potential to be the game changer in rolling out affordable, scalable healthcare solutions. LHC Group has embraced digitalisation and successfully completed several projects to drive operational efficiencies during the year as well as to upgrade its medical technology with the latest equipment to support consultants and surgeons with cutting edge diagnostics and treatment upholding our commitment to continuous improvement in patient wellbeing.

Corporate Governance

The Board seeks to uphold high standards of corporate governance as a public listed company and a state owned entity. As communicated through the Colombo Stock Exchange (CSE), the Cabinet of Ministers approved in principle, the divestiture of the major shareholding of the government in The Lanka Hospitals Corporation in March 2023. Following this, the State Owned Enterprise Restructuring Unit invited Expression of Interest in this regard in the national and international newspapers and magazines with effect from Wednesday, 18th October 2023, which was also communicated to the CSE. The matter stands at this point as at the time of writing the report and further progress will be communicated via the Colombo Stock Exchange.

The Board noted the new Listing Rule 9 issued by the CSE and has a road map for compliance by the scheduled dates. As the Group had fairly well established governance processes, LHC was compliant with many of the requirements. The changes effected to date for compliance included the resignations of alternate directors with no further appointments of alternate directors and the re-naming of the Nominations Committee as the Nominations & Governance Committee.

Integrating Environmental Social and Governance will be a focus in the next year in readiness for compliance with the sustainability reporting requirements of the CSE by 2026.

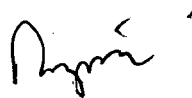
Way Forward

Sri Lanka made a remarkable recovery during the year under review although the recovery needs to gather momentum to build resilience. The economy is forecast to grow by 3% during 2024, maintaining the trend observed in the second half of 2023. We expect insurance to pursue growth, supporting growth of private healthcare, LHC plans to grow considering the opportunities described above, expanding the services to ensure that patients get the necessary healthcare solutions to facilitate their health and wellbeing.

Finalisation of the divestment by the Sri Lanka Insurance Corporation who were initial promoters of the project will mark a milestone. We expect the medium to long term strategy to be shaped by the new majority shareholder.

Appreciations

The Board and I are grateful to the LHC team for the performance delivered and the professionalism. I also appreciate the distinguished panel of consultants for their vital role in delivering positive patient outcomes that enhances LHC's reputation. I acknowledge the officials of the National Medical Regulatory Authority and other state agencies in health sector for their collaboration in issues of common interest. The Board members have offered timely advice and direction that was useful in avoiding problems and I value their input. I end by thanking our shareholders and business partners for their ongoing involvement with LHC as we look forward to our next chapter.



Dr. Bandula Wijesiriwardena
Chairman

25th April 2024

GROUP CHIEF EXECUTIVE OFFICER'S REVIEW



Highlights 2023

- ✓ Revenue ⬆ 16% to Rs.12.4 Bn
- ✓ Total Assets ⬆ 6% to Rs.16.3 Bn
- ✓ Equity ⬆ 5% to Rs.12.6 Bn
- ✓ Strong liquidity
- ✓ Introduced a childhood obesity clinic

Dear Shareholders,

The Lanka Hospitals PLC (LHC) continues to maintain its financial resilience and its position as a leading tertiary healthcare provider in the competitive healthcare sector of the country. LHC continues to expand its footprint and enhances its menu of services, leveraging our brand, professionalism of human resources as well as accredited systems and processes. We continue our quest to digitalize our operations to deliver efficiency to all our stakeholders. The LHC Group delivered a profit of Rs.1.3 Bn in a year amidst market volatility and many challenges. In spite of these, the LHC Group has outperformed many industry benchmarks and consolidated our position as a strong entity keeping pace with top performing companies in the stock market.

Implementing Strategy

We commenced the year with an understanding that the majority stake held by government agencies would be divested as part of the reforms announced of state owned businesses. Due to limitations announced, the group agreed on a course to maximize the current potential of the existing resource pool with a high emphasis of optimizing the current services. Consequently, major strategic changes had to be inevitably deferred until the divestment process is completed. Notwithstanding this position, the trust reposed by the public on our services and the standards continued and pay good dividends and the year 2023 was ended with a remarkably high note worthy of recognition. All these resulted in the LHC group standing tall as an outstanding entity among the countries medical/surgical care institutions.

Accreditation

Maintaining our accreditations was a key area of focus as it ensures that our systems and processes are benchmarked to global standards. LHC obtained the coveted Joint Commission International accreditation for the 9th consecutive year for the hospital operations while the Laboratory retained its CAP certification for the 7th year. Although this is a significant cost due to the devaluation of the currency in 2022, accreditations are necessary as they ensure our systems continue to evolve, keeping pace with global developments and also supports our aspirations to grow high standards of care.

Cost Efficiency

We commenced the year with elevated cost levels as inflation had spiraled in 2022. Consequently, driving cost optimizations without compromising quality was a key management priority. The group was mindful of the sensitivities of the public due to high pressure on household expenses. Electricity costs were a key concern as it increased by 65% in February 2023 which imposed a high pressure when managing expenses. Use of imported consumables and reagents continued to raise additional challenges up to the 3rd quarter of 2023 due to the high exchange rates. Project based lean initiatives drew noteworthy positive results when managing costs and expenses.

Technology & Digitalisation

Digitalization was key to driving cost efficiencies and enhancing productivity and service levels. The Finance Systems project was completed with the successful implementation of SAP. This project was necessary to ensure that our financial reporting happens in a timely and accurate manner, and that the new analytical tools will provide deeper insights into potential areas of cost savings. The Human Resources Information System implementation ran parallelly and was also implemented successfully with similar capabilities to support effective management of our team. We are now at the early stages of selecting a Hospital Information System for which prospective vendors are being evaluated. We expect this system to take two years for implementation after a decision in the second quarter of 2024.

Medical technology has been significantly upgraded with the introduction of the latest medical and theatre equipment to assist the consultants as well as the surgeons on diagnosis and treatment of many diseases. In 2024, we intend to complete the remaining upgrades and complete the process before the end of the year although there are some delays in delivery of equipment as manufacture commences post placement of orders.

Performance

LHC Group recorded 16% revenue growth to Rs.12.4 Bn, boosted by growth of hospital operations which recorded 22% growth to Rs.9.7 Bn reflecting a managed transition after the pandemic. Gross and operating profit margins dipped slightly in view of the steep cost escalations that could not be fully passed through to patients as household budgets remained tight due to high costs and increased taxation. Cost management during the year is commendable considering the level of pressure that prevailed during the year. This enabled LHC Group to record an Operating profit of Rs.1.2 Bn in line with the operating profit of the previous year.

The steep devaluation of the rupee in 2022 by 80% boosted finance income of the same year with a gain on translation of foreign currency of Rs.1.9 Bn on a deposit of US\$ 1.4 Mn. In 2023, the rupee appreciated resulting in a loss on translation of foreign currency of Rs.0.5 Bn. Consequently, Finance

GROUP CHIEF EXECUTIVE OFFICER'S REVIEW

income declined sharply by 74% from Rs.2.8 Bn to Rs.0.7 Bn in 2023, cushioned to some extent by increased interest income. Consequently, Profit before taxation declined by 53% to Rs.1.9 Bn, largely due to exchange rate volatility. The effective rate of taxation increased from 20% in the previous year to 30% as the rate for income tax increased from 24% to 30% and LHC was liable at 30% for 2023. Consequently, profit for the year was Rs.1.3 Bn reflecting careful financial management in a year of uncertainty.

Total assets increased by 6% largely due to trade receivables and cash. The Group maintains high levels of liquidity and a prudent funding structure with minimal debt.

Value to Shareholders

LHC continues to deliver value to its shareholders with a steady increase in the share price from Rs.54.90 in 2022 to Rs.120.25 by the close of 2023, recording a return of 119% on capital gains. LHC also paid a dividend of Rs.3 per share in two instalments of Rs.1.50 each in April and November.

Corporate Responsibility

LHC is conscious of the industry it operates in and proud to remain the most affordable option for healthcare in the country. Aside from our commitment to ensure that our services are affordable, we also work with trusts and donors to support access to key medical interventions which are done at cost. Accordingly, we carried out 254 pediatric heart surgeries and 200 cataract surgeries which were free for patients with the cost covered by a donation. We also donate replaced medical equipment to rural hospitals to facilitate access to healthcare in rural communities. Used computers are donated to schools to support access to technology.

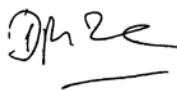
I also wish to affirm our commitment to upholding Group policies, where emphasis is placed on ethical and legal dealings, zero tolerance of corruption or attempts thereof, bribery and any form of harassment or discrimination in our workplace and any work-related situations.

Looking Ahead

The economic recovery to date is encouraging and the relative stability in key areas augur well for consolidation of a recovery in 2024. The proposed divestment of the government stake will be a significant milestone during the year ahead. The prospects for private healthcare in Sri Lanka remains positive supported by demographic shifts and growing awareness of the need for health insurance. Talent pipelines in the industry is a challenge and presents opportunities for expansion of the business model. Technology and digitalization requires continuous investment but has the potential to deliver a paradigm change in affordable healthcare in the country. The uptick in tourism is also encouraging and LHC will look to pursue growth in medial tourism again. High levels of liquidity and disciplined financial management sets LHC apart from its peers in the industry, making it a unique value proposition for investors.

Acknowledgements

I appreciate the dedication and compassion of our Team, who keep achieving high standards of patient care in the country. I also express my gratitude to the Chairman and the Board of Directors for their timely advice and direction that helped us navigate a challenging year. We thank our patients and their families for their ongoing trust in our systems and processes and look forward for their continued support. On our side, we promise to maintain high quality of care and continue to be an agent of change in the sector, making world class healthcare solutions accessible for Sri Lankans.



Deepthi Lokuarachchi
Group Chief Executive Officer

25th April 2024



**“BY PROVIDING
COMPASSIONATE AND
PERSONALIZED CARE,
AND ENSURING PATIENTS
FEEL VALUED AND
UNDERSTOOD, WE HAVE
CREATED A WELCOMING
AND COMFORTABLE
ENVIRONMENT WHICH
ENHANCES THE OVERALL
PATIENT EXPERIENCE.OUR
SERVICE HAS ENSURED THE
JOY OF SO MANY, A TRUST
THAT WE HAVE MAINTAINED
FOR DECADES.”**



Continuing our accolades of excellence, the Lanka Hospitals team was the proud recipients of the Gold award at the CA Sri Lanka Awards in the Healthcare sector in December of 2023.

MARKET INSIGHTS

Health Care Industry

While Health care in Sri Lanka remains free, due to limited government resources the state has struggled to meet the growing demand for healthcare services. Constraints within the public health system, such as insufficient supply of drugs, lengthy waiting periods, and limited availability of specialists, have led to a growing number of individuals seeking services from the private healthcare industry. In a nation where the government strives to achieve universal healthcare, private consumption expenditures account for over 50% of the overall healthcare expenditure. However, private healthcare services remain predominantly available in metropolitan areas, particularly in and around Colombo where disposable household incomes are higher.

Private Health Sector

102

Private hospitals, nursing and maternity homes

373

Medical laboratories

Source: Directorate of Private Health Sector
Development and Private Health Services
Regulatory Council

Health Trends

In 2020

the number of individuals with **BMI** of more
than **25** has doubled within the past 10 years.

Out of all registered pregnancies, **4.1%** are
teenage pregnancies.

One in three pregnant mothers
are anaemic.

Health Infrastructure

1.23

Physicians per 1000 patients
(ref year 2020)

4.0

Hospital beds per 1000 patients
(ref year 2020)

Public Health Sector

Rs. 323 Bn

Total Government Health Expenditure
in 2022

1.68%

Government
Health Expenditure of GNP (2020)

MARKET INSIGHTS

Medical Tourism

As the global community confronts economic challenges, there is a growing necessity for foreign destinations that offer superior convenience and affordability in healthcare. Approximately 14 million individuals travel internationally every year to receive medical treatment, while the medical tourism industry continues to expand at a rate of 15–25% annually. Despite being in its infancy, medical tourism in Sri Lanka is positioning itself as an emerging destination for tourists due to the country’s commendable medical services and cost-effectiveness. Government support for promotional initiatives aimed at increasing awareness of medical tourism in Sri Lanka, collaboration with international insurance companies, and engagement in the wellness tourism sector could offer this lucrative market a much-needed boost.

Human Development Index (HDI) for South Asian Region

Country	HDI value (2019)
Sri Lanka	0.782
Maldives	0.74
Bhutan	0.654
India	0.645
Bangladesh	0.632
Nepal	0.602
Pakistan	0.554
Afghanistan	0.511

Source: United Nations Development Programme

Economic Environment

Amid significant economic obstacles that continued during the year, a combination of external funding and strict economic reforms began to bear fruit, and the economy began to show tentative signs of stabilization.

Inflation fell from a high of 70% in September 2022 to less than 2% in September 2023, leading to the Central Bank moving to ease monetary policy. Policy rates were reduced by 250 basis points in June 2023 and another 200 basis points in July, bringing the Standing Deposit Facility rate to 11% and the Standing Lending Facility rate to 12%.

Despite higher total revenues, the aggregate fiscal deficit increased in the first quarter of 2023 due to a sharp increase in interest payments. Gross international reserves increased by \$1.5 billion between March and June of this year resulting in shortages of essentials beginning to subside. The second quarter witnessed a decline of 3.1% in real GDP year-on-year, indicating that growth momentum is still moderate.

Following an 81% depreciation against the US dollar in 2022, the rupee appreciated by 11% from January to August of 2023. The absence of significant debt service payments, strong remittance flows, and enhanced tourism earnings are alleviating foreign exchange liquidity pressures, resulting in the accumulation of usable foreign reserves amounting to US\$2.4 billion by the conclusion of July 2023.

While certain critical fiscal reforms have improved overall progress of the economy, indirect taxes and rising energy prices continue to disproportionately burden the vulnerable population of the country.

MANAGEMENT DISCUSSION & ANALYSIS

Our Strategy

As economic headwinds persisted throughout the year, the primary focus was to sustain revenue and profits while sharpening our competitive edge via service optimization, customer service excellence, and quality consciousness.

In 2023, the strategic approach entailed spearheading transformative initiatives with the objective of attaining future efficiencies.

STRONG FINANCIAL RETURNS



- ✓ Driving the top line in Cardiac, Gyn & Obs, Internal Medicine, Nephrology & Pediatrics by broad basing the consultant base
- ✓ Expansion of high revenue contributing segments such as Mini Labs and COCOs
- ✓ Increasing revenue from non-medical segments through the expansion of the Learning Academy at Lanka Hospital

DRIVE EFFICIENCIES



- ✓ Infrastructure optimization via differential pricing strategies for OPD rooms and theatres
- ✓ Improving room occupancy by increasing turnaround time and decreasing patient wait time
- ✓ Optimizing the inventory management process and cycle through structured procurement

CUSTOMER FOCUS



- ✓ Development of customer care framework based on customer care quality factors
- ✓ Implementation of CRM module focused on customer excellence
- ✓ Measurement of all key touch points of the patient journey to enhance the customer care experience

HR EXCELLENCE



- ✓ Improving employee recognition methods to foster a performance-driven culture
- ✓ Becoming an employer of choice by enhancing employee brand
- ✓ Facilitating employee voice, boosting employee engagement, and advocating for employee inclusion in order to cultivate a positive work environment.

CLINICAL GOVERNANCE



- ✓ Adhering to international standards of excellence and maintaining accreditations in the healthcare industry.
- ✓ Establishing clinical risk assessment framework
- ✓ Improving the learning and continuous improvement process centered around the patient experience

OPERATIONAL REVIEW

Hospital Operations

Performance

Revenue in Hospital Operations increased by 22% to Rs. 9.7 Bn in 2023, due to higher patient volumes, occupancy rates, and the number of surgeries performed. In August 2023, the Hospital performed 1,059 surgical procedures—the highest number in the organization’s history. Consistent pricing and procurement strategies maintained overall profitability throughout the year.

22%

Growth in revenue

250+

Completed Bariatric
(weight-loss) surgeries

84%

Dividend Payout Ratio



Strategic Priorities

1. **Continuous innovation:** We have remained at the forefront of our field due to ongoing innovation and the ability to stay ahead of technological advancements. The Hospital continues to utilize cutting-edge medical and clinical technologies in order to provide superior service to its customers as their requirements evolve. During the year we implemented pain management protocols for zero pain, launched the Stroke Unit under the department of Neurosciences and invested in a variety of cutting-edge equipment (Please refer to page 16 for a list of investments during the year).
2. **Service expansion:** With the addition of five new ambulances, we have enhanced our emergency and ambulance services, which are vital feeders to the hospital. By initiating partnerships with peripheral hospitals, we have begun actively bringing patients from across the nation to facilitate care for complex cases. A pool of dedicated physicians and medical personnel are kept on standby to attend to long-distance consultations.
3. **Quality commitment:** The Hospital's exceptional quality and care are demonstrated by our ongoing adherence to many national and international accreditations. We are the only hospital in Sri Lanka to receive the latest (7th) edition of JCI accreditation. Our laboratories are certified by CAP, the most reputed peer-based accreditation program for diagnostics. (Please refer to page 3 for a full list of certifications).

Way Forward

Our organization is committed to expanding its range of services by integrating cutting-edge medical and clinical technologies. In the coming year, we expect to make the 3rd cardiac theatre operational, upgrade to SAP for financial reporting and management, and complete the HR system implementation.



OPERATIONAL REVIEW

Diagnostics

Performance

As the COVID pandemic coming to an end, the laboratory industry returned to its standard level of functionality with the sample patterns returning to their normal state. Fortified by this normalization, the management focused on expanding the laboratory and collection centers to increase volume growth while ensuring cost optimization. This led to a strong performance of the diagnostic division bolstering revenue growth as the segment gaining market share and emerging as a key player in the diagnostic industry.

569 Mn
PAT

1,000+
Collection
Centers

24%
Growth in Net Assets



Strategic Priorities

1. **Geographical Expansion:** We continued to pursue geographical expansion with emphasis on driving regional growth. Total number of COCOs (Company Owned Company Operated) were increased by 18 during the year. We have also tied up with third party collection centres around the island which perform has high intense feeders. Mini labs cater to the testing requirements initiated through COCOs, NECC centers and direct walk-ins.
2. **Focus on targeted marketing:** With 120 Virtual Collection Centres (VCCs) in place, we focused on growing the number of doctors associated with each VCC in order to increase personal selling through special test discounts. Footfall from government hospitals is targeted through the promotion of sales vouchers and complimentary vouchers are offered to patients during follow-up appointments to encourage transfer from competitor laboratories. The corporate medical department collaborates with the health check department to reach out to corporate clients and insurance providers in order to upsell and cross sell laboratory packages.
3. **Operational optimization:** Underperforming COCOs are being evaluated, and problem-specific solutions, such as upgrading or relocating long-established COCOs, are being provided to enhance performance. Investment towards digital integration has resulted in all LHD reports being available on the web portal to be downloaded using an OTP and real time updates.

Way Forward

LHD will continue in its pursuit of geographical expansion, placing particular emphasis on promoting regional development. Our strategic approach will revolve around providing customers with a comprehensive range of medical, laboratory, and pharmacy services, as opposed to operating standalone laboratories.



OPERATIONAL REVIEW

Pharmacy

Performance

The pharmaceutical division of the Group demonstrated remarkable expansion as evidenced by a 21% surge in revenue. During the year the Company was able to expand its customer base by 9.7% by ensuring a steady supply of medicine, through a prudent pricing strategy and timely procurement approach that anticipated supply chain challenges. We continue to maintain our focus on improving process efficiency and utilising technology to boost productivity in operations.

21%

Growth in Revenue

9.7%

Customer Base Growth

26

Pharmacy Outlets



Strategic Priorities

1. **Customer focus:** By prioritizing people development as a competitive differentiator, we aim to enhance customer service and refine the competencies and capabilities of our personnel. Customer focused KPIs and incentive schemes for the pharmacy team has resulted in increased efficiency and accuracy.
2. **Ease of access:** LHC Pharmacy maintains its collaboration with Keells Supermarkets to make medicine more accessible to consumers. With two new additions this year, there are 19 outlets situated in various Keells Supermarkets around the country, capitalizing on increased foot traffic in modern trade channels. LHC also has four pharmacies located in corporate buildings such as the Bank of Ceylon and the Central Bank.
3. **Inventory optimization:** We continue to leverage our automated digitized system to create efficiency and boost revenue through greater prescription conversions. During the year, a centralized inventory system was established to prioritize fast moving items, detect short-term expiration products, and to swap products among locations to optimize inventory.

Way Forward

During the following year, we intend to capitalise on the integrity of our brand name and the devoted customer base by expanding company-owned and company-operated stores, as well as corporate outlets. By implementing SAP software for centralized data management, we expect to further improve the business operations across the pharmacy network.



OPERATIONAL REVIEW

Learning Academy

The Lanka Hospitals School of Nursing, which was founded more than two decades ago, is an academic institution overseen by Lanka Hospital Academy (LHA) and has produced a significant number of high-caliber professional nurses over the years. Among the private health sector in Sri Lanka, it stands as one of the most successful nursing schools, offering training up to NVQ level 6 Higher National Diploma and incorporating in-house clinical experience. The students are provided with an education allowance for a period of 3 years, with an opportunity to join the Hospital’s nursing staff and receive PHSRC registration after 2 years.

161%
Growth in revenue

46%
Growth of Student Enrollment

1,480
Students Completing Courses



Lanka Hospitals Academy (LHA)

The Lanka Hospitals Academy, which was established in 2019, continues to develop and train highly skilled professionals to serve the health care sector in Sri Lanka. Our curriculum aims to provide students with a thorough education that encompasses both theoretical and practical knowledge. Additionally, we offer practical experience in a fully equipped clinical setting located within Lanka Hospitals' premises.

- ✓ LHA offers Observership Programs for students interested in pursuing a medical degree. The program seeks to educate students on the fundamentals of clinical medicine and to prepare them for a career in healthcare.
- ✓ In response to the growing demand for healthcare professionals, our academy has extended the courses on offer to cover a variety of requirements, including those seeking to migrate. Some programs conducted by LHA include:
 - Diploma in Hospital and Community Pharmacy
 - Medical Laboratory Technology
 - Certificate Course in Phlebotomy
 - First Aid and Basic Life Support
 - Caregiver Training
- ✓ 9 MOUs have been formalized with external universities to provide clinical training for recent college graduates, with the aim of advancing their nursing profession. We have also established an alliance with a university in the Maldives to offer clinical training in nursing to international students.

Way Forward

An infrastructure expansion is currently underway at the Learning Academy in order to accommodate a greater number of students. Our objective is to augment the amenities offered to students through the expansion of lecture halls, demonstration rooms, and the cafeteria, among other facilities.



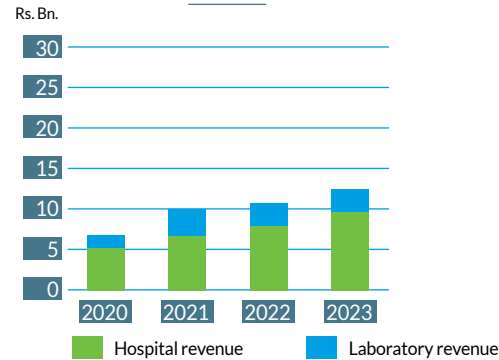
FINANCIAL CAPITAL



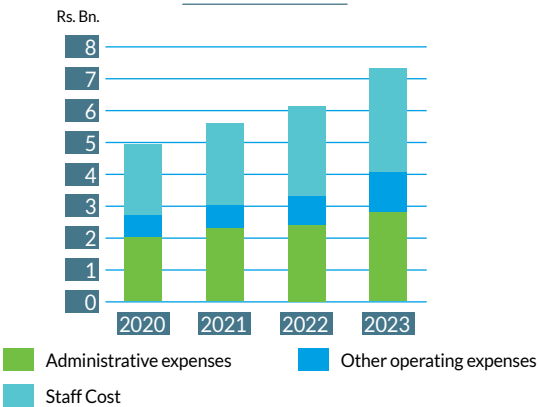
Financial Review

Despite facing challenging external conditions, the Group's operating performance throughout the year remained resilient, ensuring that overall profitability was sustained. The Group's robust liquidity and solid cash positions stand as evidence of its disciplined financial management approach

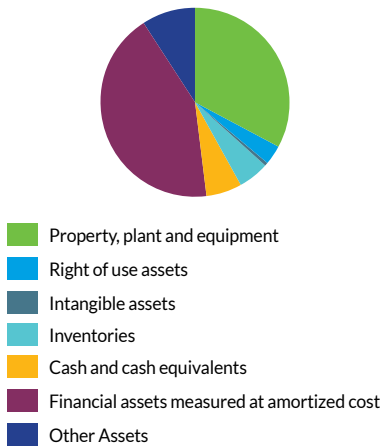
Revenue



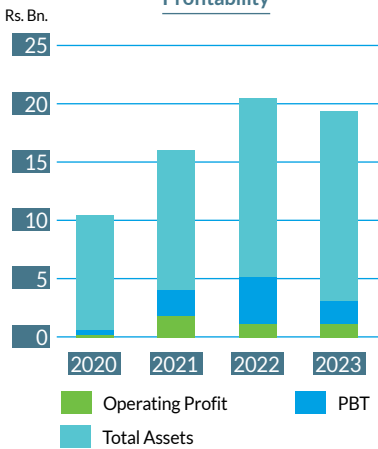
Cost and Expenses



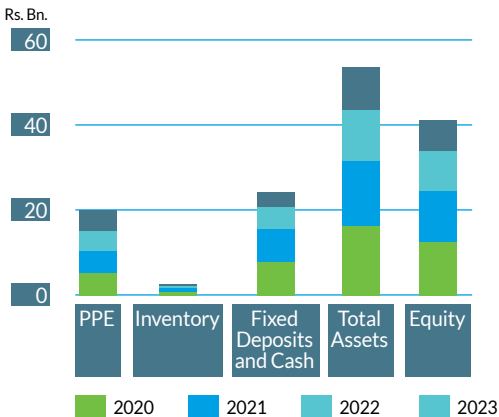
Asset Composition



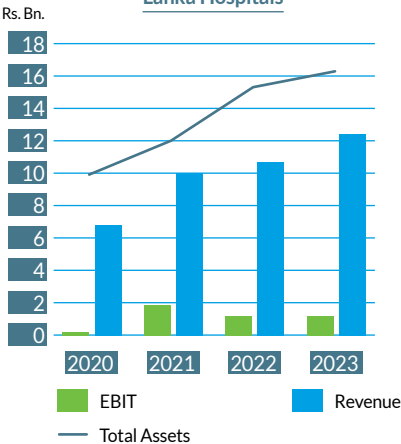
Profitability



Asset and Funding

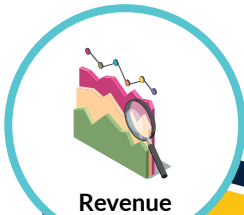


Lanka Hospitals



FINANCIAL CAPITAL

Strategy in 2023



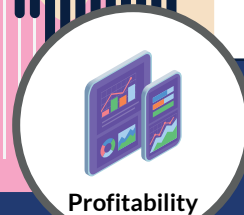
Revenue

In 2023, the Group experienced a 16% growth in revenue, with Hospital Operations contributing Rs. 9.7 Bn, and Diagnostic Services recording a revenue of Rs. 2.7 Bn. The increased revenue from Hospital operations primarily stemmed from heightened occupancy rates and an uptick in surgical procedures. Prudent pricing and consistent supply facilitated a 21% growth in revenue for the Pharmacy operation. Despite facing an economic crisis and declining disposable incomes due to high inflation, the Group maintained resilience, with inpatient and out patient revenue.



Cost Management

With the stabilization of the rupee and gradual normalization of supply conditions in the latter part of the year, the impact on purchases was mitigated, resulting in a 17% increase in Gross Profit from Rs. 4.4 Bn to Rs. 5.2 Bn. Administrative expenses saw a 18% increase, while other operating expenses also rose by 36%. Staff costs increased from Rs. 2.8 Bn to Rs. 3.2 Bn as we strengthened our team to drive growth. Electricity tariffs experienced multiple increases throughout the year, accompanied by rises in fuel prices, thereby exerting pressure on operating costs. Despite these challenges, LHC remained committed to cost management without compromising patient care, implementing automation, and reducing inefficiencies across its operations.



Profitability

The company experienced a decrease in finance income by 74% to Rs. 740 Mn, a notable decline from the previous year's figure of Rs. 2.9 Bn. This decline was primarily attributed to losses incurred from translations of foreign currency deposits. Consequently, the Profit Before Taxation witnessed a reduction of 53% to Rs. 1.9 Bn. Additionally, tax contributions for the year reached Rs. 564.7 Mn, leading to a post-tax profit decrease of 59% to Rs. 1.3 Bn. These financial indicators highlight the profound impact of the challenging market conditions and operational hurdles on the company's financial performance. Despite efforts to bolster revenue streams, the company faced significant headwinds in navigating the intricacies of the market and operational landscape, resulting in a notable decline in profitability after tax considerations.



Financial Position

The Group's total assets increased by 6% supported by investment in Property, Plant and Equipment, working capital and fixed deposits. To sustain its position as a frontrunner in the private healthcare sector the Group has continued to invest in upgrading its medical facilities. The allocation of Rs. 474 Mn for the year was strategically directed towards enhancing patient care through investments in cutting-edge medical equipment and technology. Fixed deposits, which are categorized under other financial assets, represented a significant portion of the company's total assets, comprising 43% of the overall asset portfolio.

This amounted to a sum of Rs. 6.9 Bn and serve as a stable and secure investment avenue for the Group.

As import restrictions eased, the necessity to maintain substantial inventory levels diminished, resulting in a decline in inventory by 12%.

The stability of the company's financial condition and funding profile persisted, underpinned by an equity base of Rs. 12.6 Bn, which supported 77% of the Group's total assets.



Cashflow

The Group's cashflow and liquidity position improved during the year, reflecting the overall recovery in operational activity.

The Group's operating cashflows strengthened significantly during the year, with a 88% increase. Net cash outflows from investing activities amounted to Rs. 207,266,041 with Rs. 802,782,969 of the total sum allocated towards acquiring property, plant, and equipment, reflecting the company's strategic investment in enhancing its operational infrastructure. Rs. 1,226,750,581 was received as interest income, representing a positive financial inflow generated from investments or cash holdings. The Group experienced a cash inflow of Rs. 526,082,995 over the course of the year. As a result, the Group had accumulated cash and cash equivalents totaling Rs. 709,847,255 by the end of the year.

HUMAN CAPITAL

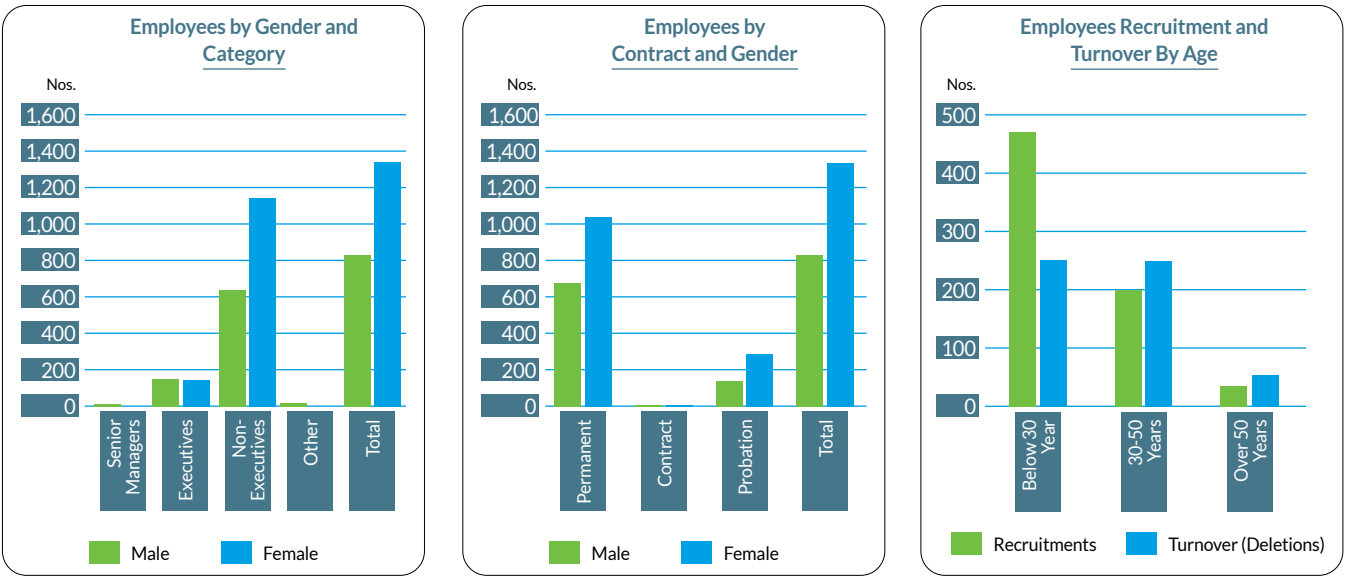


MANAGEMENT APPROACH

The Lanka Hospital Group is a preferred employer in Sri Lanka due to the recognition of its employer brand and the unique value propositions it provides to its employees. The Group has received numerous distinctions, including ‘Best Employer Brand’ and ‘Asia’s Best Employer Award,’ in recognition of its outstanding HR practices. The Group’s HR policy framework was created in compliance with industry best practices in human resource management, as well as applicable labour laws and regulations.

TEAM PROFILE

Lanka Hospitals is staffed by a team of 2,163 people, consisting of highly skilled medical officers, nurses, medical support personnel, and administrative staff. Given the doctor-centric nature of Sri Lanka’s healthcare industry, we continue to maintain our competitive advantage with the largest resident consultants base in the private sector, with a total of 38 resident consultants. We have a pool of 1,085 visiting consultants who are engaged through consultancy agreements. All employees are engaged on a full-time basis, while 79% of employees are in the permanent cadre.

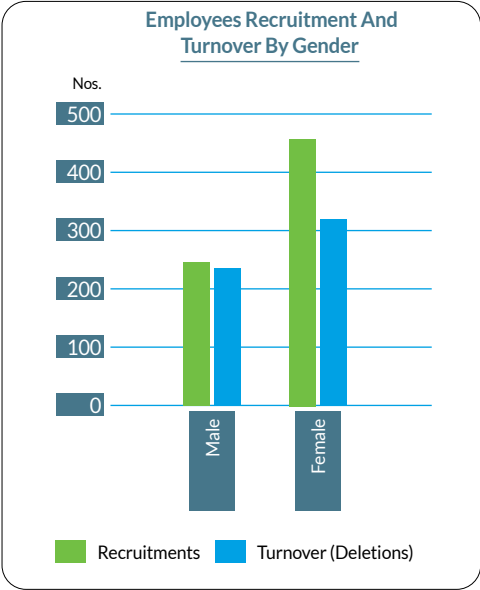


Movements in Team Profile

Throughout the year, we added 703 employees, the majority of whom were doctors, nurses, and administrative personnel. As a result of the nation’s ongoing economic difficulties, the past year brought about an unprecedented migration of talent. The Company’s emphasis on fortifying its Employer Brand by enhancing its employee value proposition has enabled it to attract and retain the country’s most talented individuals. The Lanka Hospital School of Nursing which offers training upto NVQ level 6 Higher National Diploma ensures a continuous flow of nursing staff, thereby consistently filling vacancies. The Lanka Hospitals Academy has expanded its course offerings to encompass a wide range of prerequisites, thereby consistently aiding the hospital in its personnel requirements.

Key Training Initiatives held during the Year Include the Following:

- ✔ Customer Service Excellence Training sessions
- ✔ Office 365 Application adoption sessions for all staff
- ✔ Business English - Effective communication skills
- ✔ Lean Practitioner Green Belt Program
- ✔ Work-Related Stress Management and Motivation Program



HUMAN CAPITAL

Strategy in 2023

Team Engagement

The Group focused its employee engagement efforts on establishing a healthy work environment through improved internal communication, growth opportunities, and the promotion of community and fellowship through recreational activities.

- ✓ We foster an environment of transparency and engage an ombudsman to provide avenues for individuals to voice their concerns.
- ✓ '60-minutes with HR' meeting commenced with a weekly visit to the hospital on Thursdays to collect employees' grievances and complaints pertaining to HR issues.
- ✓ We conduct focus group discussions with twenty employees from various departments to discuss their concerns, raise awareness of specific policies, and facilitate two-way communication.
- ✓ Managers and assistant managers participated in 'coffee with the EXCO' in order to strengthen relationships with the upper management.
- ✓ The Wellness Club actively coordinates a diverse array of religious and cultural events to foster a sense of community among employees

Employee benefits

The Group has a clear and equitable pay structure that is based on industry practices and is tied to prevailing market rates. A performance-driven culture is created by compensation and incentive systems designed to recognize and retain high-performing employees. A salary survey was conducted during the year to ensure our salary structures are in par with industry rates. We do not discriminate the pay structure on the basis of gender.

Despite the challenging operating climate, all workers received full salary, increments, and bonuses during the year.

The Group offers a host of benefits to employees as listed below:

- ✓ The implementation of the HR system during the year has resulted in enhanced information flow and a substantial reduction in paperwork.
- ✓ Medical insurance for employees and dependents
- ✓ Subsidized meals are provided and may be scheduled via the mobile app.
- ✓ Night transportation and hostel facilities provided for staff
- ✓ Psychological and Psychiatric assistance when required



Performance Management

The Group's Performance Management framework is intended to connect individual and team goals with the organization's overarching strategic objectives.

- ✔ All employees are covered by the performance management framework that clarifies job responsibilities and defines career paths for advancement.
- ✔ Clear and measurable objectives ensure employees are rewarded for both departmental and individual performance targets.
- ✔ Individual, departmental and organizational requirements are calibrated to create the performance management system, which is subsequently used in the development of the annual training calendar.
- ✔ Annual performance evaluations are conducted for all permanent employees, with feedback provided to motivate and recognize employees while identifying areas for improvement.



Training and Development

The Group's talent development is centered on structured training that utilizes internal and external resources to foster both personal and professional development. During annual performance reviews, training requirements are identified, and a master training plan for the year is developed with input from Divisional Heads. A comprehensive list of training programs conducted during the year are listed on page 35:

Invested **Rs. 4.12 Mn**
In training

Total Training Hours
29,185

Average **4**
training hours per employee



Diversity and Inclusion

We recognize the importance of cultivating an environment in which people from diverse backgrounds feel valued and motivated. As an equal-opportunity employer, we have developed a talent pool that is both age and gender diverse. Our HR policies and procedures reflect our dedication to providing all employees with equal opportunities and promoting an inclusive work environment.

Group's
Female Representation
62%

Females at managerial
level and above
43%

Female training hours
16,542

INTELLECTUAL CAPITAL

Due to the knowledge-intensive nature of the healthcare industry, tacit knowledge and organisational expertise are strategic assets that enable industry participants to differentiate themselves effectively. This level of expertise is maintained through the recruitment and retention of highly skilled professionals across all disciplines, who are backed by the most recent medical technologies.

Joint Commission International
(JCI) Accreditation (Version 7)

CAP Accreditation for the
Diagnostics arm

ISO 22000: 2005 (Food Safety
Management)

ISO 14001: Environmental
Management Systems



Value Creation in 2023

Our Expertise

By providing an extensive array of clinical services and adhering to a multitude of local and international accreditations, we have developed a reservoir of tacit knowledge.

Our patients have the privilege of utilising the most extensive pool of resident consultants in the private sector, as well as more than 1,085 visiting consultants of the highest calibre, who define the standard for proficiency, knowledge, and expertise in their field.

Knowledge sharing is enhanced within the Group through a combination of structured and on-the-job training programmes, alongside initiatives that promote employee engagement

Lanka Hospital has been granted numerous accreditations and certifications, all of which serve to augment the Group's knowledge base and hone our competitive advantage.

Safety Culture

The safety and welfare of our patients and employees is of the utmost importance to us as healthcare providers. Formalized policy frameworks, continuous training initiatives, and additional employee engagement mechanisms are employed to foster a culture that is focused on quality and safety throughout the Group. The development of these programs is in accordance with the Group's numerous accreditations and international best practices.

Listed below are some of the key aspects of the Group's safety culture:

- ✓ Patient safety program
- ✓ Emergency preparedness
- ✓ Fire safety program
- ✓ Hazardous material management program
- ✓ Infection control
- ✓ Radiation safety program

Innovation

Over the last decade, Lanka Hospitals has made substantial investments in the expansion of its infrastructure as well as the enhancement of its products and services to deliver healthcare that is in line with global medical technology breakthroughs. We have also played an important role in the country's strategy to ensure that all Sri Lankans have access to world-class medical care while being affordable and accessible.

MANUFACTURED CAPITAL

Manufactured capital is an essential element in our value creation process, encompassing hospital structures, theatres, beds, specialized hospital apparatus, laboratory and pharmacy networks, as well as the hospital's digital and IT infrastructure.

Key elements of our manufactured capital

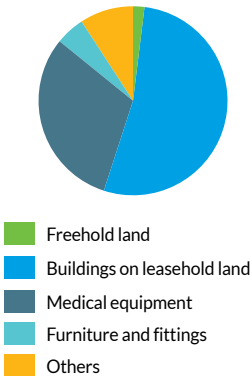


Medical Centres
4 Medical Centres

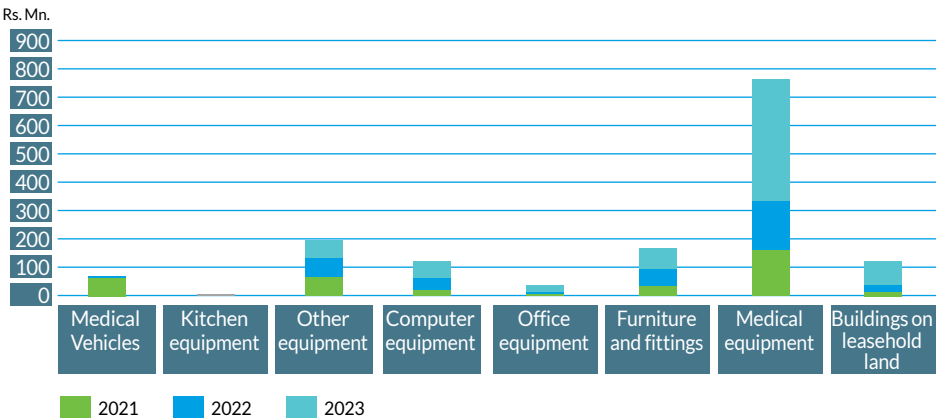
Pharmacy network
Over 26 pharmacy outlets

Laboratory facilities
60 No. of company owned
laboratory collection centres

Manufactured Capital



Capital Expenditure



Value Creation in 2023



Medical Technology

In order for the hospital to retain its competitive edge and continue to attract patients and consultants, it has been critical to make consistent investments in medical technology. Having allocated Rs. 474 Mn for the year, our investments have been meticulously targeted towards state-of-the-art medical equipment and technology with the intention of augmenting patient care. Principal investments consist of the following:

- ✓ Operating theatres were equipped with advanced eye microscope, Ethelyn Oxide Machine (ETO) for sterilization and C-Arm for advanced medical imaging during surgery.
- ✓ Latest state-of-the-art Echo Machine and IABP pump to manage cardiac patients.
- ✓ 3D 4K Laparoscopic system to minimize surgical times while enhancing patient safety and ensuring surgeon comfort.
- ✓ Latest hematological analyser for the hospital's internal blood bank.



Operational Excellence

In recent years, there has been a greater emphasis on developing process efficiencies across operations to meet the Group's ambitions of offering best-in-class services. Significant cost increases in the current economic environment have made strict cost management imperative to remain competitive in the market. A significant strategy for reducing waste across all operations has been to cultivate a cost-conscious culture via ongoing awareness and training initiatives.



Information Technology

Given the growing significance of information technology in advancing healthcare excellence, we have maintained our commitment to investing in the growth of the Group's IT infrastructure. Its primary objective is to improve the efficacy of hospital administration and fortify the systems and connectivity pertaining to patients.

- ✓ In order to streamline operational processes and establish automated workflows, the primary hospital information system was integrated with the HR and Finance information systems.
- ✓ With license plate recognition and minimal human intervention, a wholly automated vehicle parking management system has been implemented for the parking lot.
- ✓ A laboratory mobile application is scheduled for release in the near future, and the integration of laboratory systems will contribute to the hospital's culture of data-driven decision making.

SOCIAL AND RELATIONSHIP CAPITAL

By fostering strong relationships both within and between communities, stakeholder groups, and other networks, we are able to facilitate the exchange of information, which not only improves the well-being of individuals and the collective but also provides us the social license to operate.



Customers



Customer loyalty is a critical factor in maintaining brand integrity within the healthcare sector, as it promotes increased customer attraction and retention.

We continue to enhance the patient experience through the development of stronger coordination and communication, as well as the cultivation of compassion among individual carers and teams.

International patients receive expert care at the “International Patient Care Centre.” Lanka Hospitals, being a JCI accredited hospital, provides each international patient with a customised multidisciplinary plan of action, easy clinical logistics, a comprehensive education plan for the patient and their family, and clear communication with the patient’s insurance company.

We rely on patient feedback to make continuous improvements to our services, and have a structured mechanism to obtain such feedback.



Lanka Hospitals is dedicated to maintaining secure platforms for the storage of all patient-related information, such as diagnostic summaries, investigations, and medical records. The Medical Records Department safeguards patient records in a password-protected, isolated database with restricted access.

Programmes such as ‘Planned and Unplanned Downtime,’ ‘Hospital Security,’ ‘Safe Physical Facility,’ and ‘Staff Health and Safety’ have also been adopted, which have contributed to a low incidence of patient complaints.

The Group takes measures to address substantiated complaints regarding violations of customer privacy. Complaints received from regulatory bodies, including the Private Health Services Regulatory Council and the Ministry of Health, are addressed directly by the Group’s Director of Medical Services.

There were no substantiated complaints regarding the breach of consumer privacy throughout the course of the year.



A comprehensive system of Standard Operating Procedures, which includes, among others, patient safety programs, laboratory safety programs, and infection control programs, is in place to foster a culture of safety.

Quality circles comprised of employees from various categories and grades are in place at the department level to identify areas for additional quality improvements.

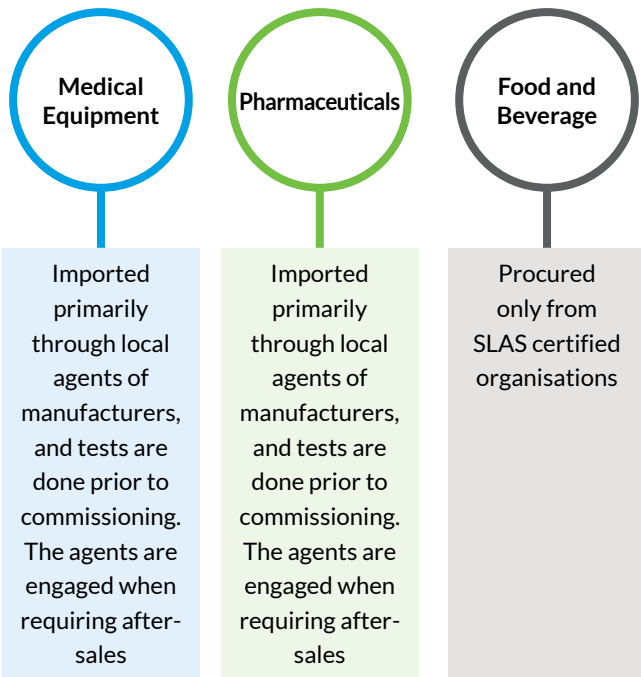
In conjunction with the JCI accreditation, chapter champions have been designated for each chapter preceding the accreditation to ensure adherence to all standards. A specialized Quality Steering Committee, to which the chapter champions report, is tasked with the enforcement and oversight of all quality standards throughout the hospital.

SOCIAL AND RELATIONSHIP CAPITAL

Suppliers

For its hospital, diagnostic and pharmacy operations, Lanka Hospitals procures a vast array of products, including medical equipment, pharmaceuticals, food and beverages, and maintenance equipment. The Group complies with National Procurement Guidelines, and it is the responsibility of the Procurement Committee, comprised of the board of directors and management team representatives, to ensure that the pertinent adherence to policy framework.

Quality Assurance in Procurement: Maintaining high standards for the quality of items sourced is imperative in our line of operations. In order to guarantee the quality requirements are met, we have established specific procedures and guidelines in place for procurement.



Supplier Assessment: Prospective suppliers are required to submit an evaluation form, which requests information pertaining to their financial stability, quality assessment, and ethical practices. The annual supplier evaluation process

includes an assessment of the environmental and social practices carried out by existing suppliers.

Financial Stability	Quality	Ethics
✓ Financial position ✓ Liquidity ✓ Debt levels ✓ Profitability	✓ Policy on product/ service quality ✓ Quality assurance/ control mechanisms ✓ Quality certifications	✓ Discrimination ✓ Environmental practices ✓ Honesty and Fairness ✓ Child labour ✓ Health and Safety

Supplier Audits: Routine supplier audits are performed to verify that the manufacturing process, product quality, and social and environmental practices implemented by suppliers conform to our standards. In instances where these expectations are not fulfilled, corrective action is implemented in close collaboration with our suppliers.

Corporate Social Responsibility

As a conscientious corporate entity we have developed a unique rapport with the communities we serve and aim to effect meaningful change and uplift vulnerable segments of society.

Skill development through the Nursing School

The Group actively plays a role in the empowerment and skill development of the youth of the nation by means of its dedicated Nurses Training School (LHNTS). Numerous pupils from outside the Western Province are enrolled in the programs offered by the Nursing School, thereby contributing directly to regional socioeconomic development. Approximately 65 students are chosen on an annual basis to complete a three-year programme of intensive theoretical and clinical training, culminating in the award of a Diploma in Nursing. All facilities are made available to students, including lodging and meals.

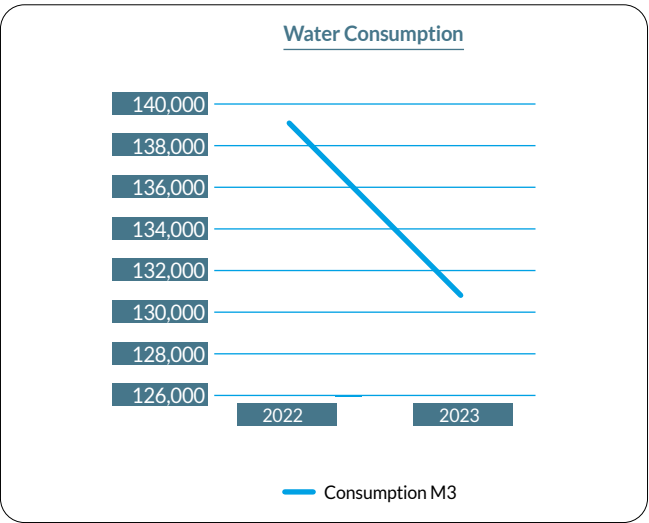
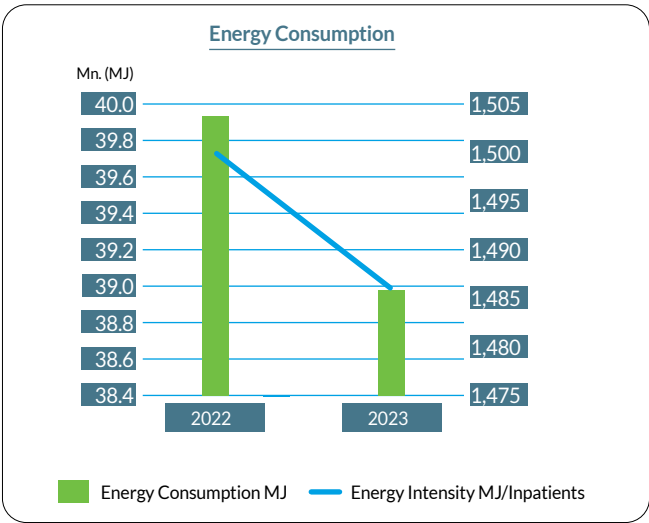
NATURAL CAPITAL

Lanka Hospitals is dedicated to delivering healthcare services in an environmentally sustainable manner and are mindful of our obligation to mitigate negative environmental impacts. Consequently, we have implemented initiatives to minimize carbon emissions, ensure responsible disposal of hazardous material, and conserve energy and water.

MANAGEMENT APPROACH

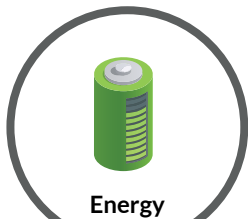
While our organization has a comparatively minimal direct environmental impact, as a conscientious corporate entity we are dedicated to carrying out our operations sustainably, to minimize any negative impacts on the environment. In accordance with international best practices, Lanka Hospitals strives in numerous ways to conserve energy and water, dispose of hazardous waste responsibly, and reduce carbon emissions. Lanka Hospitals adheres to ISO 14001, an environmental management system that aids in the identification, management, monitoring, and control of environmental concerns in a comprehensive manner. It takes into account all environmental concerns that are important to our operations, such as air pollution, water and sewage issues, waste management, resource utilization, and efficiency.

Natural Capital		2023	2022	Y-O-Y %
Energy consumption	MJ	38,980,628	39,920,661	-2%
Energy intensity	MJ/Inpatients	1487	1500	-1%
Water usage	MI	130.777	139.118	-6%
Water discharged	MI	118.8	126.37	-6%
Solid waste	MTs	216	207	4%
Medical waste	MTs	155	163	-5%
Carbon footprint	tCO2e	3816	3885	-2%
Emission intensity	KgCO2e/Inpatients	145.56	146.04	-0.3%



NATURAL CAPITAL

Value Creation in 2023



Energy

While the national grid is the sole provider of energy for our energy requirements, it is the predominant source of carbon emissions in our operations.

- ✓ During the year there was a 2% decrease in energy consumption.
- ✓ Energy intensity (defined as energy usage per inpatient) decreased by 1% to 39,920,661 MJ.

Significant energy initiatives throughout the year include:

- ✓ Promoting employee consciousness regarding energy conservation.
- ✓ Adherence to the energy audit's recommendations concerning energy conservation.



Water

Water is vital to the operations of Lanka Hospitals, and its consumption is closely monitored. During the year, water consumption increased by 6% to 131 MI. Several strategies have been implemented to reduce water usage including:

- ✓ Installation of sensor taps
- ✓ An incident reporting system designed to detect leakages
- ✓ Employee education and awareness-raising regarding the significance of water conservation



Waste and Effluents

Paper, cardboard, and plastic cans constitute the majority of the solid waste produced by our operations. These are segregated at the point of origin and delivered to Central Environmental Authority-approved third-party recyclers.

Toxic waste discharge is unavoidable due to the nature of our operations; however, precautions have been taken to guarantee the safe and responsible disposal of every form of waste. Before disposal, the hazardous waste is treated and transported to an approved third-party recycler for incineration.



Carbon Footprint

The assessment of emissions is conducted in accordance with the Greenhouse Gas Protocol, which is administered by the World Business Council for Sustainable Development and the World Resource Institute (WRI). The emission factors were calculated in accordance with the IPCC's National Greenhouse Gas Inventories Guidelines.

During the year, the Group's total carbon footprint decreased by 2%, while the emission intensity factor (defined as carbon footprint/inpatients) decreased by 0.3%.

Waste Management

Total Medical Waste	155 Mt
Incinerated	100 %



**“OUR FLEET OF EMERGENCY
VEHICLES ARE EVER READY TO
ASSIST AND ARE EQUIPPED WITH
THE BEST EMERGENCY MEDICAL
NEEDS, ENSURING CARE AT EVERY
STAGE.”**

BOARD OF DIRECTORS



Vidya Jyothi
Dr. Bandula Wijesiriwardena
Chairman

Mr. Mayura Fernando
Deputy Chairman

Mr. Ronald C Perera, PC
Director



Dr. Ravindra Ruberu
Director

Dr. Kanishka Karunaratne
Director

Mr. Kushan De Alwis, PC
Director

BOARD OF DIRECTORS



Ms. Lakshmi Sangakkara
Director

Mr. Nadun Fernando
Director

Ms. Richa Singh Debgupta
Director



Mr. Kasun Rajapaksa
Director

Dr. Abinaya Alagarasan
Director

Mr. Ashish Bhatia
Director

BOARD OF DIRECTORS

Vidya Jyothi

Dr. Bandula Chandranath Wijesiriwardena

MBBS Colombo, MD Colombo, MRCP UK, FACP, FRACP (Hon), FCMSA (Hon)

Skills and experience: Dr. Bandula Chandranath Wijesiriwardena has had a distinguished career as a consultant physician in internal medicine in the government and private sectors. In his illustrious career of 33 years in the government service (29 of which was as a consultant), he has served many parts of Sri Lanka, balancing his obligations as a consultant physician - both in the state and private sector - with an active academic career.

He has served as the Chief Examiner for MD (Medicine) at the Postgraduate Institute of Medicine (PGIM). He has contributed to the development of the country's medical sector through his Presidency of the Ceylon College of Physicians in 2005. Through the College, Dr. Wijesiriwardena pioneered the introduction of Clinical Practice Guidelines, which were subsequently used island wide with the approval of the Ministry of Health. He has taught and mentored numerous undergraduates from the Faculties of Medicine Kelaniya, Sri Jayewardenepura and Colombo and trained postgraduates from the PGIM, Colombo, thereby nurturing the next generation of Sri Lankan medical professionals. He has many publications in both national and international peer reviewed journals. Dr. Wijesiriwardena received a Presidential Award in the year 2000 for his clinical research.

After retirement from government service, Dr. Wijesiriwardena served in the private sector and is currently engaged as a consultant physician at Durdans Medical and Surgical Hospital, Colombo and served on the Board from 2017 to 2019. He was a Director, Board of Directors, The Lanka Hospitals Corporation PLC from February 2012 to February 2015.

In recognition of his contribution to the field of medicine, Dr. Wijesiriwardena was awarded honorary fellowships by the Royal Australasian College of Physicians and the Colleges of Medicine of South Africa. He is also a Fellow of the Ceylon College of Physicians and the American College of Physicians. Dr. Wijesiriwardena was awarded the National Title Vidya Jyothi in 2019 for his pioneering work in introducing Clinical Practice guidelines.

Mr. Mayura Fernando

Skills and experience: A finance professional, Mr. Fernando has held numerous Board and executive leadership positions in a range of financial and non-financial institutions. He is a Fellow Member of CA Sri Lanka, a Fellow Member of the Chartered Institute of Management Accountants UK and holds a Bachelor of Science (Applied Science) Degree from the University of Sri Jayawardenapura.

Current appointments:

Independent Non-Executive Director of Laugfs Gas PLC, Laugfs Power PLC, Laugfs ECO Sri Ltd, Laugfs Leisure Ltd, Reach Asia Leisure Ltd, Evoke International Ltd, K Seeds Investments (Pvt) Ltd, and Renuka Hotels PLC.

Previous appointments:

- ✓ CEO of Orient Finance PLC
- ✓ Director/CEO of Laugfs Capital Ltd
- ✓ Director/CEO of Softlogic Finance PLC
- ✓ Managing Director of Capital Reach Holdings Ltd
- ✓ Director Finance- Asian Region of Virtusa
- ✓ Group Finance Director of Confifi Group
- ✓ Senior Vice President of Vanik and Forbes Ceylon Group
- ✓ Partner at Ford Rhodes Thornton & Company

Mr. Ronald C Perera, PC

Chairman, Sri Lanka Insurance Corporation Ltd

Mr. Perera is an LLB graduate from the University of Colombo and holds an LLM in International Trade Law from Northumbria University. He is an alumnus of St. Joseph's College, Colombo where he completed his primary and secondary education.

Skills and experience:

- ✓ Mr. Perera is an experienced lawyer with a broad practice in the original courts as well as in the Court of Appeal and Supreme Court.
- ✓ He has experience in Civil and Criminal litigation, negotiation and drafting of commercial contracts.
- ✓ He has specialized in Commercial Law, Banking Law, Industrial Law, Injunctions, Defamation, Election petitions, Civil Appeals, Revision Applications, Writ Applications, and Fundamental Rights Cases.

- ✓ Additionally, he has appeared in several Commercial Arbitrations as well. He has also challenged the validity of several bills before the Supreme Court.

Current appointments:

Mr. Ronald Perera assumed duties on 3rd of August 2022 as the Chairman of Sri Lanka Insurance, the largest and strongest insurer in Sri Lanka.

Previous appointments:

- ✓ Appointed as the President's council in 2012
- ✓ Chairman of the Bank of Ceylon from January 2015 till November 2019 and was instrumental in shaping BOC as a major player in the financial sector.

Dr. Ravindra Ruberu

Skills and experience: A Board-Certified, Consultant ENT surgeon, Dr. Ruberu has held numerous medical and medical administration positions in both the government and private health sectors. He obtained his MBBS Degree from the Faculty of Medicine, University of Colombo and his Master of Surgery MS Degree from the Postgraduate Institute of Medicine, University of Colombo, and the FRCS from the Royal College of Surgeons of England. He also holds a MBA in Health Care from Sikkim Manipal University, Manipal, India. He is also a Fellow of the College of Surgeons of Sri Lanka and a Fellow of the College of Otorhinolaryngologists and Head & Neck Surgeons of Sri Lanka.

Previous appointments:

- ✓ Secretary - Ministry of Health
- ✓ Secretary - Ministry of Civil Aviation
- ✓ Consultant ENT Surgeon at Teaching Hospital Ragama, Teaching Hospital Karapitiya and The National Hospital of Sri Lanka, Colombo
- ✓ Chairman - Board of study in Otorhinolaryngology, Postgraduate Institute of Medicine, University of Colombo
- ✓ President - Association of Otolaryngologists of Sri Lanka
- ✓ President - College of Otorhinolaryngologists and Head & Neck Surgeons of Sri Lanka
- ✓ Vice president - SAARC Association of Otolaryngologists
- ✓ Member - Faculty Board, Faculty of Medicine, University of Ruhuna

Dr. Kanishka Karunaratne

MBBS, MS (Obs & Gynae), MRCOG, FRCS (Ed.), FRCOG (UK).

Skills and experience: Dr. Karunaratne is a Consultant Gynecological Oncological Surgeon and served as the former Director at National Cancer Institute, Maharagama, Sri Lanka. He is a member of the South Asian Federation of Obstetrics and Gynecology (SAFOG), a Member of the Asia Oceanic Federation of Obstetricians and Gynecologists (AOFCOG), a member of the International Gynecological Cancer Society (IGCS) USA, a Member of Asia-Oceania Research Organisation in Genital Infection and Neoplasia (AOGIN). He is also a Hon.Fellow of Sri Lanka College of Surgeons, Hon.Fellow of Sri Lanka College of Obstetricians and Gynecologists, President of the Sri Lanka College of Obstetricians and Gynecologists. He is also a Fellow of Sri Lanka College of Oncologists, Member of the Sri Lanka Medical Association, a Member of Menopause Society of Sri Lanka, Member of the National Cancer Control Programme in Sri Lanka, a Member of the Task force in National Pap smear programme and Colonoscopy, United Nations Family Planning Association, a Member of the British Society of Oncologists and a Member of the American Society of Gynecological Cancer. Dr. Karunaratne currently works as a Senior Lecturer in Obstetrics and Gynecology in the Medical Faculty of University of Colombo.

Previous appointment:

Director of The Lanka Hospitals Corporation PLC from November 2013 to 2014.

Mr. Kushan D'Alwis, President's Counsel

Mr. Kushan D'Alwis took oaths as an Attorney-at-Law in the year 1985 and is in active practice for over a period of 37 years. He was conferred Silk and took oaths as President's Counsel in November 2012.

The areas of specialization of Mr. D'Alwis are civil, corporate, commercial and administrative law in both the Original and Appellate Courts. Further, he has been actively involved in alternate dispute resolution mechanisms such as arbitrations, advising on corporate legal matters, regulatory frameworks, compliance requirements and legal due diligence.

BOARD OF DIRECTORS

Mr. D' Alwis was a Member of the Law Commission of Sri Lanka from 2011 to 2015. He was also a Member of the Panel of Legal Advisers to the Tax Appeals Commission. He has served as a Member of the Public Representations Committee on Constitutional Reform appointed by the Cabinet of Ministers. He has also served as the Vice Chairman of the Civil Aviation Authority of Sri Lanka.

Mr. D'Alwis served as the Chairman of the Office of the National Unity and Reconciliation (ONUR) of Sri Lanka and was also a Director of the Colombo Lotus Tower Management Company (Pvt) Ltd and a Member of the Financial System Stability Consultative Committee of the Central Bank of Sri Lanka.

He also served as a Member of the Board of Investment of Sri Lanka.

Mr. D' Alwis served as a Member of the Committee appointed by His Excellency the President to reformulate the guidelines with regard to the appointment of President's Counsel. He was also a Member of the Committee appointed by the Ministry of Defence to review the Issuance of Frequency Permits for Television & Radio Broadcasting and related procedures.

Mr. D' Alwis is currently a Member of the Board of Directors of Lanka Hospitals Corporation PLC and National Development Bank PLC, which are listed companies in Colombo Stock Exchange.

Ms. Lakshmi Sangakkara

Skills and experience: Ms. Sangakkara has multi-faceted experience as a Director in the banking, apparels, and airline sectors. She is an Attorney-at-law by profession and an entrepreneur.

Previous appointments:

- ✓ Director of People's Bank including Actg. Chairperson for 2 weeks
- ✓ Director of Sri Lankan Airlines
- ✓ Director of People's Leasing Fleet Management

- ✓ Director of People's Merchant and Finance
- ✓ Director and Working Partner of Sellers Sportswear (Pvt) Ltd and Ronbro Garmets (Pvt) Ltd

Mr. Nadun Fernando

Skills and experience: A finance professional with over 29 years' experience, including 19 years at senior management and strategic level positions. He is a member of the Brandix Apparel Board responsible for Operations and Engineering across Sri Lanka, India, Bangladesh and Haiti. He is a Fellow Member of CA Sri Lanka and holds a Bachelor of Science in Business Administration from the University of Sri Jayawardenapura.

Ms. Richa Debgupta

Skills and experience: Ms. Richa is Chief of Strategy & Operations at Fortis Healthcare, India's second largest healthcare provider with a network of 28 hospitals across the country. She is also a member of the Executive Committee responsible for guiding various initiatives for Fortis group. She played a crucial role in enabling two of the largest acquisitions in healthcare sector.

Ms. Richa has completed her master's Program in Hospital Management from the prestigious Indian Institute of Healthcare Management Research, Jaipur and advance management program from Indian Schools of Business (ISB), Hyderabad. She has twenty-four years of experience as a Healthcare Management Professional. Over the years she has worked in setting up different healthcare format ranging from mother & child, single super specialty to multi-speciality and quaternary care hospitals.

Ms. Richa is an active member on various healthcare industry forums in India such as CII, FICCI, AHPI & ICC. She is recipient of award from President of India for running most energy efficient hospital across the country in 2013. She has also been conferred as Best Women Healthcare Leader by ABP news, one of the leading news channel in India. She has been conferred as "Women of Impact" 2023 by FICCI (Federation of Indian Chambers of Commerce & Industries) ladies wing.

Mr. Kasun Rajapaksa

Skills and experience: He has diverse and multi-faceted corporate experience, counting over 20 years in the family business- DSI Samson Group (Pvt) Ltd, Sri Lanka's leading manufacturer of footwear and bicycle tyres. He holds an undergraduate degree in Finance and Management Information Systems from the Deakin University, Melbourne and has successfully completed the Certification program of the Sri Lanka Institute of Directors (SLID).

Current appointments:

- ✓ Group Managing Director of DSI Samson Group (Pvt) Ltd
- ✓ Managing Director of D. Samson Industries (Pvt) Ltd, Samson Compounds (Pvt) Ltd and Primo (Pvt) Ltd
- ✓ Member of the Export Development Board (EDB) Footwear Sector and Executive Committee Member of Sri Lanka Footwear Association (SLFA)
- ✓ Vice Chairman of Ceylon National Chamber of Industries (CNCI)
- ✓ Member of the General Assembly of South Asian Association for Regional Cooperation in Chamber of Commerce and Industry (SAARC CCI).
- ✓ Member of the Multi Stakeholder Technical Committee of the National Eco Labeling Framework (NELF)

Previous appointments:

- ✓ Chairman of Chamber of Young Lankan Entrepreneurs (COYLE)
- ✓ Member of the Board of Management of the National Apprentice and Industrial Training Authority Sri Lanka (NAITA)

Dr. Abinaya Alagarasan

Dr Abinaya Alagarasan holds a Bachelor of Medicine and Bachelor of surgery (M.B.B.S) from Sri Ramachandra University, India. She is also a Doctor of Internal Medicine (M.D) from Pondicherry University, India.

Skills and experience:

Dr. Alagarasan initially trained under Professor Dr. Alagarasan who was the Head of the Cardiology Department in Tanjore Medical College as well as the Consultant Physician at the

Vinodhagan Memorial Hospital. (P) Ltd, India and Heart care Centre, India .

She has also trained at the critical care at the Apollo Hospital in Chennai.

She was later attached to The Lanka Hospitals Corporation PLC as the Registrar at ICU and currently a Consultant Resident Physician at the ICU of Lanka Hospitals Corporation PLC.

Mr. Ashish Bhatia

Skills and experience: He has over 40 years of multi-disciplinary experience in healthcare management and marketing among others. Associated with the Fortis Group since 2002, he has held many leadership positions within the organisation, creating many successful businesses and powerful teams across the Fortis network.

He is an alumnus of the Lawrence School, Sanawar.

Current appointments:

- ✓ Executive Vice President, Fortis Healthcare Ltd.

Previous appointments:

- ✓ Vice President-Marketing at Hero Motors
- ✓ Many leadership positions in the Fortis Healthcare Group.

Ms. Roshini Cabraal

Skills and experience: A finance professional with over 30 years' experience, Ms.Cabraal has served in several sectors including Insurance, Travel, Finance and Education. She qualified as a Chartered Accountant in 1979, obtaining her fellowship in 1997, and subsequently obtaining fellowship in the Society of Certified Management Accountants of Sri Lanka in 2001. A significant part of her professional career was at James Finlay & Co (Colombo) Ltd, in the consultancy division of KPMG Ford Rhodes Thornton & Co and at International Education Systems (Pvt) Ltd where she was also on the Board of Management of the British School in Colombo. She also served as the Head of Consultancy at Capital Reach Holdings Ltd. She resigned from her position on 27th March 2023.

EXCO MEMBERS



1. Deepthi Lokuarachchi

Group Chief Executive Officer

2. Dr. Lasantha Karunasekara

Director Medical Services/Deputy Chief Executive Officer

3. Dr. Deepthi De Silva

Deputy Director Medical Services

4. Dr. Geethani Galagoda

Head of Laboratories

5. Nimal Ratnayake

Chief Marketing Officer



6. Wickramasiri
Group Chief Financial Officer

7. Dhanushka Adikari
Group Chief Human Resources Officer

8. Mohamed Nizwer
Group Head of Internal Audit

9. Sampath Wijesooriya
Group Chief Operations Officer

10. Kanishka Kulasekera
Group Chief Information Officer

CORPORATE GOVERNANCE

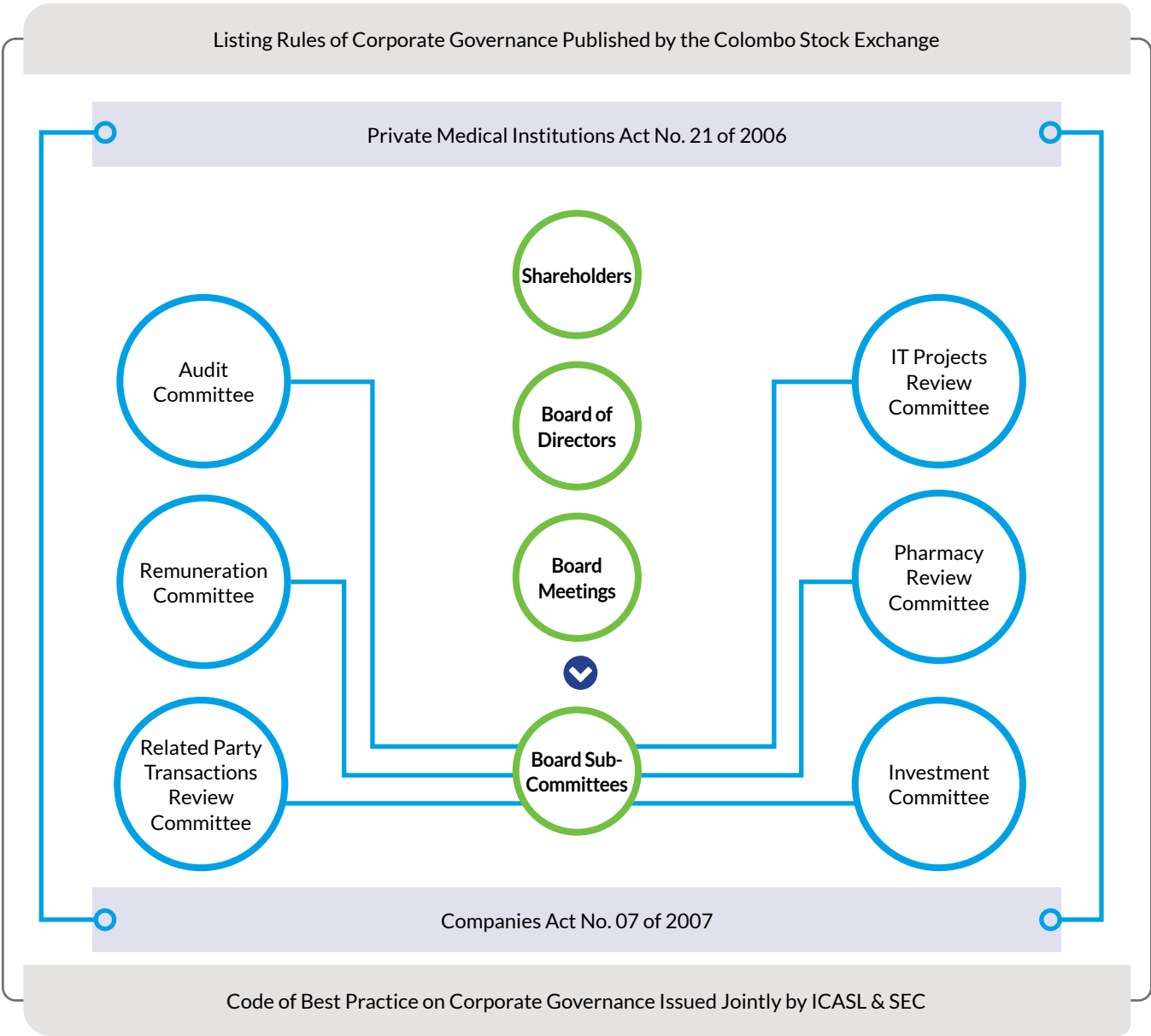
The Group creates value by adhering to strong corporate governance practices, upholding principles of transparency, integrity, accountability and due care. The governance framework has been designed to meet the needs of the Group's various stakeholders, the industry it operates in, the critical nature and urgency of the services provided, its role as a state-owned enterprise, its value chain and external environment. The Group's governance systems, policies and procedures have been developed in accordance with the following mandatory and voluntary frameworks and industry and international best practices. The Board reviews its governance structures and processes to ensure that they are updated to comply with new regulatory requirements and other developments.

In 2023, the Colombo Stock Exchange issued the Listing Rule 9 on Corporate Governance which all listed entities need to comply with in stages, moving to full compliance by 1st October 2024. Additionally, the Institute of Chartered Accountants issued a revised Code of Best Practice on Corporate Governance in December 2023. The Board reviewed the Listing Rule 9 and is adopting a phased approach to compliance in line with the transition provisions. Compliance with the revised Code will be reviewed in 2024.

 Regulatory Requirements	 Voluntary Standards	 Internal Instruments	 Internal Mechanisms
✓ Companies Act. No 7 of 2007 ✓ Continuing listing requirements of the Colombo Stock Exchange	✓ Code of Best Practice on Corporate Governance issued by CA Sri Lanka (2017)	✓ Articles of Association ✓ Board and Sub-Committees Charters ✓ Code of Ethics ✓ Internal controls systems ✓ Comprehensive policy framework	✓ Strategic planning ✓ Certifications and accreditations ✓ Quality management ✓ Investor relations ✓ Integrated risk management ✓ Budgeting and Finance

Governance Structure

A well-established governance structure enables careful delegation, creating responsibility throughout the organisation. Different levels of governance bodies with clear roles and responsibilities ensure the proper separation of functions. The Board has the assistance of 3 mandatory sub-committees as required by Listing Rule 9 as shown below.



CORPORATE GOVERNANCE

The roles and responsibilities of the sub-committees are defined in the respective Committee charters, and are summarised below.

Committee	Responsibilities	Composition	Chairman
Audit	Review the financial reporting process, internal controls and audit function to ensure the integrity of the financial statements.	Mr. Mayura Fernando Dr. Kanishka Karunaratne Dr. Abinaya Alagarasan	Mr. Mayura Fernando
Remuneration	Assist the Board in the establishment of remuneration policies and practices.	Mr. Nadun Fernando Dr. Ravindra Ruberu Mr. Kasun Rajapakse	Mr. Nadun Fernando
Related Party Transactions Review	Review the inter related transactions of the cluster while ensuring the existence of arm's length price.	Mrs. Lakshmi Sangakkara Mr. Kushan De Alwis PC Mr. Mayura Fernando	Mrs. Lakshmi Sangakkara
IT Projects Review Committee	Review the ongoing IT Projects and provide strategic directions to the management.	Mr. Kasun Rajapakse Mr. Mayura Fernando	Mr. Kasun Rajapakse
Pharmacy Review Committee	Review the operations of existing retail pharmacy chain and provide strategic directions to the management.	Dr. Kanishka Karunaratne Dr. Ravindra Ruberu	Dr. Kanishka Karunaratne
Investment	Ensure the highest return, associate with the tolerable risk level to maximise the company wealth.	Dr. Bandula Wijesiriwardena Mr. Nadun Fernando	Dr. Bandula Wijesiriwardena

A Competent Board

The Board of Directors is the Group's highest governing authority and its role is to set the Group's strategic direction, ensure risks are controlled within the established risk tolerance and create long-term value for stakeholders. The Board had 12 Directors at the end of December 2023, who all serve as Non-executive Directors; 8 of them are Independent Directors. The directors have a wide range of experience from different industries, backgrounds and skills, which have enhanced the quality of discussions and improved the Group's decision making. There is also a clear distinction between the responsibilities of the Board and the executive responsibility of managing the business.

Roles and Responsibilities of the Board

The roles and responsibilities of the Board of Directors are set out in the Board Charter and Articles of Association. The

Board of Directors is responsible for setting the strategic direction and holds overall accountability for the Group's stewardship function. The Board's primary roles and responsibilities include,

- ✓ Providing direction for Group's medium and long-term strategy and review and approval of the same
- ✓ Ensuring the adequacy and effectiveness of the Group's internal controls and risk management practices
- ✓ Formulating policy frameworks to ensure compliance with relevant statutory requirements and industry best practices
- ✓ Ensuring that key management personnel and the management team have the required skills, experience and knowledge to implement strategy

Board Appointments, Retirements, Resignations and Re-election

During the year, 1 Director resigned from the Board while 1 new Director was appointed. Resignations and appointments of new directors are promptly communicated to the CSE and shareholders. The communication regarding the appointment of a Director would typically include a brief profile on the skills, qualifications and industry experience of the Director.

As per the Articles of Association, 1/3 Directors will offer themselves for re-election at the AGM, depending on those who have held office for the longest time period since the election/re-appointment. In accordance with this provision, the following directors retire and offer themselves for re-election:

- ✔ Appointment of Dr. Abinaya Alagarasan as a Non Independent Non-Executive Director
- ✔ Appointment of Mr. Mayura Fernando as Deputy Chairman
- ✔ Resignation of Mrs. Roshini Cabraal as Independent Non-Executive Director

Board Independence

Independence of the Directors have been determined in accordance with the Continuing Listing Rules of the CSE and all 8 independent, non-executive Board members have submitted signed declarations of their independence.

	Name of Director	Shareholding	Management / Director ¹	Material Business Relationship ²	Employee of Company	Family Member a Director or CEO	Nine Years of Continuous Service
<i>Non - Executive Independent Directors</i>							
1.	Dr. Bandula Wijesiriwardena	None	Director	None	None	None	None
2.	Mr. Mayura Fernando	Note 01	Director	None	None	None	None
3.	Dr. Ravindra Ruberu	None	Director	None	None	None	None
4.	Mr. Nadun Fernando	None	Director	None	None	None	None
5.	Dr. Kanishka Karunaratne	None	Director	None	None	None	None
6.	Mrs. Lakshmi Sangakkara	None	Director	None	None	None	None
7.	Mr. Kushan De Alwis PC	None	Director	None	None	None	None
8.	Mr. Kasun Rajapaksa	None	Director	None	None	None	None
9.	Mrs. Roshini Cabraal (Resigned on 27th March 2023)	None	Director	None	None	None	None
<i>Non - Executive Non-Independent Directors</i>							
1.	Mr. Ronald C Perera PC	None	Director	Note 02	None	None	None
2.	Dr. Abinaya Alagarasan Appointed w.e.f. 28.03.2023	None	Director	Note 03	None	None	None
3.	Mr. Ashish Bhatia	None	Director	Note 04	None	None	None
4.	Mrs. Richa Debgupta	None	Director	Note 04	None	None	None

Note 01 - Holds 500 shares of LHC

Note 02 - Chairman of Sri Lanka Insurance Corporation Limited, which is the parent company.

Note 03 - Employed by the Company during the period of three years immediately preceeding appointment as a director.

Note 04 - Appointed by Fortis Global Healthcare Holdings Pte Ltd, which has shareholding of 28.66%.

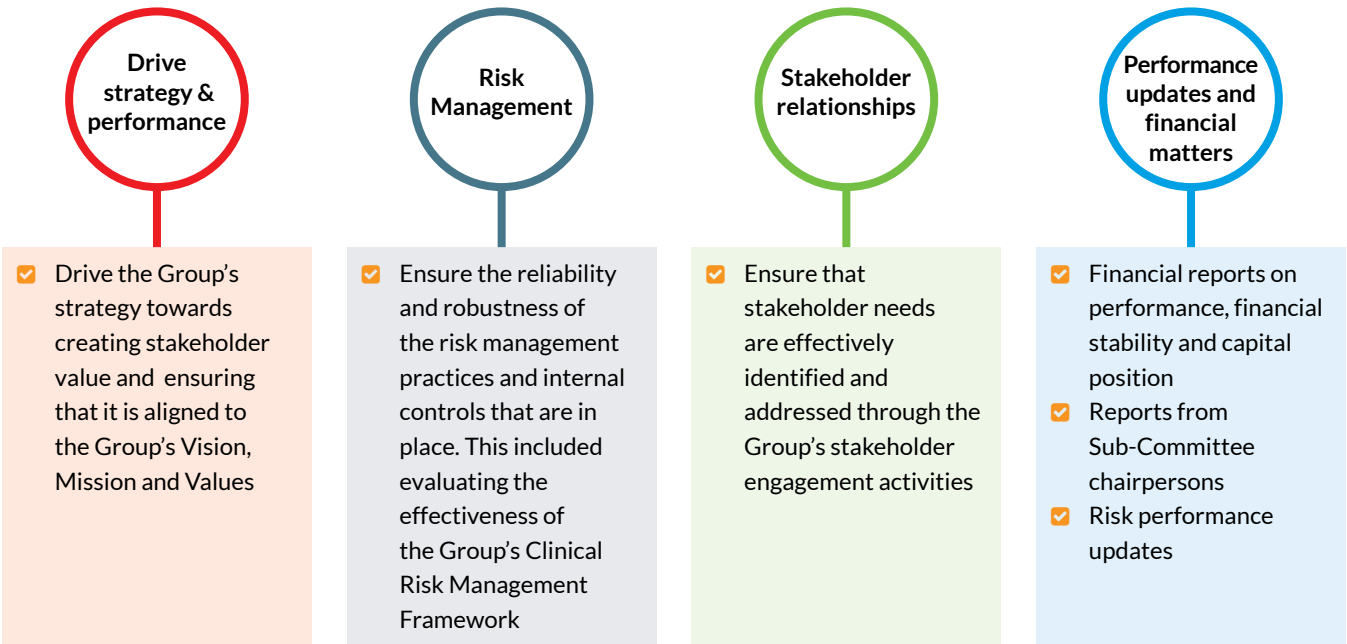
CORPORATE GOVERNANCE

Board Procedures

All Directors have access to the Group’s Company Secretary, Deloitte Corporate Services (Private) Limited, who is responsible for ensuring that Board procedures are followed and that all applicable rules and regulations are complied with. The Board acts in accordance with the applicable laws and regulations. The Board and the Audit Committee receive statements of compliance on recurrent statutory requirements from management on a quarterly basis in this regard.

Access to information

Measures are in place to ensure that Directors receive accurate, timely and comprehensive information required to discharge their duties. Quantitative and qualitative information provided includes monthly financial performance reports, minutes of review meetings and stakeholder relationships which are furnished to all Directors at least 7 days prior to Board/Sub-Committee meetings. Directors also have open access to the Executive management to obtain further information that could be required.



Board Meetings and Attendance

The Board meets at least on a monthly basis and convened 13 times during the year. Meeting agendas and Board papers are circulated to all Board members electronically prior to Board and sub-committee meetings, providing adequate time for preparation. The Board sub-committees convened 23 times in total during the year. Board meetings and Sub-committee meetings are scheduled well in advance and Board agendas and papers are circulated at least 7 days prior to the meeting to enable Directors to prepare adequately.

Attendance and Board and Sub-Committee Meetings in 2023

Director	Board Meeting	Audit Committee	Remuneration Committee	Related party transactions Review Committee	IT Project Review Committee	Pharmacy Operation Review Committee
Dr. B. Wijesiriwardhana –(INED) Chairman	13/13					
Mr. M. Fernando –(INED) Deputy Chairman	13/13	8/8		4/4	3/3	
Mrs. R. S. Debgupta (NED)	04/13					
Mr. A. Bhatia (NED)	09/13					
Dr. R. Ruberu (INED)	11/13		4/4			4/4
Ms. L. K. Sangakkara (INED)	13/13			4/4		
Mr. K. De Alwis PC (INED)	11/13			4/4		
Mr. M. N. K. Fernando (INED)	11/13		4/4			
Dr. N. L. K. G. Karunaratne(INED)	08/13	7/8				
Mr. D. D. K. Rajapaksa (INED)	11/13		4/4		3/3	
Mr. R. C. Perera PC (NED)	08/13					
Dr. A. Alagarasan (NED) Appointed w.e.f. 28.03.2023	10/10	6/6				
Mrs. R. S. Cabraal (INED) Resigned w.e.f. 27.03.2023	2/2					
NED – Non-Independent Non Executive Director						
INED – Independent Non Executive Director						

Board Effectiveness**Training for directors**

Policies and processes are in place to ensure that directors consistently update their skills and knowledge, enabling them to discharge their duties effectively. This is actioned through,

- ✓ Access to internal/external auditors
- ✓ External training sessions
- ✓ Access to industry experts and other professionals on a frequent basis
- ✓ Regular updates by the Corporate management team

Newly appointed non-executive directors are apprised of the Group's values and culture, policies and procedures, strategy and the directors' responsibilities in accordance with current legislation.

CORPORATE GOVERNANCE

Board appraisal

The Board conducts self appraisals of themselves whilst they set financial and non-financial targets for the GCEO at the commencement of each financial year, in line with the Group's strategic objectives of the year. The GCEO's performance is monitored on an ongoing basis and a formal appraisal is carried out at least annually by the Board Remuneration Committee.

Director's Remuneration

The Group's Remuneration policy is formulated by the Board Remuneration Committee which has put in place a formal and transparent procedure for determining remuneration of the Executive management including the GCEO. The Remuneration policy has been designed to ensure that individuals of high caliber are attracted and retained within the Group. The Committee benchmarks the reward structures of the Group to industry counterparts to ensure that compensation is attractive.

Remuneration for Non-Executive Directors is determined taking into consideration the time commitment, role and responsibilities of each individual Director as well as industry practice. Non-Executive Directors do not receive any performance related payments and their remuneration comprises solely of an allowance for attendance at Board meetings. This is determined by the Board as a whole.

The Remuneration Committee comprises of 3 non-executive directors and is chaired by Mr. Nadun Fernando whose profiles are detailed on pages 52 to 55 of this Report. Please refer the Remuneration Committee Report on pages 89 & 90 for further details on the Committee's activities during the year under review. The aggregate remuneration paid Non-Executive Directors is disclosed in the Notes to the Financial Statements on page 135 of this Report.

Shareholder Engagement

The Group is committed to preserving the rights of all its shareholders and adopts an array of measures to ensure that shareholder views are heard and fully considered.

- ✓ Annual General Meeting: The AGM provides shareholders the opportunity to contribute their views and engage with the Board of Directors, including the Chairpersons

of certain Sub-Committees and members of senior management. Notice of the AGM and all relevant papers are sent to the shareholders at least 15 working days prior to the AGM in accordance with the rules stipulated by the Securities and Exchange Commission.

- ✓ Dissemination of information: The Group provides shareholders with timely and accurate information on performance and other material developments. Communication is also facilitated through the Group's corporate website, advertisements and press

Sustainability

The Group is committed to the principles of sustainability and strives to embed sustainability practices across all aspects of our operations. The Board-approved Sustainability Policy sets out our social and environmental aspirations and the Board is responsible for ensuring the effective implementation of the same.

Accountability and Audit

The Board holds apex responsibility for ensuring the robustness of the Group's risk management and internal control systems and presenting an accurate, balanced and understandable assessment of the Group's financial performance and position. Recent macro-economic developments and external conditions have necessitated increased emphasis on proactively identifying, measuring, and mitigating emerging risks and the Board placed increased emphasis on consistently monitoring the emerging risk landscape.

The Group's financial statements are prepared in accordance with the Sri Lanka Financial Reporting Standards laid down by the Institute of Chartered Accountants of Sri Lanka and comply with the requirements of the Companies Act.

The following specialised information requirements are also included in this Annual Report.

- ✓ The Annual Report of the Board of Directors on the Affairs of the Company on pages 80 to 85 of this Report contains the declarations prescribed by the Code
- ✓ The Statement of Directors' Responsibility is given on page 86 of this Report

- ✓ The Independent Auditor's Report on pages 97 to 101 of this Report

Internal controls

The Board is responsible for formulating and implementing a framework of internal controls which ensure that the Group's assets are safeguarded and proper accounting records are maintained. The Board Audit Committee supports the Board in ensuring the adequacy and effectiveness of the Group's internal control systems. Meanwhile, the Internal Audit function conducts independent reviews of the Group's internal controls on a regular basis. The Director's Report on page 85 includes a declaration on compliance with laws and regulations, review of the internal controls and compliance controls and that they have obtained reasonable assurance of their effectiveness and compliance thereof.

Compliance

The Group has been successful in nurturing a compliance-culture with multiple structures and mechanisms in place to facilitate compliance to statutory and mandatory requirements. The Medical Credentials Committee, Quality Steering Committee and several safety committees are in place to ensure that all procedures are followed to guarantee the highest standard of care.

Audit Committee

The Board has established an Audit Committee comprising 2 Non Executive Independent Directors and 1 Non-executive Non-Independent Director and information regarding its activities is provided in the Audit Committee Report on pages 87 & 88. The Terms of Reference of the Audit Committee complies with the recommendations of the Code of Best Practice on Board Audit Committees issued by ICASL and the relevant regulations of the Colombo Stock Exchange. The GCEO, GCFO, Group Head of Internal Audit, and representatives of the External auditors are invited to attend Committee meetings.

The Auditor General is the Company's external auditors and key oversight is provided by the Audit Committee, whose primary relationship is with the Committee. The external auditors have not provided any non-audited related services to the Group during the year. The audit fees paid by the

Company and Group to its auditors are separately classified in the Notes to the Financial Statements of the Annual Report.

Code of Business Conduct and Ethics

The Chairman of the Board affirms that there was no material violations of any of the provisions of stipulated in the Code of Conduct. In instances where violations did take place, they were investigated and handled through well established procedures.

Whistleblowing Policy

The Group has a Whistleblowing Policy which encourages employees to report legitimate concerns on potential wrongdoings occurring within the Group. Employees bringing forward such complaints are guaranteed complete confidentiality and such complaints are investigated and addressed through a formalised procedure and brought to the notice of the Chairman of the Audit Committee.

Anti-Corruption and Anti-Bribery

The Lanka Hospitals Group holds corporate governance, ethical practices, integrity, and transparency in the highest regard. We have implemented a zero-tolerance policy against fraud, corruption, and bribery across all transactions, and we are committed to fostering a culture of honesty and transparency in our business dealings with utmost professionalism.

The Code of Conduct, Clinical Governance Framework, Procurement Manual, Anti-Corruption, Bribery and Prevention of Fraud Policy, Whistleblower Policy, Personal Data Policy, sexual harassment policy, audit controls, clinical and non-clinical quality programmes and defined accounting rules and procedures amongst many others, outline the principles to which the Group is committed in relation to detecting, preventing and eradicating fraud, corruption and bribery. These policies apply for all levels regardless of their position in the corporate hierarchy and cover inter alia, embezzlement, theft, misappropriation, overriding controls, giving or receiving inducements (gifts, donations, entertainment or facilitation payments, bribes, etc.), political contributions, community investments, conflict of interests and required disclosures. None of these policies encourage the offering and/or receipt of gifts or any other type of

CORPORATE GOVERNANCE

inducement or political contribution for any reason. By adhering to these policies and complying with all relevant laws including anti-corruption laws, we strengthen our commitment to integrity and transparency at all levels. It also warrants the accurate reporting of information. Furthermore, our Board Charter and Fit and Proper Criteria, Related Party Transaction Policy, Risk Management practices, and Board policies for internal controls, shareholder relations, corporate structures and disclosures are specifically crafted to foster the detection and prevention of money laundering, window dressing, tax evasion and many other financial irregularities whilst encouraging accountability of management of funds. These measures underscore our commitment to upholding the highest standards of corporate governance, and fair and ethical conduct and also increase the informed decision making ability of all stakeholders. The procurement process of the Group is laid down in the Procurement Manual. All suppliers and corporate customers are subjected to general due diligence prior to engaging. The Group has in place contracts and agreements to govern contractual arrangements with its corporate customers and suppliers and during the year under review, the Group has entered into five contracts with government related entities for the provision of healthcare services.

We also have constant engagement with regulatory authorities for updates and clarifications in regulations, internal audits and regular review assessments to update these policies and procedures and practices to ensure adequacy, effectiveness, relevance and compliance. These measures provide a system of checks and balances and identification of potential corruption vulnerabilities in the hospital operation and open an avenue to report through the reporting channel. During the year under review, there were no reported cases of bribery or corruption. The Group also is an equal opportunity employer committed to creating a diverse and inclusive workplace giving all its employees career and skill progression free from gender-based or any other forms of discrimination.

Through these policies and procedures, we seek to ensure ethical business practices as a norm for all business units leading down to the individual employee while the transparency controls created by these policies extend to its value chain, to its patients, suppliers and business partners. The Group is determined to continue its stance of zero-tolerance towards corruption and bribery in all its transactions and foster transparency and honesty in all business dealings, whilst continually developing its governance frameworks in line with international best practices which are further strengthened by the periodic training on code of conduct enlightening the value of anti-corruption and anti-bribery.

Cybersecurity

The Group has made considerable investments in strengthening its IT infrastructure and has deployed technical controls to mitigate cyber risks such as firewalls, virus guards and anti-malware solutions. It is also currently in the process of formulating a Cybersecurity policy, which will be formally adopted over the short to medium term.

Corporate Governance disclosures

The Board of Directors has taken all reasonable steps to ensure that all financial statements are prepared in accordance with the Sri Lanka Accounting Standards (SLFRS/ LKAS) issued by the ICASL and other relevant requirements. The Company and its subsidiaries are fully compliant with all the mandatory rules and regulations stipulated by the Corporate Governance Listing Rules published by the CSE (revised in 2023) and also by the Companies Act No. 07 of 2007. The Group has also given due consideration to the Best Practice on Corporate Governance Reporting guidelines jointly set out by the ICASL and the SEC and has voluntarily adopted the relevant provisions as far as is practicable.

Compliance with the provisions of the Companies Act No 07 Of 2007

	Companies Act No. 7 of 2007	Compliance Status	Details
168(1)(a)	The nature of the business together with any change thereof	Complied	Please refer pages 80 to 112 of this report.
168(1)(b)	Signed financial statements of the Group and the company	Complied	Please refer pages 102 to 168 of this report.
168(1)(c)	Auditors' Report on financial statements	Complied	Please refer pages 97 to 101 of this report.
168(1)(d)	Accounting policies and any changes therein	Complied	Please refer pages 112 to 133 of this report.
168(1)(e)	Particulars of the entries made in the interests register	Complied	All directors have made declarations as required by the Section 192(1) and (2) of the Companies Act aforesaid and all related entries were made in the Interest register during the year under review. The Interest Register is available for inspection by shareholders or their authorised representatives as required by Section 119(1) (d) of the Companies Act No.07 of 2007.
168(1)(f)	Remuneration and other benefits paid to Directors of the company	Complied	Refer note 08 to the Financial Statements on page 135.
168(1)(g)	Corporate donations made by the company	Complied	Refer page 81 of this report.
168(1)(h)	Information on Directorate of the company at the end of accounting period	Complied	Please refer pages 48 to 55 of this report.
168(1)(i)	Amounts paid/payable to the External auditor as audit fees and fees for other services rendered	Complied	Refer note 08 to the Financial Statements on page 135.

CORPORATE GOVERNANCE

COMPLIANCE WITH THE CORPORATE GOVERNANCE RULES OF COLOMBO STOC EXCHANGE.

The Colombo Stock Exchange introduced new set of Corporate Governance Rules in October 2023 with certain transitional provisions. Company's adherence to these regulations and the readiness to comply with the regulations in full effective from 1st October 2024 are detailed below.

	Corporate Governance Requirement	Level of compliance	Effective date of compliance	Status of compliance
9.1	Company shall publish a statement confirming the extent of compliance with the Corporate Governance Rules set out herein, in the Annual Report of the Entity.	LHC's commitment to corporate governance code of CSE is detailed herein.	1st October 2023	Complied
9.2.1	Company shall establish and maintain the 12 new policies and disclose the fact of existence of such policies together with the details relating to the implementation of such policies by the Company on its website.	Company is currently reviewing the existing policies to be aligned with the new corporate governance requirement whilst some of the policies are being formulated.	1st October 2024	Company would be compliant on or before 1st October 2024
9.3.1 and 9.3.2	Company shall ensure that the following Board committees are established and maintained at a minimum and are functioning effectively. The said Board committees at minimum shall include; (a) Nominations and Governance Committee (b) Remuneration Committee (c) Audit Committee (d) Related Party Transactions Review Committee.	Except Nominations and Governance Committee, other 3 statutory sub committees are functioning effectively.	1st October 2023	Company would establish the Nominations and Governance Committee and be compliant on or before 1st October 2024
9.3.3	The Chairperson of the Board of Directors of the Company shall not be the Chairperson of the Board Committees referred to in Rule 9.3.1 above.	Chairperson of the Company does not serve as the Chairman of any of the statutory board subcommittees.	1st October 2024	Complied
9.4.1	Company shall maintain records of all resolutions and the following information upon a resolution being considered at any General Meeting of the Company. The Company shall provide copies of the same at the request of the Exchange and/or the SEC.	Records of all shareholder meetings are maintained electronically by the Company Secretary. Copies of these records would be made available to CSE/SEC upon request.	1st October 2023	Complied

	Corporate Governance Requirement	Level of compliance	Effective date of compliance	Status of compliance
9.4.2	Communication and relations with shareholders and investors.	Company has an on-going process to communicate with shareholders and investors. Shareholders are encouraged to raise their concerns at shareholders meetings. Annual Report provides pertinent information of the company and future outlook of the company. The Senior Finance Manager and the Company Secretaries are entrusted to communicate with shareholders on matters concerning them. Details of contact persons are found in the Company's website.	1st October 2023	In terms of Rule 9.2.1, a policy on Relations with shareholders and investors would be in place by 1st October 2024.
9.5.1	Company shall establish and maintain a formal policy governing matter relating to the Board of Directors.	The Board of Directors have mutual consent regarding the board balance. Currently all the Directors are Non-Executive Directors. Roles of the Chairman, and the Chief Executive Officer are held by two different persons. The CEO is in the Executive capacity and is not a Board member. Board conducts self-assessment of board -performance annually whilst performance of the GCEO is reviewed by the Board through the Remuneration Committee.	1st October 2023	A policy on matters relating to the Board of Directors would be in place on or before 1st October 2024.
9.6	The Chairperson of the Company shall be a Non-Executive Director and the positions of the Chairperson and CEO shall not be held by the same individual.	Chairman of the Company is a Non-Executive Director. Roles of the Chairman and the Chief Executive Officer are held by two different persons.	1st October 2023	Complied

CORPORATE GOVERNANCE

	Corporate Governance Requirement	Level of compliance	Effective date of compliance	Status of compliance
9.6.3	The Company shall appoint an Independent Director as the SID in the following instances: i. The positions of the Chairperson and CEO are held by the same individual. ii. The Chairperson is an Executive Director. iii. The Chairperson and CEO are Close Family Members or Related Parties.	As the company is compliant with Rule 9.6, the appointment of Senior Independent Director is not required.	1st October 2023	Not applicable
9.7	Fitness of Directors and CEOs as per the criteria set out in the regulations.	All the Directors and the CEO have submitted written declarations confirming that they are complied with the fit and proper criteria set out in the regulations to hold their respective positions in the Company.	1st April 2024	Complied
9.8	Board Composition -Minimum of 5 Directors -minimum 2 or 1/3 of the directors whichever is high shall be independent directors.	As of 31st December 2023, there are 12 directors and 08 of them are independent non-executive directors. All non executive directors have submitted their annual declaration confirming their independence or non independence.	1st October 2024 1st October 2023	Complied
9.9	Alternate directors shall only be appointed in exceptional circumstances and for a maximum period of one (1) year from the date of appointment.	There are no Alternate Directors on the Board as of 31st December 2023.	1st January 2024	Complied
9.10.1	Company shall disclose its policy on the maximum number of directorships it's Board members shall be permitted to hold.	The determination of maximum number of directorships allowed for each board member will be made at the time of formulation of policy on matters relating to the Board of Directors.	1st October 2024	Will be compliant effective from 1st October 2024

	Corporate Governance Requirement	Level of compliance	Effective date of compliance	Status of compliance
9.10.2	The Company shall, upon the appointment of a new Director to its Board, or changes to the composition of board sub committees, make an immediate Market Announcement in a manner set out in the regulation.	As and when there is a new appointment to the Board, immediate market announcement is made in compliance with Rule 9.10.2.	1st October 2023	Complied
9.11	The Company shall have a Nominations and Governance Committee to maintain a formal procedure for the appointment of new Directors and re-election of Directors to the Board and have a written Terms of Reference.	Currently company does not have a Nominations and Governance Committee. However, steps are being taken to form a Nominations and Governance Committee by 1st October 2024.	1st October 2024	Company would establish a Nominations and Governance Committee on or before 1st October 2024
9.12	The Company shall have a Remuneration Committee that conforms to the requirements of these regulations and shall have a written Terms of Reference.	There is a Remuneration Committee in place with a written Terms of Reference.	1st October 2023	Complied
9.12.3	The Remuneration Committee shall establish and maintain a formal and transparent procedure for developing policy on Executive Directors' remuneration and for fixing the remuneration packages of individual Directors.	Currently there are no Executive Directors on the Board. However, a policy of Executive Directors' remuneration shall be formulated as and when the need arises. Directors' fees paid to the Non-Executive Directors are recommended to the Board by the Remuneration Committee. In determining the Board fees paid to Non-Executive Directors, the Remuneration Committee considers current market rates and the extent of contribution by each board member at board level.	1st October 2023	Complied
9.12.6	Functions and Composition of the Remuneration Committee -Comprise a minimum of 3 Directors out of which a minimum of 2 shall be independent - not consist of Executive Directors - Chairperson to be an Independent Director.	All 3 Directors on the Remuneration Committee are independent Non Executive Directors. Remuneration Committee Report provides required disclosures to this Annual Report.	1st October 2024	Complied

CORPORATE GOVERNANCE

	Corporate Governance Requirement	Level of compliance	Effective date of compliance	Status of compliance
9.13	Where the Company does not maintain separate Committees to perform the Audit and Risk Functions, the Audit Committee shall additionally perform the Risk Functions set out in the regulations. The Audit Committee shall have a written terms of reference clearly defining its scope, authority and duties.	Currently there is no separate risk committee formed. The Board has decided to entrust the scope of the Risk Committee to the Audit Committee. There is a written Terms of Reference for the Audit Committee.	1st October 2023	Complied
9.1.3.3	✓ The members of the Audit Committee shall; (a) comprise of a minimum of three (03) directors of the Company, out of which a minimum of two (02) or a majority of the members, whichever higher, shall be Independent Directors. (b) not comprise of Executive Directors ✓ The quorum for a meeting of the Audit Committee shall require that the majority of those in attendance to be independent directors. ✓ The Audit Committee may meet as often as required provided that the Audit Committee compulsorily meets on a quarterly basis prior to recommending the financials to be released to the market. ✓ An Independent Director shall be appointed as the Chairperson of the Audit Committee by the Board of Directors. ✓ Unless otherwise determined by the Audit Committee, the CEO and the Chief Financial Officer (CFO) of the Listed Entity shall attend the Audit Committee meetings by invitation.	Out of 3 Non Executive Directors, 2 of them are independent Directors. No Executive Directors are on the Audit Committee. Audit Committee meet atleast once a quarter. There were 08 Audit Committee meetings held during the financial year ended 31st December 2023. The attendance at the Audit Committee are given on 87 of the Annual report. Chairman of the Audit Committee is an independent Non Executive Director of the Board. GCEO and GCFO attend the Audit Committee meetings by invitation.	1st October 2024	Complied

	Corporate Governance Requirement	Level of compliance	Effective date of compliance	Status of compliance
	✓ Where the parent and subsidiary are both listed the AC of the parent may be permitted to function as the AC of the subsidiary. ✓ The Chairperson of the AC shall be a Member of a recognised professional accounting body. Provided, however this Rule shall not be applicable in respect of Risk Committees where there is a separate Risk Committee and Audit Committee.	Not applicable The Chairperson of the Audit Committee is a Member of Institute of Chartered Accountants of Sri Lanka.		
9.13.4	Functions and Annual Report Disclosures of the Audit Committee.	Functions of the Audit Committee during the financial year and the Annual Report Disclosures are given in the Report of the Audit Committee on page 87.	Until 1st October 2024, the Company shall at a minimum comply with previous Rules 7.10.6 (b) and (c) relating to the functions and disclosures in the Annual Report relating to the Audit Committee.	Complied
9.14.1	Company shall have a Related Party Transactions Review Committee that conforms to the requirements set out in the regulation.	Related Party Transactions Review Committee is in place.	1st October 2023	Complied
9.14.2	✓ The Related Party Transactions Review Committee shall comprise of a minimum of three (03) Directors of the Listed Entity, out of which two (02) members shall be Independent Directors of the Company. It may also include executive directors, at the option of the Company. An Independent Director shall be appointed as the Chairperson of the Committee.	All 3 members of the Related Party Transactions Review Committee are independent non executive directors. An independent non executive director (as at the date of this report) is the Chairman of the Related Party Transactions Review Committee	1st April 2024	Complied

CORPORATE GOVERNANCE

	Corporate Governance Requirement	Level of compliance	Effective date of compliance	Status of compliance
	✓ If a parent company and the subsidiary are Listed Entities, the Related Party Transactions Review Committee of the parent company may be permitted to function as the Related Party Transactions Review Committee of the subsidiary.	Not applicable	1st October 2024	Complied
9.14.4	✓ The Related Party Transactions Review Committee shall meet at least once a calendar quarter. ✓ Minutes of meetings are properly documented and communicated to the Board of Directors. The minutes of the RPTRC are tabled at the meetings of the Board of Directors on a periodic basis. ✓ Members of the RPTRC to ensure they have or have access to adequate knowledge expertise and advice. ✓ Where necessary, the RPTRC shall request the Board of Directors to approve the Related Party Transactions which are under review by the RPTRC. In such instances, the approval of the Board of Directors should be obtained prior to entering into the relevant Related Party Transaction. ✓ Interested Directors shall not vote on or shall not be present during the deliberations on the specific matter.	There were 4 Related Party Transactions Review Committee meeting during the year. These were held in each quarter. Minutes of the Related Party Transactions Review Committee are circulated to the Board every quarter. Committee seeks expertise and professional knowledge on matters need technical assistance. Such instances did not occur during the financial year 2023. Directors of the RPTRC are aware of their obligations	1st October 2023	Complied
9.14.5	✓ The Related Party Transactions Review Committee shall review in advance all proposed Related Party Transactions.	The committee reviews all RPT for each quarter.	1st October 2023	Complied

	Corporate Governance Requirement	Level of compliance	Effective date of compliance	Status of compliance
	✓ In the event of any material changes to a previously reviewed Related Party Transaction in terms of Rule 9.14.5 (1) such proposed material changes shall also be reviewed by the RPTRC prior to the completion of the transaction. ✓ The RPTRC shall be provided with all the facts and circumstances of the proposed RPT by the senior management to facilitate the review of a RPT. ✓ Directors shall not participate in discussions where there is conflict except for the express purpose of providing information. Where necessary, a special committee to be created to review a proposed RPT. ✓ If a Related Party Transaction will be ongoing (a Recurrent Related Party Transaction), the Related Party Transactions Review Committee may establish guidelines for the senior management to follow in its ongoing dealings with the Related Party. Thereafter, the Committee, on an annual basis, shall review and assess ongoing relationships with the Related Party to determine whether they are in compliance with the Committee's guidelines and that the Related Party Transaction remains appropriate.	No such situations trigger during the financial year. Management is conversant with their responsibility to furnish required facts and information necessary to review a RPT. Directors are fully aware of their obligations in respect of conflict of interest. RPTR committee may set out guidelines deemed necessary for ongoing RPT (if any) after assessing the nature of such transactions.		
9.14.6	The Company shall obtain shareholders' approval by way of a Special Resolution for the Related Party Transactions as soon as the value of the transaction exceeds threshold limits as set out in the regulations.	During the year , there were no recurrent or non recurrent RPTs that required shareholders' approval by way of a special resolution.	1st October 2023	Not applicable.

CORPORATE GOVERNANCE

Composition As at 31st December 2023

Name of the Director	Directorship Status
Dr. Bandula Wijesiriwardena	Independent Non Executive
Mr. Mayura Fernando	Independent Non Executive
Mr. Ronald C Perera PC	Non-Independent Non Executive
Dr. Ravindra Ruberu	Independent Non Executive
Ms. Lakshmi Sangakkara	Independent Non Executive
Mr. Kushan D' Alwis PC	Independent Non Executive
Mr. Nadun Fernando	Independent Non Executive
Dr. Kanishka Karunaratne	Independent Non Executive
Mr. Kasun Rajapaksa	Independent Non Executive
Mr. Ashish Bhatia	Non-Independent Non Executive
Ms. Richa Singh Debgupta	Non-Independent Non Executive
Dr. Abinaya Alagarasan	Non-Independent Non Executive

Composition As at 25th April 2024

Name of the Director	Directorship Status
Dr. Bandula Wijesiriwardena	Independent Non Executive
Mr. Mayura Fernando	Independent Non Executive
Mr. Ronald C Perera PC	Non-Independent Non Executive
Dr. Ravindra Ruberu	Independent Non Executive
Ms. Lakshmi Sangakkara	Independent Non Executive
Mr. Kushan D' Alwis PC	Independent Non Executive
Mr. Nadun Fernando	Independent Non Executive
Dr. Kanishka Karunaratne	Independent Non Executive
Mr. Kasun Rajapaksa	Independent Non Executive
Mr. Ashish Bhatia	Non-Independent Non Executive
Ms. Richa Singh Debgupta	Non-Independent Non Executive
Dr. Abinaya Alagarasan	Non-Independent Non Executive

In Terms of Rule 9.16 of the Regulation, the Board of Directors Disclose as Follows:

- We have declared all material interests in contracts involving in the Company and we have refrained from voting on matters in which we were materially interested;
- We have conducted a review of the internal controls covering financial, operational and compliance controls and risk management and have obtained reasonable assurance of our effectiveness and successful adherence therewith
- We made arrangements to make ourselves aware of applicable laws, rules and regulations and are aware of changes particularly to Listing Rules and applicable capital market provisions;
- There were no material non-compliance with law or regulation or any fines, which are material, imposed by any Government or regulatory authority in any jurisdiction where the Company has operations.

RISK MANAGEMENT

The key risks and opportunities for LHC Group are summarised below:

Risk & Risk Rating	Key Drivers	Mitigation Strategies								
Affordability of Private Healthcare										
Affordability of private healthcare is a key area of concern despite improvements in capacity utilization due to increased pressure on household budgets arising from high levels of costs and increased taxation.	✓ Disposable Income ✓ Inflation ✓ Funding of private healthcare ✓ Low penetration levels of Life & Health Insurance ✓ Competitor activity	✓ Ease of access to customers ✓ Relationship management with corporates and multinational entities to attract corporate customers ✓ Packaging treatments to provide information on healthcare costs ✓ Special discounts to defined customer segments to expand customer base ✓ Working with insurance companies								
<table><tr><th colspan="2">Assessment</th></tr><tr><td>Impact</td><td>High</td></tr><tr><td>Likelihood</td><td>High</td></tr><tr><td>Direction</td><td>↑</td></tr></table>	Assessment		Impact	High	Likelihood	High	Direction	↑		
Assessment										
Impact	High									
Likelihood	High									
Direction	↑									
Health & Safety of Employees & Patients										
Health and safety of our patients and employees is the #1 priority. International accreditation affirm that processes in place to manage this risk are in line with global best practice.	✓ Employee training ✓ Enforcement of procedures ✓ Epidemics and Pandemics	✓ Oversight of clinical governance at Board level and executive levels ✓ Renewal of international accreditations ✓ Staff training ✓ Continuous enforcement of best practice standards								
<table><tr><th colspan="2">Assessment</th></tr><tr><td>Impact</td><td>Medium</td></tr><tr><td>Likelihood</td><td>Medium</td></tr><tr><td>Direction</td><td>➔</td></tr></table>	Assessment		Impact	Medium	Likelihood	Medium	Direction	➔		
Assessment										
Impact	Medium									
Likelihood	Medium									
Direction	➔									
Talent Retention										
Talent retention is a critical factor as many skilled professionals are seeking routes for employment migration. As skilled healthcare professionals are in high demand globally, we are experiencing an increase in talent migration.	✓ Disposable income ✓ Socioeconomic stability ✓ Global demand for skilled professionals in healthcare ✓ Economic recovery	✓ Strengthening relationships with Consultants ✓ Commenced Learning Academy to grow talent pools for nursing ✓ Maintain competitive levels of remuneration ✓ Automation & Digitalisation								
<table><tr><th colspan="2">Assessment</th></tr><tr><td>Impact</td><td>High</td></tr><tr><td>Likelihood</td><td>High</td></tr><tr><td>Direction</td><td>↑</td></tr></table>	Assessment		Impact	High	Likelihood	High	Direction	↑		
Assessment										
Impact	High									
Likelihood	High									
Direction	↑									

RISK MANAGEMENT

Risk & Risk Rating	Key Drivers	Mitigation Strategies								
Interest Rates										
Interest rates have a significant impact on the profitability as Fixed Deposits is the largest asset on the balance sheet, providing a stable source of interest income. The year commenced with high Interest rates which declined sharply during the year. While interest income from deposits increased during the year, the lower interest rates in the second half indicate that there will be challenges in maintaining interest income levels on par with that of 2023. <table><tr><th colspan="2">Assessment</th></tr><tr><td>Impact</td><td>Medium</td></tr><tr><td>Likelihood</td><td>High</td></tr><tr><td>Direction</td><td>↑</td></tr></table>	Assessment		Impact	Medium	Likelihood	High	Direction	↑	✔ Cashflows and liquidity ✔ Interest rates	✔ Careful management of financial assets ✔ Optimising returns on investments of funds
Assessment										
Impact	Medium									
Likelihood	High									
Direction	↑									
Exchange Rates										
LHC has significant exposure to foreign exchange rates it has deposits of US\$ 12.6 Mn which accounts for 84% of the investments. Additionally, as most medicines and consumables in the healthsector are imported, exchange rates play a key role in cost management and affordability of health care. Volatility in interest rates in 2022 and 2023 had a significant impact on the profitability of LHC Group. In the past, the USD deposits served as a hedge against the depreciating rupee. However, this year it proved a drag on profitability due to the loss on currency translation as the LKR appreciated for the first time in living memory. An analysis of exchange rate movements from 1960 reveals that LKR has consistently depreciated against the USD, gathering momentum in the recent years. <table><tr><th colspan="2">Assessment</th></tr><tr><td>Impact</td><td>High</td></tr><tr><td>Likelihood</td><td>High</td></tr><tr><td>Direction</td><td>↑</td></tr></table>	Assessment		Impact	High	Likelihood	High	Direction	↑	✔ Foreign currency exposures ✔ Exchange rate	✔ Manage foreign currency exposures and its impact on profitability with a medium to long term view while managing the short term. ✔ Close monitoring of exchange rates and potential movements.
Assessment										
Impact	High									
Likelihood	High									
Direction	↑									

Risk & Risk Rating	Key Drivers	Mitigation Strategies								
Liquidity Risk										
The Group's activities exposes it to liquidity risk. However, prudent financial management has resulted in building a significant buffer of liquid assets in a strong balance sheet. <table><tr><th colspan="2">Assessment</th></tr><tr><td>Impact</td><td>Low</td></tr><tr><td>Likelihood</td><td>Low</td></tr><tr><td>Direction</td><td>↓</td></tr></table>	Assessment		Impact	Low	Likelihood	Low	Direction	↓	- Foreign and local currency short-term investments - Ungeared	- Monitoring and managing cash flows - Negotiating favourable rates on deposits - Monitoring and forecasting future funding needs - Monitoring the maturity profile of the Group's investments to meet expected future cash outflows
Assessment										
Impact	Low									
Likelihood	Low									
Direction	↓									
Technology										
Investments in infrastructure moderated significantly during the pandemic years and the economic crisis. The digitalisation is a step forward to take healthcare beyond our borders to patients and will be a key strategy. Further investments required are continuously assessed to ensure LHC can offer a world class services. <table><tr><th colspan="2">Assessment</th></tr><tr><td>Impact</td><td>High</td></tr><tr><td>Likelihood</td><td>Moderate</td></tr><tr><td>Direction</td><td>→</td></tr></table>	Assessment		Impact	High	Likelihood	Moderate	Direction	→	- Evolution of technology in healthcare - Evolution of new communication channels - Evolution of in core systems technology	- Digitalisation strategy - Review of capex requirements
Assessment										
Impact	High									
Likelihood	Moderate									
Direction	→									
Cybersecurity										
Cybersecurity threats continue to escalate and the Personal Data Protection Act No.9 of 2022 was enacted during the year making compliance mandatory. <table><tr><th colspan="2">Assessment</th></tr><tr><td>Impact</td><td>High</td></tr><tr><td>Likelihood</td><td>High</td></tr><tr><td>Direction</td><td>↑</td></tr></table>	Assessment		Impact	High	Likelihood	High	Direction	↑	Staff awareness about cybersecurity	- Creating staff awareness on the importance of maintaining information security and handling of sensitive information. - Deploying network protection technology to manage network and monitor suspicious cyber activities - Regular testing and verification of controls.
Assessment										
Impact	High									
Likelihood	High									
Direction	↑									
Reputation Risk										
Reputation risk needs managing, particularly given the business of LHC. <table><tr><th colspan="2">Assessment</th></tr><tr><td>Impact</td><td>High</td></tr><tr><td>Likelihood</td><td>Low</td></tr><tr><td>Direction</td><td>↑</td></tr></table>	Assessment		Impact	High	Likelihood	Low	Direction	↑	- Standards of patient care - Mortality and morbidity rates - Complaints	- Comprehensive clinical governance mechanisms in place - Customer complaint processes and review thereof - Monitoring mortality and morbidity rates - Continuous training and development of staff
Assessment										
Impact	High									
Likelihood	Low									
Direction	↑									

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

1. General

The Directors of The Lanka Hospitals Corporation PLC (Company) have pleasure in presenting to the Shareholders this Report together with the Consolidated Financial Statements for the year ended December 31, 2023 of the Company and the Group and the Auditors' Report on those Financial Statements, conforming to the requirements of the Companies Act No. 07 of 2007.

The Lanka Hospitals Corporation PLC (LHC) was incorporated as a private limited liability company on 06th October 1997 and converted to a public limited liability company in Sri Lanka on 09th November 2001. It was re-registered as per the requirements of the Companies Act No. 07 of 2007 on 28th July 2008 and bears the Company Registration No. PQ 180.

The ordinary shares of LHC are quoted on the main board of the Colombo Stock Exchange since 10th January 2003. The registered office of the Company is at No. 578, Elvitigala Mawatha, Narahenpita, Colombo 5.

This Report provides the information as required by the Companies Act No. 07 of 2007, Listing Rules of the Colombo Stock Exchange and was reviewed and approved by the Board of Directors of the Company on 25th April 2024.

2. Review of Business

2.1 Vision, Mission and Corporate Conduct

LHC's Vision and Mission are given on page 02. The business activities of LHC and its subsidiary are conducted maintaining the highest level of ethical standards in achieving its Vision and Mission as set out in the Company's Code of Ethics, which reflects our commitment to the high standards of business conduct and ethics.

2.2 Review on Operations of LHC and its Subsidiary

The Group CEO's Review and the 'Management Discussion and Analysis' on pages 14 to 16 and 21 to 46 provide an overall assessment on the operational performance and financial position of LHC and its subsidiary, and the status of affairs together with important events that took place during the year in detail, as required by the Section 168 of the Companies Act No. 07 of 2007.

2.2.1 Principal Activities of The Lanka Hospitals Corporation PLC

The company provides world class healthcare services at a reasonable cost. The hospital is a JCI Accredited Hospital in Sri Lanka.

2.2.2 Principal Activities of Lanka Hospitals Diagnostics (Private) Limited

Lanka Hospitals Diagnostics (Private) Limited - a fully owned subsidiary of The Lanka Hospitals Corporation PLC incorporated on 06th February 2013 and gained Section 17 BOI approval. The commercial operation of the company commenced in July 2014. The principal activity of the company is providing of state-of-the-art laboratory services. It is the first referral lab in Sri Lanka. Lanka Hospitals Diagnostics (Private) Limited has 1 referral lab, 8 regional/mini labs and over 60 Company Owned Company Operated collection centres in the main cities.

2.3 Financial Statements of LHC and its Subsidiary

The Audited Financial Statements of the company together with the consolidated financial statements of the Group are given on pages 102 to 168.

2.4 Directors' Responsibility for Financial Reporting

The Directors are responsible for the preparation of the Financial Statements of the LHC and its subsidiary and Group Financial statements as noted in page 86.

2.5 Auditors' Report

The Auditor General as the Auditors of the Company performed the audit on the Consolidated Financial Statements for the year ended December 31, 2023 and the Auditors' Report issued thereon is given on pages 97 to 101 as required by Section 168 (1) (c) of the Companies Act No. 07 of 2007.

2.6 Accounting Policies and Changes during the Year

LHC and its Group prepared their Financial Statements, in accordance with Sri Lanka Accounting Standards which were in effect up to the reporting date.

2.7 Entries in the Interests Register of the Company

An Interests Register is maintained by the Company, as required by the Companies Act No. 07 of 2007. All related entries were made in the Interests Register during the year.

The share ownership of Directors is disclosed on page 170. The Interests Register is available for inspection by the Shareholders or their authorized representatives as required by Section 119 (1) (d) of the Companies Act No. 07 of 2007.

2.8 Directors' Remuneration and Other Benefits

Directors' remuneration and other benefits, in respect of the Company and its subsidiary for the financial year ended December 31, 2023, are given in Note 08 to the Financial Statements on page 135.

2.9 Corporate Donations by the Company

During the year, the Company made donations amounting to Rs 85,000/=.

3. Net Income and Profitability

The Revenue of the Group for 2023 was Rs. 12.4 Bn (Rs. 10.7 in 2022), while LHC's revenue was Rs. 9.7 Bn (Rs. 8.0 Bn in 2022). The profit after tax of the Group stood at Rs. 1.3 Bn (Rs. 3.2 Mn in 2022), while LHC's profit after tax was Rs. 800 Mn (Rs. 2.7bn in 2022).

4. Dividends and Reserves

4.1 Dividends on Ordinary Shares

First interim dividend of Rs.1.50 per share was paid on 07th November 2023. 1st interim dividend was paid out of the profits of the company. The total amount distributed by way of the first interim dividends was Rs. 335,598,254/=.

The Board of Directors certified that they fulfilled the requirement of the Solvency Test in terms of provisions of the Companies Act No. 07 of 2007 immediately after the payment of the interim dividend. The Statement of Solvency of the Auditors was obtained in respect of the said dividend payment conforming to the statutory provision.

4.2 Reserves

Information on the movement of reserves is given in the Statement of Changes in Equity on pages 106 to 109 in Notes to the Financial Statements.

5. Property, Plant & Equipment, Leasehold Property and Intangible Assets

Capital expenditure incurred on Property, Plant & Equipment (including Capital Work-in-Progress), Intangible Assets and Leasehold Property of the Group, details of which are given in Note 12 and 13 on pages 139 to 143 to the Financial Statements respectively. Capital expenditure approved and contracted for, are given in Note 30 to the Financial Statements on page 159.

6. Market Value of Freehold Properties

The buildings of the Company were revalued by professionally qualified independent valuers as at December 31, 2023, and brought into the Financial Statements. The Directors are of the opinion that the revalued amounts are not in excess of the current market values of such properties. The details of freehold properties owned by the Company are given in Note 12 to the Financial Statements on pages 139 to 143.

7. Stated Capital

The Stated Capital as at 31st December 2023 was Rs. 2,671,543,090/- comprising of 223,732,169 ordinary voting shares (Rs. 2,671,543,090/- as at 31st December 2022 comprising of 223,732,169 ordinary voting shares).

8. Share Information

Information relating to earnings, dividend, net assets and market value per share is given on page 170.

9. Major Shareholdings

Details of the top twenty Shareholders, percentages of their respective holdings and percentage holding of the public are given on page 169.

10. Distribution Schedule for Shareholdings

Information on the distribution of Shareholdings and the respective percentages are given on page 170.

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

11. Directors

11.1 Information on Directors of the LHC and its Subsidiary, LHD

11.1.1 List of Directors

The Board of Directors of the Company as at December 31, 2023 consisted of twelve Directors. The current Board consists of members with wide financial, medical and commercial knowledge and experience. The qualifications and experience of the Directors are given in the 'Board of Directors - Profiles' on pages 52 to 55.

Names of the Directors of the Company as at 31st December 2023 as required by the Section 168 (1) (h) of the Companies Act No. 07 of 2007, are given below:

Name of the Director	Status of Directorship
Dr. Nambunama Nanayakkara Akmeemana Palliyaguruge Bandula Chandranath Wijesiriwardena	Independent Non Executive Director
Mr. Pattage Mayurasiri Bandula Fernando	Independent Non Executive Director
Mr. Ronald C Perera PC	Non Independent Non Executive Director
Mr. Ashish Bhatia	Non Independent Non Executive Director
Ms. Richa Singh Debgupta	Non Independent Non Executive Director
Dr. Tantirige Ravindra Chintaraj Ruberu	Independent Non Executive Director
Ms. Sangakkara Mudiyansele Lakshmi Kumari Sangakkara	Independent Non Executive Director
Mr. Kushan D'Alwis PC	Independent Non Executive Director
Mr. Magage Nadun Kumara Fernando	Independent Non Executive Director
Dr. Nanayakkara Liyanage Kanishka Ganganath Karunaratne	Independent Non Executive Director
Mr. Kasun Rajapaksa	Independent Non Executive Director
Dr. Abinaya Alagarasan	Non Independent Non Executive Director

Changes to the directorate of the company during the financial year 2023 are given below.

Name of the Director	Appointments/Resignation
Mrs. Roshini Sunethra Cabraal	27-03-2023 (Resignation)
Dr. Abinaya Alagarasan	28-03-2023 (Appointment)
Mr. Rajiv Puri (Alternate Director to Ms Richa Debgupta)	04-09-2023 (Resignation)
Mr. Anurag Kalra (Alternate Director to MrAshish Bathia)	26-12-2023 (Resignation)

11.1.2 Directors Holding Office in Lanka Hospital Diagnostics (Private) Limited as at 31st December 2023.

Name of the Director
Dr. Nambunama Nanayakkara Akmeemana Palliyaguruge Bandula Chandranath Wijesiriwardena
Mr. Pattage Mayurasiri Bandula Fernando
Dr. Tantirige Ravindra Chintaraj Ruberu
Mr. Magage Nadun Kumara Fernando
Dr. Nanayakkara Liyanage Kanishka Ganganath Karunaratne
Dr. Abinaya Alagarasan

Changes to the directorate of the Lanka Hospital Diagnostics (Private) Limited during the financial year 2023 are given below.

Name of the Director	Appointments/Resignation
Mrs. Roshini Sunethra Cabraal	27-03-2023 (Resignation)
Dr. Abinaya Alagarasan	12-04-2023 (Appointment)

11.1.3 New Appointments and Resignations

There were no changes to the directorate of the company subsequent to the closure of the financial year in December 2023.

11.1.4 Recommendations for Re-election

Directors to retire by rotation

In terms of Article 85 of the Articles of Association, 1/3 of the Directors are required to retire by rotation at each Annual General Meeting. Article 86 of the Articles of Association provides that the Directors to retire by rotation at an AGM shall be those who, (being subject to retirement by rotation), have been longest in office, since their last election or appointment.

Accordingly following Directors offer themselves for re-election at this Annual General Meeting.

Dr. Kanishka Karunaratne

Mr. Ashish Bathia

Mrs. Richa Debgupta

Dr Bandula Wijesiriwardena and Mrs Lakshmi Sangakkara having attained the age of 70 years retire in terms of Section 210 of the Companies Act No. 07 of 2007, and offer themselves for re-election as Directors upto the conclusion of the next Annual General Meeting of the Company in terms of Section 211 of the Companies Act No. 07 of 2007.

11.1.5 Details of Directors attendance at Directors' meetings are presented on page 63 under Corporate Governance.

11.1.6 Board Sub-Committees

The Board Sub Committees in keeping with the rules of the Listing Rules of the Colombo Stock Exchange, Audit Committee, Remuneration Committee and Related Party Transaction Review Committee are active and fully functional with the composition of these Sub-Committees and its functions presented under Corporate Governance.

11.2. Disclosure of Directors' Dealing in Shares as at 31st December 2023

Name of the Director	Number of shares as at 31st December 2023	Number of shares as at 31st December 2022
Dr. Nambunama Nanayakkara Akmeemana Palliyaguruge Bandula Chandranath Wijesiriwardena	Nil	Nil
Mr. Pattage Mayurasiri Bandula Fernando	500	500
Mr. Ronald C Perera PC	Nil	Nil
Mr. Ashish Bhatia	Nil	Nil
Ms. Richa Singh Debgupta	Nil	Nil
Mr. Tantirige Ravindra Chintaraj Ruberu	Nil	Nil
Ms. Sangakkara Mudiyanselage Lakshmi Kumari Sangakkara	Nil	Nil
Mr. Kushan D'Alwis PC	Nil	Nil
Mr. Magage Nadun Kumara Fernando	Nil	Nil
Dr. Nanayakkara Liyanage Kanishka Ganganath Karunaratne	Nil	Nil
Mr. Kasun Rajapaksa	Nil	Nil
Dr. Abinaya Alagarasan	Nil	N/A

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

11.3 Directors' Interests in Contracts or Proposed Contracts

Directors' interests in contracts or proposed contracts with the Company, both direct and indirect are disclosed on pages 157 to 159 and 135. These interests have been declared at Directors' meetings. Directors have no direct or indirect interest in any other contract or proposed contract with the Company. Directors' remuneration and other benefits, in respect of the Group and the Company for the financial year ended 31st December 2023 are given in Note 08 to the Financial Statements on page 135.

12. Risk Management and Internal Controls

The Directors are responsible for the Company's and the Group's system of internal controls covering financial operations and risk management activities and reviews its effectiveness in accordance with the provisions of the corporate governance framework.

The Directors consider that the system is appropriately designed to manage the risk and to provide reasonable assurance against material misstatement or loss. The Directors further confirm that there is an on-going process to identify, evaluate and manage significant business risks.

13. Material Issues Pertaining to Employees and Industrial Relations of the Company

The Board assesses the importance and impact of each stakeholder. Being in the healthcare sector, the company gives important consideration to its relationship with employees and wider stakeholder groups who can have a significant impact on the company.

14. Directors' Declaration on Related Party Transactions

The Directors declare that they are in compliance with section 09 of the listing rules of the CSE pertaining to Related Party Transactions during the financial year ended 31st December 2023. The Directors of the Company declare that there were no related party transactions required to be disclosed under the listing rules of the CSE other than disclosed in the financial statements. The report of the Related Party Transactions Review Committee is given on pages 91 & 92 in the Annual Report.

15. Environmental protection

The Company and the Group make every endeavour to ensure compliance with the relevant environmental laws, regulations and best practices applicable in the country. After making adequate inquiries from the management, the Directors are satisfied that the Company and the Group operate in a manner that minimizes the detrimental effects on the environment within which the Company and the Group operate.

16. Statutory Payments

The Directors, to the best of their knowledge and belief are satisfied, that all statutory payments due to the Government, other regulatory institutions and related to the employees have been made on time.

17. Events after date of the Statement of Financial Position

No event of material significance that require adjustments to the Financial Statements has occurred subsequent to the date of the Statement of Financial Position, other than those disclosed in Note 31 to the Financial Statements on page 160.

As per the in principle approval granted by the Cabinet of Ministers, Secretary to the Treasury conveyed the proposed divestment of major shareholding in the Company. Accordingly 5 parties were shortlisted as successful bidders by the State Owned Enterprises Restructuring Unit of Ministry of Finance and the buyer's side due diligence is on-going as at the date of this report.

18. Appointment of Auditors

In term of Article 154 of the Constitution, Auditor General is continue to be the Auditors of the Company and its subsidiary company Lanka Hospitals Diagnostics (Private) Limited, for the ensuing financial year. Fees paid to the auditors are disclosed in note 08 of page 135 to the financial statements. As far as the Directors are aware, the Auditors do not have any interest in the company or its group companies.

19. Directors' Declarations

The Directors declare that-

1. The Company complies with all applicable laws and regulations in conducting its business and have not engaged in any activity contravening the relevant laws and regulations. Officers responsible for ensuring compliance with the provisions in various laws and regulations, confirm compliance each quarter, to the Audit Committee at the Audit Committee Meetings.
2. All material interests in contracts involving the Company and, refrained from voting on matters in which they were materially interested have been disclosed and declared.
3. All endeavours have been made to ensure that Shareholders in each category have been treated equitably in accordance with the original Terms of Issue.

20. Going Concern

The Directors are confident that the company has adequate resources to continue business operations. Accordingly, the Directors consider that it is appropriate to adopt the going concern basis in preparing the Financial Statements.

21. Contingent Liabilities

Details with regard to the contingent liabilities are given in note 29 of page 159 to the financial statement.

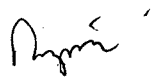
22. Annual General Meeting

The Annual General Meeting of the Company will be held as a virtual meeting on 27th June 2024 at 3pm at the Dr. Prathap C Reddy Auditorium of The Lanka Hospitals Corporation PLC, No. 578, Elvitigala Mawatha, Colombo 5

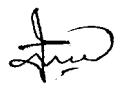
23. Acknowledgement of the Content of the Report

As required by the section 168(1) (k) of the Companies Act No. 07 of 2007, the Board of Directors do hereby acknowledge the content of this Annual Report.

For and on behalf of the Board



Dr. Bandula Wijesiriwardena
Chairman



Mayura Fernando
Deputy Chairman

By Order of the Board of Directors of The Lanka Hospitals Corporation PLC,



Deloitte Corporate Services (Private) Limited,
Secretaries to the Company,

25th April 2024

STATEMENT OF DIRECTORS' RESPONSIBILITY

The responsibility of the Directors, in relation to the Financial Statements of The Lanka Hospitals Corporation PLC (LHC) and the Consolidated Financial Statements of the LHC and its Subsidiary (Group), is set out in this Statement.

In terms of Sections 150 (1), 151, 152 and 153 (1) & (2) of the Companies Act No. 07 of 2007, the Directors of the LHC are responsible for ensuring that the Group and the LHC keep proper books of accounts of all transactions and prepare Financial Statements that give a true and fair view of the financial position of the LHC and the Group as at end of each financial year and place them before the General Meeting. The Financial Statements comprise of the Statement of Financial Position as at December 31, 2023, the Statement of Comprehensive Income, Statement of Changes in Equity, Statement of Cash Flows for the year then ended and Notes thereto.

Accordingly, the Directors confirm that the Financial Statements of the LHC and the Group give a true and fair view of:

- (a) the financial position of the LHC and the Group as at Reporting date;
- and
- (b) the financial performance of the LHC and the Group for the financial year ended on the Reporting date.

In terms of Section 150(1)(b) and Section 152(1)(b) of the Companies Act, these Financial Statements of the LHC and the Group have been certified by the LHC's Group Chief Financial Officer, the Officer responsible for the preparation. In addition, the Financial Statements of the LHC and the Group have been signed by two Directors of the LHC on 29th March 2024 as required by Sections 150 (1) (c) and 152 (1) (c) of the Companies Act and other regulatory requirements. In terms of Section 148 (1) of the Companies Act, the Directors are also responsible for ensuring that proper accounting records which correctly record and explain the LHC's transactions are maintained to facilitate proper audit of the Financial Statements. Accordingly, the Directors have taken reasonable steps to ensure that the LHC and the Group maintain proper books of account and review the financial reporting system through the Board Audit Committee. The Board of Directors also approves the Interim Financial Statements prior to their release to the Colombo Stock Exchange, upon a review and recommendation by the Board Audit Committee.

The Directors confirm that these Financial Statements for the year 2023, prepared and presented in this Annual Report are in agreement with

- a) appropriate accounting policies selected and applied in a consistent manner and material departures if any have been disclosed and explained.
- b) all applicable accounting standards that are relevant, have been followed.
- c) judgments and estimates made which are reasonable and prudent.

The Directors also confirm that the underlying books of accounts are in conformity with the requirements of the Sri Lanka Accounting Standards, Companies Act No. 07 of 2007, Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995, the Listing Rules of the Colombo Stock Exchange and the Code of Best Practice on Corporate Governance issued jointly by The Institute of Chartered Accountants of Sri Lanka (ICASL) and the Securities and Exchange Commission of Sri Lanka (SEC).

The Directors also have taken reasonable measures to safeguard the assets of the LHC and the Group and to prevent and detect frauds and other irregularities. In this regard, the Directors have instituted an effective and comprehensive system of internal controls comprising of internal audit function directly reporting to the Board.

The Directors are also of the view that the Company has adequate resources to continue in operation and have applied the going concern basis in preparing these financial statements.

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

By Order of the Board of Directors of The Lanka Hospitals Corporation PLC,



Deloitte Corporate Services (Private) Limited,
Secretaries to the Company,
25th April 2024

THE BOARD AUDIT COMMITTEE REPORT

Committee Composition

Mr. Mayura Fernando (INED) Chairman
Ms. Roshini Cabraal (INED) (resigned w.e.f. 27th March 2023)
Dr. Kanishka Karunaratne (INED)
Dr. (Mrs) Abinaya Alagarasan (NED) (appointed w.e.f.28th March 2023)
(INED-Independent Non-Executive Director, NED-Non Independent Non-Executive Director)

Meeting Attendance

Director	Attendance
Mr. Mayura Fernando	8/8
Ms. Roshini Cabraal	2/2
Dr. Kanishka Karunaratne	7/8
Dr. (Mrs) Abinaya Alagarasan	6/6

The Audit committee serves as a cornerstone of effective corporate governance, playing a pivotal role in ensuring transparency, accountability, and integrity within an organization. The Committee is comprised of independent directors possessing diverse expertise in different areas which provide a collaborative knowledge sharing to the committee while it also acts as a safeguard for shareholders’ interests, overseeing critical financial processes, risk management and internal controls.

Primary objective of the audit committee is to enhance the reliability and credibility of financial reporting, mitigate risks, and foster a culture of compliance with regulatory requirements and ethical standards. Accordingly, the terms of reference of the Committee are defined in the Audit Committee Charter. The Audit Committee Charter is regularly reviewed and revised with the concurrence of the Board members to ensure that new developments relating to the function of the Committee are adopted.

The key responsibilities set out in the Charter include the following:

- Overseeing the effectiveness of the company’s internal control systems, including risk management processes, to safeguard assets and ensure compliance and adequate controls are in place.

- Assessing and monitoring the company’s exposure to various risks in broadly, such as financial, operational, strategic, and compliance risks. This involves reviewing risk management policies and procedures and ensuring appropriate risk mitigation strategies are in place addressing all risk hierarchies and types over and above fulfilling the regulatory requirements.
- Reviewing the financial reporting systems in place, the appropriateness of the accounting policies and adherence to statutory and regulatory compliance requirements.
- Reviewing the hospitals’ compliance with legal and all other regulatory requirements, as well as internal policies and procedures. This includes monitoring changes in laws and industry/country regulations that may impact the company’s operations.
- Overseeing the external auditor, including reviewing the auditor’s independence, qualifications, and scope of work. The committee also assesses the audit process and the quality of audit services provided.
- Promoting a culture of ethics and integrity within the organization by overseeing compliance with the company’s code of conduct and ethical standards.
- Establishing procedures for employees to report concerns about accounting, internal controls, or other matters confidentially and without fear of retaliation.

The Committee is also engaged with the key management to review key risks faced by the Group as a whole and the main attention zones, with a view to obtaining assurances as appropriate and ensure effective risk mitigation strategies were in place. Accordingly, The Group Chief Executive Officer, Group Head of Internal Audit and the Group Chief Financial Officer attend Audit Committee meetings by invitation and the Company Secretary functions as the Secretary to the Committee.

Committee Activities in 2023

Regular communication with management, the board of directors, external auditors, and other stakeholders is essential to ensure effective oversight of financial reporting, internal controls, and risk management. The Committee convened 08 times during the financial year and attendance at meetings is set out alongside. Proceedings of these meetings

THE BOARD AUDIT COMMITTEE REPORT

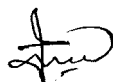
are recorded and reported to the Board in sufficient detail. Accordingly audit committee is empowered by the board for the following duties during the year 2023.

- ✔ Ensure that financial reporting systems in place are effective and well managed in order to provide accurate, appropriate and timely information to the Board, regulatory authorities and other stakeholders
- ✔ Evaluate the appropriateness of the accounting policies, standards and other compliance requirements and any new laws and regulations as applicable to the group.
- ✔ Ensure the adoption of latest revisions to corporate governance rules done in 2023 by SEC and adherence of best practice of corporate governance to be in accordance with highest ethical standards for the best interest of all stakeholders.
- ✔ Maintain high standards of Governance with accountability and transparency to build investor confidence in the capital market.
- ✔ Review the interim and annual financials of the Group in order to maintain the integrity of the statements prior to submission of the board.
- ✔ Evaluate and monitor all aspects of the group internal audit program with the findings, management response and implementation & follow-up of recommendations.
- ✔ Assess and constantly monitor the effects of the Sri Lankan economic conditions and its impact on the hospital operation.
- ✔ Engage with the management to review key risks faced by the group as a whole.
- ✔ Evaluate the status of compliance & key statutory deliverables of Lanka Hospitals Group with its tax, regulatory and operations standards.
- ✔ Seek professional advice on time to time on matters within the purview of the committee to accomplish the optimum solutions to the group.

Evaluation of the Committee

During the year, the Committee has assessed all key risk areas and compliances of the group, which also included under the terms of reference and were regularly reported to the board of directors with its explanations and observations. Regular evaluations help to identify areas for improvement and ensure that the audit committee remains effective in fulfilling its responsibilities. Accordingly independent evaluation of the effectiveness of the committee and its deliverables were carried out by the other members of the board during the year considering the overall conduct and its contribution to the performance of the hospital to ensure that the objectives of the committee is achieved.

On behalf of the Committee;



Mayura Fernando,
Chairman, Audit Committee

24th April 2024

THE BOARD REMUNERATION COMMITTEE REPORT

Committee Composition

Mr. Nadun Fernando (INED) (Chairman)
Dr. Ravindra Ruberu (INED)
Mr. Kasun Rajapaksa (INED)
(INED-Independent Non-Executive Director,
NED-Non Independent Non-Executive Director)

Meeting Attendance

Director	Attendance
Mr. Nadun Fernando	4/4
Dr. Ravindra Ruberu	4/4
Mr. Kasun Rajapaksa	4/4

Duties and Responsibilities

The Board Remuneration Committee plays a critical role in ensuring that the groups compensation practices are fair, transparent, and aligned with the interests of our shareholders while nourishing the employee expectations. The Committee is comprised of independent non-executive directors with vast expertise in human capital affairs, labor laws and compensation matters who possess a diversified management experience in giant corporates in Sri Lanka. Hence the Committee has adequate proficiency in remuneration policy and business management to deliberate and recommend necessary changes and developments to meet the roles and responsibility of the Committee.

The committee recognize the importance of transparency, accountability, and good corporate governance in all human related aspects of healthcare operations, including executive and director compensation while also concerned on key developments and initiatives undertaken during the period to enhance the group compensation practices and address emerging challenges. All of these efforts of the committee have a direct impact on rewarding, motivating & retaining all levels of human capital to backing the sustained success of business and value creation over the long run.

Activities in 2023

This year was a challenging year for all business segments in Sri Lanka due to the expatriation of all types of skilled,

semi-skilled labor which caused mainly due to the domestic inflation. However, the committee has conducted a comprehensive action plan to review the compensation policies to ensure they remain competitive, aligned with the company’s strategic objectives and help to attract/ retain the human capital to the group. The committee has supported to the board on remuneration related matters and take decisions with a view to aligning the interest of both employees and the management.

The Remuneration Committee met 04 times during the year. The meetings were attended by the Group Chief Executive Officer (GCEO), Director Medical Services/DCEO, Group Chief Finance Officer (GCFO) and Head of Human Resources (HOHR) together with professional advisors engaged on particular subject matters upon invitation by the committee to brief the pertinent issues related to the group human capital. The proceedings of the meetings have been handed over to the Board of Directors in adequate detail.

Summary of activities during the year included the following:

- Assess / Revise of group compensation policies to ensure the rewards to human capital is competitive and aligned with the company’s strategic objectives, emerging market developments, industry standards and compliant with regulatory requirements.
- Review of staff performance evaluation process against the predetermined metrics & targets set out during the beginning of the evaluation period.
- Identify key strategic human capital in every level of the group to ensure talent development and succession planning including the identification and development of potential executive successors which also includes reviewing compensation structures to support leadership development and retention.
- Evaluation of risks associated with the Company’s compensation practices to mitigate identified risks and ensure responsible compensation practices are in place.
- Ensuring the group is complied with the companies act requirements in relations to director remunerations, particularly the provisions of section 216.

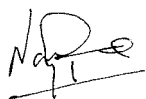
THE BOARD REMUNERATION COMMITTEE REPORT

Remuneration Policy

Remuneration Policy has outlined the principles, guidelines, and procedures governing the compensation of employees, executives, and directors within the company. The policy has set by aligning with the group's overall business strategy & values while promoting equity and fairness in compensation practices by ensuring that pay differentials are justified based on factors such as job responsibilities, skills, experience, and performance which minimize disparities in compensation within and across employee groups. It also fosters transparency and open communication about the organization's remuneration policies, practices, and decision-making process by clearly communicating on how compensation is determined, including the rationale behind decisions and the criteria used.

Potential risks arising from inadequate remuneration structures are given due consideration in the policy and required steps have been in place to mitigate such exposures. Further, through the Remuneration Policy, the Company endeavors to nurture a conducive and positive work environment that allows meaningful employment opportunities to all staff.

On behalf of the Committee;



Mr. Nadun Fernando

Chairman - Board Remuneration Committee

25th April 2024

THE BOARD RELATED PARTY TRANSACTIONS REVIEW COMMITTEE REPORT

Committee Composition

Ms. Lakshmi Sangakkara (INED) Chairperson

Mr. Mayura Fernando (INED)

Mr. Kushan De Alwis PC (INED)

(INED-Independent Non-Executive Director, NED-Non Independent Non-Executive Director)

Meeting Attendance

Director	Attendance
Ms. Lakshmi Sangakkara	4/4
Mr. Mayura Fernando	4/4
Mr. Kushan De Alwis PC	4/4

The Committee assesses the materiality and significance of each related party transaction based on its size, nature, and potential impact on the company's financial position and performance. All related party transactions undergo a rigorous review and approval process to ensure fairness, transparency, and compliance with applicable laws and regulations. The Committee will continue to monitor related party transactions and enhance controls and oversight mechanisms as necessary to mitigate risks and safeguard the interests of shareholders and other stakeholders. The Committee remains vigilant in identifying and addressing potential conflicts of interest and ensuring the integrity of related party transactions while remains dedicated to conducting related party transactions in a manner consistent with principles of fairness, transparency, and corporate governance.

According to the above key deliverables of the committee, it has encompassed with entirety of Independent Non-Executive Directors who possess an eminent proven track records in management, legal and financial areas by serving an extensive periods in the board rooms of Sri Lankan giant corporate entities. All the members of the committee are in line with the requirements of Code of Best Practice on Related Party Transactions issued by the CSE and ICASL 2017. The Directors who represented the Committee are set out alongside; their profiles are given on pages 52 to 55 of this Report.

The Committee is responsible for assisting the Board to review all Related Party Transactions carried by the Group. Key responsibilities include,

- ✓ Evaluates and improves the effectiveness of the company's Related Party Transaction governance framework, Policies and procedures based on evolving regulatory requirements and industry best practices which is also consistent with the recommendations proposed by Code of Best Practice on Corporate Governance by CA Sri Lanka 2017.
- ✓ Ensure the objective, economic & commercial substance of the related party transactions take precedence over the legal form and technicality as listed in the regulations.
- ✓ Identify all related parties involved in transactions of the group including key management personnel, significant shareholders, subsidiaries, and their immediate family members.
- ✓ Reviewing and updating the Board on the related party transactions of the Group.
- ✓ Ensuring that the disclosures made in the Annual Report are in line with the requirements of the Continuing Listing Requirements of the CSE & accordance with LKAS 24.
- ✓ Ensuring market disclosures are made as required by the Continuing Listing Requirements of the CSE.
- ✓ Provides training and education to company employees, directors, and related parties on the company's policies and procedures related to related party transactions, as well as their roles and responsibilities in ensuring compliance.

During the year 2023, the related party transaction review committee comprised of all non-executive directors in conformity with the section 4.2 of the code of best practice on corporate governance 2017 which was issued by the Institute of Chartered Accountants of Sri Lanka.

Activities in 2023

The Committee met once in every quarter (4 times) during the Financial Year 2023. The following types of related party transactions are brought to the attention of the Board:

- ✓ Insurance services obtained from the Parent Company and payments made thereof.

THE BOARD RELATED PARTY TRANSACTIONS REVIEW COMMITTEE REPORT

- ✔ Services provided and payments made to related parties.
- ✔ Laboratory services obtained from the subsidiary Company and payments made thereof.

Related party transactions were mainly evaluated on two basis as recurrent & non recurrent transactions as mentioned in the section 09 of the CSE listing rules. A summary of the above related party transactions that occurred during the period under review is provided to the committee ahead of the Committee meetings & Committee monitors and reviews such transactions to assess fairness and integrity while also provide recommendations and findings to the Board of Directors regularly.

During the year committee has evaluated the level of stakeholder engagement and transparency regarding Related party transactions of the group and assessed whether the group entities proactively engage with shareholders and other stakeholders to address concerns and provide meaningful disclosures on RPT activities, policies, and controls.

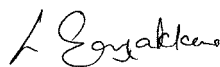
All related party transactions during the year, were within the respective thresholds mentioned in the Listing Rules requiring disclosure in the Annual Report. The board has extended the scope of the Committee to include senior decision makers (Executive committee members) in the list of key management personnel, whose transactions with the group entities also reviewed by the committee. In addition, a self-declaration about the related party transactions was obtained from all directors and executive committee members to establish transparency and the best practices are followed by the group.

Details of the Related Party Transactions entered into during the year are disclosed on Note 27 to the Financial Statements.

Declaration

A declaration by the Board of Directors in the Annual Report as a negative statement to the effect that no related party transaction falling within the ambit of the rule 9.3.2 of Listing Rules of the Colombo Stock Exchange was entered into by the Company during the year, is given in the Annual Report of the Board of Directors on page 63. All other related party transactions that could be classified as related party transactions in terms of LKAS 24-'Related Party Disclosures', are given in Note 27 to the Financial Statements.

On behalf of the Committee;



Lakshmi Sangakkara

Chairperson - Related Party Transactions Review Committee

24th April 2024



**“LANKA HOSPITALS IS
ALWAYS ON THE CUSP OF
INNOVATION, AS EVIDENCED
BY OUR STATE OF THE
ART LAB AND DIAGNOSTIC
FACILITIES, WHICH ENHANCES
OUR OFFERINGS.”**

“LANKA HOSPITALS HAS BEEN THE PREMIER MEDICAL FACILITY THAT HAS INTRODUCED STATE OF THE ART TECHNOLOGY THAT HAS ENHANCED THE CAPABILITIES OF ITS MEDICAL SPECIALISTS, WHILE ADDING LONGEVITY AND WELLNESS TO OUR PATIENTS. WE WILL CONTINUE TO BE THE STANDARD BEARERS IN THE INDUSTRY, EMPLOYING THE BEST RESOURCES TO ACHIEVE THE BEST RESULTS.”

22+



**MANY
YEARS
MANY
INNOVATIONS**

FINANCIAL REPORTS

Independent Auditors' Report	97
Consolidated Statement of Profit or Loss	102
Consolidated Statement of other Comprehensive Income	103
Consolidated Statement of Financial Position	104
Consolidated Statement of Changes in Equity	106
Statement of Changes in Equity	108
Consolidated Statement of Cash Flows	110
Notes to the Financial Statements	112



FINANCIAL CALENDAR 2023 AND PROPOSED FINANCIAL CALENDAR 2024

Submission of the Interim Financial Statements in terms of Rule 7.4 (a) (i) 1 of the Colombo Stock Exchange

	2023 Submitted on	2024 to be Submitted on or Before
For the 3 months ended 31st March (unaudited)	15th May 2023	15th May 2024
For the 6 months ended 30th June (unaudited)	14th August 2023	15th August 2024
For the 9 months ended 30th September (unaudited)	15th November 2023	14th November 2024
For the year ended 31st December (unaudited)	26th February 2024	28th February 2025

INDEPENDENT AUDITORS' REPORT



ජාතික විගණන කාර්යාලය தேசிய கணக்காய்வு அலுவலகம் NATIONAL AUDIT OFFICE



මගේ අංකය
எனது இல.
My No.

} THO/C/LHC/FA/2023/01

ඔබේ අංකය
உமது இல.
Your No.

}

දිනය
திகதி
Date

}

08 April 2024

The Chairman
The Lanka Hospitals Corporation PLC

Report of the Auditor General on the Financial Statements and Other Legal and Regulatory Requirements of the The Lanka Hospital Corporation PLC and its subsidiaries for the year ended 31 December 2023 in terms of Section 12 of the National Audit Act, No. 19 of 2018.

1. Financial Statements

1.1 Opinion

The audit of the financial statements of The Lanka Hospital Corporation PLC ("Company") and the consolidated financial statements of the Company and its subsidiaries ("Group") for the year ended 31 December 2023 comprising the statement of financial position as at 31 December 2023 and the income statement, statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flow for the year then ended, and notes to the financial statements, including material accounting policy information was carried out under my direction in pursuance of provisions in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with provisions of the National Audit Act No. 19 of 2018. My report to Parliament in pursuance of provisions in Article 154 (6) of the Constitution will be tabled in due course.

In my opinion, the accompanying financial statements of the Company and the Group give a true and fair view of the financial position of the Company and the Group as at 31 December 2023, and of their financial performance and their cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

1.2 Basis for Opinion

I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuSs). My responsibilities, under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

1.3 Key Audit Matters

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

INDEPENDENT AUDITORS' REPORT



- ✔ **Revenue recognition – Refer to Note 4.15 – accounting policy and Note 5 to the Financial Statements. The Revenue of the Group for the year ended 31st December 2023 was Rs.12,419 Million.**

Risk Description	Our Response
The Group's revenue generated from its healthcare services is disclosed in Note 5 together with the related accounting policy in 4.15. I considered revenue as a focus area due to the complexity of the pricing structure, its high volume, determination of appropriateness of gross or net basis of revenue recognition in certain arrangements, and reliance on IT controls.	My audit procedures included the following, among others; ✔ I carried out audit procedures over revenue measurement by testing on a sample basis, transactional level pricing and applicable documentary evidence. ✔ I discussed with management regarding the contractual arrangements where consultant medical personnel are involved, and tested on a sample basis the appropriateness of the recognition of revenue on a gross or net basis. ✔ I obtained an understanding about the key IT and manual controls over the occurrence of revenue and tested the same on a sample basis. ✔ I performed specific audit procedures over cash collection related to revenue covering a sample of locations where the Group's business is carried out. ✔ I assessed the adequacy of the disclosures made in Note 5 in the financial statement.

- ✔ **Carrying value of inventories – Refer to Note 4.8– accounting policy and Note 16 to the Financial Statements. The Group carried inventories of Rs.862 Million as at December 31, 2023, at the lower of cost or net realizable value.**

Risk Description	Our Response
Valuation of inventory involves judgement and estimates due to the nature of products and stringent quality requirements. Due to allocation and sale of inventories within Group operations based on the business model, both existence and valuation of inventories are key areas of focus.	My audit procedures included; assessing adequacy and consistency of provisioning for inventories at the reporting date with the Group's inventory provision policy. ✔ On a sample basis, comparing the carrying amounts of the Group's inventories with net realization value of those inventories. ✔ Testing the existence of inventories through physical verification as at year end and validating the cost allocation within Group entities.



✓ **Recoverability of Trade Receivables – Refer to Note 4.9.1 – accounting policy and Note 17 to the Financial Statements. The Group’s trade receivable as at 31 December 2023 was Rs.577 Million.**

Risk Description	Our Response
Assessment of recoverability of the Group’s trade receivables involves based on management judgement. The historical payment patterns and other information relating to the creditworthiness of customers. Inherent subjectivity is involved in making judgements in relation to credit risk exposures to determine the recoverability of trade receivables.	My audit procedures included – ✓ Testing the Group’s credit control procedures, including the controls around credit terms, and reviewing the payment history and financial information pertaining to the customers. ✓ Testing the receipt of cash after the year end relating to 31 December 2023 balances; and ✓ Testing the adequacy of the Group’s impairment provisions against trade receivables by assessing the judgements made and the historical trading experience with the relevant customers. ✓ Assessing the adequacy of the Group’s disclosures about the degree of estimation involved in arriving at the impairment provision.

1.4 Other information included in the Company’s 2023 Annual Report.

The other information comprises the information included in the Company’s 2023 Annual Report, but does not include the financial statements and my auditor’s report thereon, which is expected to be made available to me after the date of this auditor’s report. Management is responsible for the other information.

My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, my responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated.

When I read the Company’s 2023 Annual Report, if I conclude that there are material misstatements therein, I am required to communicate that matter to those charged with governance for correction. If further material uncorrected misstatements are existed those will be included in my report to Parliament in pursuance of provisions in Article 154 (6) of the Constitution that will be tabled in due course.

INDEPENDENT AUDITORS' REPORT



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

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with Sri Lanka Accounting Standards, and for such internal control as management determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

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

As per Section 16(1) of the National Audit Act No. 19 of 2018, the Group is required to maintain proper books and records of all its income, expenditure, assets and liabilities, to enable annual and periodic financial statements to be prepared of the Group.

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

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

As part of an audit in accordance with Sri Lanka Auditing Standards, I exercise professional judgment and maintain professional skepticism throughout the audit. I also:

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



- ✓ Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. I am responsible for the direction, supervision and performance of the group audit. I remain solely responsible for my audit opinion.

I communicate with those charged with governance regarding, among other matters, significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

2. Report on Other Legal and Regulatory Requirements

2.1. National Audit Act, No. 19 of 2018 and Companies Act, No. 7 of 2007 include specific provisions for following requirements.

2.1.1 I have obtained all the information and explanation that required for the audit and as far as appears from my examination, proper accounting records have been kept by the Company as per the requirement of section 163 (2) (d) of the Companies Act, No. 7 of 2007 and section 12 (a) of National Audit Act, No. 19 of 2018.

2.1.2 The financial statements of the Company comply with the requirement of section 151 of the Companies Act, No. 07 of 2007.

2.1.3. The financial statements presented is consistent with the preceding year as per the requirement of section 6 (1) (d) (iii) of the National Audit Act, No. 19 of 2018.

2.1.4 The financial statements presented includes all the recommendations made by me in the previous year as per the requirement of section 6 (1) (d) (iv) of the National Audit Act, No. 19 of 2018.

2.2 Based on the procedures performed and evidence obtained which limited to matters that are material, nothing has come to my attention;

2.2.1 to state that any member of the governing body of the Company has any direct or indirect interest in any contract entered into by the Company which are out of the normal course of business as per the requirement of section 12 (d) of the National Audit Act, No. 19 of 2018;

2.2.2 to state that the Company has not complied with any applicable written law, general and special directions issued by the governing body of the Company as per the requirement of section 12 (f) of the National Audit Act, No. 19 of 2018;

2.2.3 to state that the Company has not performed according to its powers, functions and duties as per the requirement of section 12 (g) of the National Audit Act, No. 19 of 2018;

2.2.4 to state that the resources of the Company had not been procured and utilized economically, efficiently and effectively within the time frames and in compliance with the applicable laws as per the requirement of section 12 (h) of the National Audit Act, No. 19 of 2018.

W.P.C. Wickramaratne
Auditor General

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31st December,	Notes	Group		Company	
		2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
Revenue from contracts with customers	5	12,418,607,926	10,697,887,913	9,696,877,423	7,957,422,116
Cost of services		(7,209,582,530)	(6,259,893,319)	(5,567,911,696)	(4,735,624,497)
Gross profit		5,209,025,396	4,437,994,594	4,128,965,727	3,221,797,619
Other income	6	76,934,050	86,061,173	85,026,344	89,323,513
Administrative expenses		(2,824,016,851)	(2,388,908,713)	(2,224,625,718)	(1,885,312,857)
Other operating expenses		(1,258,543,103)	(925,938,123)	(1,122,199,691)	(817,014,117)
Change in fair value of investment property	14.2	-	-	15,000,000	8,300,000
Profit from the operations		1,203,399,492	1,209,208,931	882,166,662	617,094,158
Finance income	7.1	739,617,612	2,882,371,900	252,811,699	2,642,642,732
Finance cost	7.2	(33,031,212)	(30,383,252)	(13,914,343)	(16,332,997)
Net finance income		706,586,400	2,851,988,649	238,897,356	2,626,309,735
Profit before taxation	8	1,909,985,892	4,061,197,580	1,121,064,018	3,243,403,892
Income tax expense	9	(564,759,699)	(814,341,217)	(320,897,359)	(565,289,886)
Profit for the year		1,345,226,193	3,246,856,363	800,166,659	2,678,114,006
Attributable to:					
Equity holders of the company		1,345,226,193	3,246,856,363	800,166,659	2,678,114,006

Notes from pages 112 to 168 form an integral part of these Financial Statements. Figures in brackets indicate deductions.

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

For the year ended 31st December,	Note	Group		Company	
		2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
Profit for the year		1,345,226,193	3,246,856,363	800,166,659	2,678,114,006
Other comprehensive income					
Items that will not be reclassified to profit or loss					
Surplus on revaluation of property, plant and equipment	22	-	417,765,345	-	390,893,155
Actuarial (loss) / gain on defined benefit obligations	23	(80,172,572)	65,737,297	(68,871,314)	58,408,293
Deferred tax on surplus of revaluation	22	-	(125,329,603)	-	(117,267,946)
Effect on deferred tax due to rate change	22	-	(210,135,698)	-	(198,473,298)
Related tax on actuarial (loss) / gain on defined benefit obligations	24	24,051,771	(19,721,189)	20,661,394	(17,522,488)
Other comprehensive income for the year, (net of tax)		(56,120,801)	128,316,151	(48,209,920)	116,037,716
Total comprehensive income for the year		1,289,105,392	3,375,172,515	751,956,739	2,794,151,722
Attributable to:					
Equity holders of the parent		1,289,105,392	3,375,172,515	751,956,739	2,794,151,722
Basic Earnings per share (Rs.)	10.1	6.01	14.51	3.58	11.97
Diluted Earnings per share (Rs.)	10.2	6.01	14.51	3.58	11.97

Notes from pages 112 to 168 form an integral part of these Financial Statements. Figures in brackets indicate deductions.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31st December,	Note	Group		Company	
		2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
ASSETS					
Non-current assets					
Property, plant and equipment	12	5,384,713,047	5,125,085,680	4,906,536,543	4,683,680,410
Right of use assets	26	550,362,680	531,471,112	419,990,517	422,523,261
Intangible assets	13	79,060,281	46,814,095	62,571,202	37,422,214
Investment property	14	-	-	170,000,000	155,000,000
Investment in subsidiary	15	-	-	414,000,020	414,000,020
		6,014,136,008	5,703,370,887	5,973,098,282	5,712,625,905
Current assets					
Inventories	16	861,831,926	979,995,750	580,010,290	716,850,386
Trade and other receivables	17	1,457,492,605	1,015,529,407	1,219,388,589	798,782,611
Amounts due from related companies	18	9,743,380	235,232	228,492,602	133,716,741
Financial assets measured at amortized cost	19	6,976,008,910	6,923,207,563	4,763,739,952	5,241,046,466
Cash and cash equivalents	20	999,578,625	711,590,993	901,447,953	624,549,496
		10,304,655,446	9,630,558,945	7,693,079,386	7,514,945,700
Total assets		16,318,791,454	15,333,929,832	13,666,177,668	13,227,571,605
EQUITY AND LIABILITIES					
Equity					
Stated capital	21	2,671,543,090	2,671,543,090	2,671,543,090	2,671,543,090
Revaluation reserve	22	1,306,246,491	1,361,084,883	1,215,823,026	1,266,920,410
Retained earnings		8,621,170,130	7,948,422,853	6,256,785,301	6,124,927,684
Total equity		12,598,959,711	11,981,050,826	10,144,151,417	10,063,391,184
Non-current liabilities					
Employee benefits	23	369,816,913	254,261,408	318,883,389	218,336,229
Deferred tax liabilities	24	1,134,820,682	1,212,337,694	1,063,346,727	1,136,551,969
Lease liability	26	160,044,076	151,975,808	54,017,701	70,469,960
		1,664,681,671	1,618,574,910	1,436,247,817	1,425,358,158

As at 31st December,	Note	Group		Company	
		2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
Current liabilities					
Trade and other payables	25	1,192,661,584	765,627,228	1,552,567,813	1,048,501,117
Lease liability	26	89,051,355	87,055,794	50,180,964	49,344,349
Income tax payable		483,705,763	353,794,340	288,769,771	190,568,078
Bank overdraft	20	289,731,370	527,826,734	194,259,886	450,408,719
		2,055,150,072	1,734,304,096	2,085,778,434	1,738,822,263
Total liabilities		3,719,831,743	3,352,879,006	3,522,026,251	3,164,180,421
Total equity and liabilities		16,318,791,454	15,333,929,832	13,666,177,668	13,227,571,605

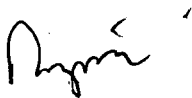
Notes from pages 112 to 168 form an integral part of these Financial Statements. Figures in brackets indicate deductions. It is certified that the Financial Statements have been prepared in compliance with the requirements of the Companies Act No 7 of 2007.



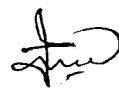
Wickramasiri
Group Chief Financial Officer

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

Signed for and on behalf of the Board;



Dr. Bandula Wijesiriwardena
Chairman



Mayura Fernando
Deputy Chairman

29th March 2024
Colombo

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Group	Stated capital Rs.	Revaluation reserve Rs.	Retained earnings Rs.	Total Equity Rs.
Balance as at 1st January, 2022	2,671,543,090	1,330,581,534	5,316,956,429	9,319,081,053
Adjustment for Surcharge Tax levied under the Surcharge Tax Act No. 14 of 2022	-	-	(42,006,234)	(42,006,234)
Adjusted balance as at 1st January 2022	2,671,543,090	1,330,581,534	5,274,950,195	9,277,074,819
Profit for the year	-	-	3,246,856,363	3,246,856,363
Other comprehensive income				
Actuarial gains on defined benefit obligations	-	-	65,737,297	65,737,297
Related tax on actuarial gain on defined benefit obligation	-	-	(19,721,189)	(19,721,189)
Surplus on revaluation of property, plant and equipment	-	417,765,345	-	417,765,345
Depreciation transfer on surplus on revaluation of buildings	-	(51,796,694)	51,796,694	-
Effect on deferred tax due to rate change	-	(210,135,698)	-	(210,135,698)
Deferred tax on surplus of revaluation	-	(125,329,603)	-	(125,329,603)
Transaction with owners recorded directly in equity				
Dividend	-	-	(671,196,507)	(671,196,507)
Balance as at 31st December, 2022	2,671,543,090	1,361,084,883	7,948,422,853	11,981,050,826

Group	Stated capital Rs.	Revaluation reserve Rs.	Retained earnings Rs.	Total Equity Rs.
Balance as at 1st January, 2023	2,671,543,090	1,361,084,883	7,948,422,853	11,981,050,826
Profit for the year	-	-	1,345,226,193	1,345,226,193
Other comprehensive income				
Actuarial loss on defined benefit obligations	-	-	(80,172,572)	(80,172,572)
Related tax on actuarial loss on defined benefit obligation	-	-	24,051,771	24,051,771
Depreciation transfer on surplus on revaluation of building	-	(54,838,392)	54,838,392	-
Transaction with owners recorded directly in equity				
Dividend	-	-	(671,196,507)	(671,196,507)
Balance as at 31st December, 2023	2,671,543,090	1,306,246,491	8,621,170,130	12,598,959,711
Dividend per share - 2023 (Note - 11)				3.00
Dividend per share - 2022 (Note - 11)				3.00

Notes from pages 112 to 168 form an integral part of these Financial Statements. Figures in brackets indicate deductions.

STATEMENT OF CHANGES IN EQUITY

Company	Stated capital Rs.	Revaluation reserve Rs.	Retained earnings Rs.	Total Equity Rs.
Balance as at 1st January, 2022	2,671,543,090	1,240,031,685	4,063,956,478	7,975,531,253
Adjustment for Surcharge Tax levied under the Surcharge Tax Act No. 14 of 2022	-	-	(35,095,284)	(35,095,284)
Adjusted Balance as at 1st January, 2022	2,671,543,090	1,240,031,685	4,028,861,194	7,940,435,969
Profit for the year	-	-	2,678,114,006	2,678,114,006
Other comprehensive income				
Actuarial gain on defined benefit obligations			58,408,293	58,408,293
Related tax on actuarial gain on defined benefit obligation	-	-	(17,522,488)	(17,522,488)
Surplus on revaluation of property, plant and equipment	-	390,893,155	-	390,893,155
Depreciation transfer on surplus on revaluation of buildings	-	(48,263,185)	48,263,185	-
Effect on deferred tax due to rate change	-	(198,473,298)	-	(198,473,298)
Deferred tax impact on depreciation of revalued buildings	-	(117,267,946)	-	(117,267,946)
Transaction with owners recorded directly in equity				
Dividend	-	-	(671,196,507)	(671,196,507)
Balance as at 31st December, 2022	2,671,543,090	1,266,920,410	6,124,927,684	10,063,391,184

Company	Stated capital Rs.	Revaluation reserve Rs.	Retained earnings Rs.	Total Equity Rs.
Balance as at 1st January, 2023	2,671,543,090	1,266,920,410	6,124,927,684	10,063,391,184
Profit for the year	-	-	800,166,659	800,166,659
Other comprehensive income				
Actuarial Loss on defined benefit obligations	-	-	(68,871,314)	(68,871,314)
Related tax on actuarial loss on defined benefit obligations	-	-	20,661,394	20,661,394
Depreciation transfer on surplus on revaluation of buildings	-	(51,097,384)	51,097,384	-
Transaction with owners recorded directly in equity				
Dividend	-	-	(671,196,507)	(671,196,507)
Balance as at 31st December, 2023	2,671,543,090	1,215,823,026	6,256,785,301	10,144,151,417
Dividend per share - 2023 (Note - 11)				3.00
Dividend per share - 2022 (Note - 11)				3.00

Notes from pages 112 to 168 form an integral part of these Financial Statements. Figures in brackets indicate deductions.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31st December,	Note	Group		Company	
		2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
Cash flow from operating activities					
Profit before taxation		1,909,985,892	4,061,197,580	1,121,064,018	3,243,403,892
Adjustments for:					
Interest income	7.1	(1,257,661,435)	(927,519,010)	(770,855,522)	(686,784,543)
(Gain) /loss on translation of foreign currency	7	518,043,823	(1,955,858,189)	518,043,823	(1,955,858,189)
Depreciation on property, plant and equipment	12	557,325,924	460,627,462	492,805,900	406,145,886
Amortisation of right of use assets	26.4	95,826,357	88,678,536	48,520,074	51,707,046
Interest cost on lease liability	26.4	33,031,211	30,383,251	13,914,343	16,332,997
Amortisation of intangible assets	13	19,989,374	18,217,031	15,470,224	14,233,142
Net change in fair value of investment property	14	-	-	(15,000,000)	(8,300,000)
Provision for retiring gratuity	23.2	79,140,255	65,060,744	67,321,518	55,520,062
Impairment loss / (reversal of provision) on inventory	16.1	(1,169,470)	(19,113,261)	2,340,866	(23,326,755)
Impairment loss / (reversal of provision) on trade receivables		9,276,962	5,286,007	(3,569,688)	(1,008,802)
(Gain) / loss on disposal of right of use assets	6	185,203	(4,547,153)	-	(347,157)
(Gain) / loss on disposal of property, plant and equipment	6	(6,017,399)	(1,256,725)	(6,017,399)	(1,256,725)
Operating cash flows before working capital changes		1,957,956,698	1,821,156,273	1,484,038,156	1,110,460,855
(Increase)/decrease in inventories		119,333,294	(505,432,993)	134,499,230	(390,567,271)
(Increase)/decrease in trade and other receivables		(418,970,533)	92,416,014	(348,396,131)	(37,547,805)
Increase/(decrease) in amounts due from related companies		(9,508,148)	1,598,957	(94,775,861)	(21,977,433)
Increase/(decrease) in trade and other payables		427,034,356	(132,329,394)	504,066,696	(299,209,897)
		2,075,845,667	1,277,408,857	1,679,432,090	361,158,449
Cash generated from operations					
Retiring gratuity paid	23.2	(43,757,322)	(22,837,645)	(35,645,672)	(21,197,703)
Interest paid	26.4	(33,031,211)	(30,383,251)	(13,914,343)	(16,332,997)
Income tax paid		(488,313,517)	(420,029,746)	(275,239,513)	(248,238,457)
Net cash inflow from operating activities		1,510,743,617	804,158,215	1,354,632,562	75,389,292

For the year ended 31st December,	Note	Group		Company	
		2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
Cash flows from investing activities					
Acquisition of property, plant and equipment	12	(802,782,969)	(422,429,963)	(701,491,710)	(370,114,894)
Expenditure incurred on capital work in progress	12	(44,525,661)	(38,429,720)	(44,525,661)	(38,429,720)
Purchase of intangible assets	13	(52,235,559)	(9,755,123)	(40,619,211)	(7,627,825)
Proceeds from disposal of property, plant and equipment		36,372,737	12,426,368	36,372,737	12,426,368
Interest income received		1,226,750,581	846,624,809	702,699,929	668,093,525
(Investment)/withdrawal in other financial assets		(570,845,169)	(217,378,220)	(40,737,308)	579,838,533
Net cash generated from (used in) investing activities		(207,266,041)	171,058,151	(88,301,225)	844,185,987
Cash flows from financing activities					
Dividend paid		(671,196,507)	(671,196,507)	(671,196,507)	(671,196,507)
Lease paid		(106,198,071)	(91,768,379)	(62,087,540)	(57,742,763)
Net cash outflow from (used in) financing activities		(777,394,578)	(762,964,886)	(733,284,047)	(728,939,270)
Net increase/(decrease) in cash and cash equivalents		526,082,995	212,251,480	533,047,290	190,636,010
Cash and cash equivalent at the beginning of the year		183,764,259	(28,487,221)	174,140,777	(16,495,233)
Cash and cash equivalent at the end of the period (Note A)		709,847,255	183,764,259	707,188,067	174,140,777
Note A- Analysis of cash and cash equivalents					
Favourable balances					
Cash in hand and at bank		513,845,501	484,297,964	465,714,829	417,256,467
Short term investments		485,733,124	227,293,029	435,733,124	207,293,029
		999,578,625	711,590,993	901,447,953	624,549,496
Unfavourable balances					
Bank overdrafts		(289,731,370)	(527,826,734)	(194,259,886)	(450,408,719)
Cash and cash equivalents		709,847,255	183,764,259	707,188,067	174,140,777

Notes from pages 112 to 168 form an integral part of these Financial Statements. Figures in brackets indicate deductions.

NOTES TO THE FINANCIAL STATEMENTS

1. REPORTING ENTITY

1.1 Corporate Information

- (a) The Lanka Hospitals Corporation PLC ("the Company") is a public limited liability Company incorporated and domiciled in Sri Lanka. The Company was incorporated under the Companies Act No. 17 of 1982 on 6 October 1997 and re-registered on 28 July 2008 under the Companies Act, No. 07 of 2007, which came into effect on 3 May 2007. The registered office of the Company and principal place of business is located at No.578, Elvitigala Mawatha, Narahenpita, Colombo 05, Sri Lanka. The ordinary shares of the Company have a primary listing on the CSE.
- (b) The fully owned subsidiary company, Lanka Hospitals Diagnostics (Private) Limited is a private company with limited liability incorporated in Sri Lanka under the provisions of the Companies Act No. 07 of 2007. The Company was incorporated on 06 February 2013. The immediate parent of the Company is The Lanka Hospitals Corporation PLC.

1.2 Consolidated Financial Statements

The consolidated financial statements of the Company as at, and for the year ended 31st December 2023 comprise the financial statements of Company and its subsidiary (together referred to as the "Group").

1.3 Principal Activities and Nature of Operations

The principal activities of the company and the Group are to provide healthcare and laboratory services. There were no significant changes in the nature of principal activities of the company and the Group during the financial year.

1.4 Number of Employees

The staff strength of the Group and Company as at 31st December 2023 was 2,163 and 1,670 (Group: 2,008 and Company: 1,582 as at 31st December 2022)

1.5 Parent Enterprise and Ultimate Parent Enterprise

The Company's immediate and ultimate parent is Sri Lanka Insurance Corporation Limited, which is incorporated in Sri Lanka.

2. BASIS OF PREPARATION

2.1 Statement of Compliance

The consolidated financial statements of the Group and the separate financial statements of the Company have been prepared and presented in accordance with the Sri Lanka Accounting Standards (herein referred to as SLFRSs/LKASs) effective from 1st January 2012, laid down by The Institute of Chartered Accountants of Sri Lanka (ICASL) and the requirements of the Companies Act No. 07 of 2007.

The Group did not adopt any inappropriate accounting treatments, which are not in compliance with the requirement of the SLFRSs and LKASs.

Details of the Group's significant accounting policies followed during the year are given in Notes 03 to 4.25.

2.2 Responsibility for Financial Statements

The Board of Directors of the Company is responsible for the preparation and fair presentation of the financial statements of the Group and the Company as per the provision of the Companies Act No. 07 of 2007 and Sri Lanka Accounting Standards.

These financial statements include the following components:

- ✓ A Statement of Profit or Loss and Other Comprehensive Income providing the information on the financial performance of the Group and the Company for the year under review. Refer pages 102 & 103;
- ✓ a Statement of Financial Position providing the information on the financial position of the Group and the Company as at the year end. Refer pages 104 & 105;
- ✓ a Statement of Changes in Equity depicting all changes in shareholders' funds during the year under review of the Group and the Company. Refer pages 106 to 109;
- ✓ a Statement of Cash Flows providing the information to the users, on the ability of the Group and the Company to generate cash and cash equivalents and utilisation of those cash flows. Refer pages 110 & 111;
- ✓ Notes to the Financial Statements comprising Significant Accounting Policies and other explanatory information. Refer pages 112 to 168.

2.3 Date of Authorisation for Issue

The financial statements of the Group and the Company for the year ended 31 December 2023 were authorised for issue by the Company's Board of Directors on 29th March 2024.

2.4 Basis of Measurement

The consolidated and separate financial statements have been prepared on the historical cost basis, except that land and buildings on leasehold land, investment property are measured at fair value, and the retirement benefit obligations are measured at the present value of the defined benefit obligation as explained in the respective notes to the financial statements.

2.5 Going Concern Basis of Accounting

The Management has made an assessment of its ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future.

Furthermore, the Management is not aware of any material uncertainties that may cast significant doubt upon the Group's ability to continue as a going concern. Therefore, the Financial Statements of the Group continue to be prepared on a going concern basis.

2.6 Functional and Presentation Currency

Items included in these consolidated financial statements are measured using the currency of the primary economic environment in which the company operates (the Functional Currency).

The consolidated financial statements are presented in Sri Lankan Rupees, which is the Group's functional and presentation currency.

2.7 Presentation of Financial Statements

The assets and liabilities of the Group presented in the Statement of Financial Position are grouped by nature and listed in an order that reflects their relative liquidity and maturity pattern.

No adjustments have been made for inflationary factors affecting the consolidated financial Statements.

2.8 Rounding

The amounts in the Consolidated Financial Statements have been rounded-off to the nearest rupees thousands, except where otherwise indicated as permitted by the Sri Lanka Accounting Standard – LKAS 1 on "Presentation of Financial Statements" (LKAS 1).

2.9 Offsetting

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

Income and expenses are not offset in the Consolidated Statement of profit or loss, unless required by an Accounting Standards and as specifically disclosed in the Significant Accounting Policies of the company.

2.10 Materiality and Aggregation

Each material class of similar items is presented separately in the consolidated financial statements. Items of dissimilar nature or function are presented separately unless they are immaterial as permitted by the LKAS 1 and amendments to LKAS 1 on "Disclosure Initiative".

2.11 Comparative Information

Comparative information including quantitative, narrative and descriptive information is disclosed in respect of the previous period in the Consolidated Financial Statements in order to enhance the understanding of the current period's Financial Statements and to enhance the inter period comparability. The comparative information have been reclassified where necessary to conform to the current year's presentation.

2.12 Use of Estimates, Judgments and Assumptions

The preparation of financial statements of the Group in conformity with Sri Lanka Accounting Standards requires the management to make judgments, estimates and assumptions that affect the application of accounting policies and reported values of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical

NOTES TO THE FINANCIAL STATEMENTS

experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making a judgment about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

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

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

2.12.1 Measurement of Fair Values

A number of the Group's accounting policies and disclosures require measurement of fair values, for both financial and non-financial assets and liabilities.

The Group has an established control framework with respect to the measurement of fair values. This includes a team that has overall responsibility for overseeing all significant fair value measurements, including Level 3 fair values, and reports directly to the Group Chief Financial Officer.

Significant valuation issues are reported to the Group's Audit Committee.

When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair values are categorised into different levels in a hierarchy based on the inputs used in the valuation techniques as follows.

- ✓ Level 1 - quoted prices (unadjusted) in active markets for identical assets and liabilities.
- ✓ Level 2 - inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.
- ✓ Level 3 - inputs for the asset or liability that are not based on observable market data (unobservable inputs)

Further information about assumptions made in measuring fair values is included in the respective notes to the consolidated financial statements.

2.12.2 Fair Value of Non-Financial Assets

The fair value used by the Group in the measurement of non-financial assets is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market in the most advantageous market that is accessible by the Group for the asset or liability.

The fair value of an asset or a liability is measured using the assumptions that market participants would act in their market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

2.12.3 Useful Lives of Depreciable Assets

Management reviews its estimation of the useful lives of depreciable assets at each reporting date based on the expected utility of the assets. Uncertainties in these estimates relate to technical obsolescence that may change the useful life of certain property, plant and equipment.

2.12.4 Business Combinations

Management applies its judgment to determine whether the control indicators set out in the SLFRS 3 "Business Combination".

Management uses valuation techniques in determining the fair values of the various elements of a business combination. The fair value of contingent consideration is dependent on the outcome of many variables that affect future profitability.

2.12.5 Defined Benefit Obligation

The cost of the defined benefit plans are determined using an actuarial valuation. Management's estimate of the defined benefit obligation is based on a number of critical underlying assumptions such as mortality rates, discount rate and anticipation of future salary increases. Variation in these assumptions may significantly impact the defined benefit obligation amount and the annual defined benefit expense.

2.12.6 Fair Value of Financial Instruments

Management applies valuation techniques to determine the fair value of financial instruments where active market quotes are not available. This requires management to develop estimates and assumptions based on market inputs, using observable data that market participants would use in pricing the instrument. Where such data is not observable, management uses its best estimate. Estimated fair values of financial instruments may vary from the actual prices that would be achieved in an arm's length transaction at the reporting date.

2.12.7 Recognition of Deferred Tax Assets

Management applies significant judgment to the extent the deferred tax assets can be recognised based on an assessment of the probability of the Group's future taxable income against which the deferred tax assets can be utilised. In addition, significant judgment is required in assessing the impact of any legal or economic limits or uncertainties in various future tax jurisdictions.

2.12.8 Provisions for Liabilities, Commitments and Contingencies

The Group receives legal claims in the normal course of business. Management has made judgements as to the likelihood of any claim succeeding in making provisions. The time of concluding legal claims is uncertain, as is the amount of possible outflow of economic benefits. Timing and cost ultimately depends on the due processes in respective legal jurisdictions.

3. CHANGES IN MATERIAL ACCOUNTING POLICIES AND NEW AND AMENDED STANDARDS

The Group has adopted the standards set out below under Notes 3.1(a) and 3.1(b).

3.1(a) Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The Group adopted Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to LKAS 12) from 01 January 2023. The amendments narrow the scope of the initial recognition exemption to exclude transactions that give rise to equal and offsetting temporary differences – e.g. leases. For leases, the Group is required to recognise the associated deferred tax assets and liabilities from the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to retained earnings or other components of equity at that date. For all other transactions, the Group applies the amendments to transactions that occur on or after the beginning of the earliest period presented. The Group previously accounted for deferred tax on leases by applying the 'integrally linked' approach, resulting in a similar outcome as under the amendments, except that the deferred tax asset or liability was recognised on a net basis. Following the amendments, the Group has recognised a separate deferred tax asset in relation to its lease liabilities and a deferred tax liability in relation to its right-of-use assets. However, there was no impact on the Statement of Financial Position because the balances qualify for offset under LKAS 12. There was also no impact on the opening retained earnings as at 01 January 2022 as a result of the change. The key impact for the Group relates to disclosure of the deferred tax assets and liabilities recognised.

3.1(b) Material Accounting Policy Information

The Group also adopted Disclosure of Accounting Policies (Amendments to LKAS 1) from 01 January 2023. Although the amendments did not result in any changes to the accounting policies themselves, they impacted the accounting policy information disclosed in the financial statements. The amendments require the disclosure of 'material', rather than 'significant', accounting policies. The amendments also provide guidance on the application of materiality to disclosure of accounting policies, assisting entities to provide useful, entity-specific accounting policy information that users need to understand other information in the financial statements. Management reviewed the accounting policies and made updates to the information disclosed in Note 4 Material

NOTES TO THE FINANCIAL STATEMENTS

accounting policies (2022: Summary of significant accounting policies) in certain instances in line with the amendments.

3.2 New and Amended Standards and Interpretations

The Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) has issued several new accounting standards and amendments/improvements to existing standards. These new standards are set to become effective in the coming years. Early application of these standards is allowed, but the Group has not early adopted any of the new or amended standards in the preparation of these financial statements.

(i) Classification of liabilities as current or non-current (Amendments to LKAS 1).

Amendments to LKAS 1 alter the classification of liabilities like convertible debt and introduce new disclosure requirements for liabilities subject to covenants will become effective from 01 January 2024.

(ii) Lease liability in a sale and leased back (Amendment to SLFRS 16).

The amendments specifically affect seller lessee accounting in sale and leaseback transactions that qualify as a sale under SLFRS 15, especially those involving variable lease payments not based on an index or rate. They modify how a seller-lessee accounts for these leasebacks, preventing recognition of gains on retained rights of use due to lease term modifications or changes, which previously could occur when variable payments not defined as 'lease payments' were excluded. This standard will become effective from 01 January 2024.

(iii) Supplier Finance Arrangements (Amendments to LKAS 7 and SLFRS 7).

(iv) Lack of Exchangeability (Amendments to LKAS 21).

4. MATERIAL ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently for all periods presented in the financial statements by the Group and the Company unless otherwise indicated.

4.1 Basis of Consolidation

The Group's Financial Statements comprise, Consolidated Financial Statement of the Company and its Subsidiary in terms of the Sri Lanka Accounting Standard- SLFRS 10 on "Consolidated Financial Statements".

4.1.1 Business Combinations

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group as per SLFRS 3 "Business Combinations".

The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognised in profit or loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities. The consideration transferred does not include amounts related to the settlement of pre-existing relationships such amounts are generally recognised in profit or loss.

Any contingent consideration is measured at fair value at the date of acquisition. If an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes in the fair value of the contingent consideration are recognized in profit or loss.

4.1.2 Subsidiary

A Subsidiary is an entity controlled by the Group. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The Group controls an investee if, and only if, the Group has:

- ☑ Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)
- ☑ Exposure, or rights, to variable returns from its involvement with the investee

- ✓ The ability to use its power over the investee to affect its returns

The Group considers all relevant facts and circumstances in assessing whether it has power over an investee which includes; The contractual arrangement with the other vote holders of the investee, Rights arising from other contractual arrangements and the Group's voting rights and potential voting rights over the investee.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

The financial statements of a subsidiary is included in the consolidated financial statements from the date of acquisition, being the date on which the Group obtains control, and continues to be consolidated until the date when such control ceases.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

4.1.3 Non-Controlling Interest

For each business combination, the group elect to measure any non controlling interest in the acquiree either,

- ✓ at fair value
- ✓ at their proportionate share of the acquiree's identifiable assets, which are generated at fair value.

Change in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as transactions with owners in their capacity as owners.

Adjustment to non-controlling interests are based on a proportionate amount or the net amount of the subsidiary.

Group does not have any non controlling interest as at the reporting date.

4.1.4 Loss of Control

On the loss of control, the Group immediately derecognises the assets (including goodwill) and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit and loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Any investment retained is recognised at fair value.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

4.1.5 Reporting Date

Group's subsidiary has the same reporting period as the parent Company.

4.1.6 Intra-Group Transactions

Transfer prices between Group entities are set on an arms-length basis in a manner similar to transactions with third parties.

4.1.7 Transactions Eliminated on Consolidation

All intra-group assets and liabilities, equity, income, expenses, unrealised gain or loss and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

4.1.8 Material Gains or Loss, Provisional Values or Error Corrections

There were no material gains or losses, provisional values or error corrections recognised during the year in respect of business combinations that took place in previous periods.

4.2 Foreign Currencies

4.2.1 Foreign Currency Transactions

Transactions in foreign currencies are initially recorded by the Group's entities at their respective functional currency, which is Sri Lankan Rupees, using exchange rates prevailing at the date the transaction first qualifies for recognition.

NOTES TO THE FINANCIAL STATEMENTS

Monetary assets and liabilities denominated in foreign currencies as at the reporting date are translated into the functional currency at the prevailing exchange rate of the functional currency ruling as at the reporting date.

Differences arising on settlement or translation of monetary items are recognised in profit or loss with the exception of monetary items that are designated as part of the hedge of the Group's net investment in a foreign operation. These are recognised in Other Comprehensive Income (OCI) until the net investment is disposed of, at which time, the cumulative amount is reclassified to profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recognised in OCI.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in OCI or profit or loss are also recognised in OCI or profit or loss, respectively).

4.3 Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

4.3.1 Financial Assets

4.3.1.1 Initial Recognition and Measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing

them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Transaction cost in relation to financial assets and financial liabilities at fair value through profit or loss are dealt with through the Income Statement. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under SLFRS 15. Refer to the accounting policies in section 4.15, Revenue from contracts with customers.

In order for a financial asset (excluding equity instruments) to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

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

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- ✓ Financial assets at amortised cost (debt instruments)
- ✓ Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- ✓ Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- ✓ Financial assets at fair value through profit or loss

Business model assessment

The Company makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- ✓ the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;
- ✓ how the performance of the portfolio is evaluated and reported to the Company's management;
- ✓ the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- ✓ how managers of the business are compensated - e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- ✓ the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Company's continuing recognition of the assets.

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL. Assessment whether contractual cash flows are solely payments of principal and interest.

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Company considers:

- ✓ contingent events that would change the amount or timing of cash flows;
- ✓ terms that may adjust the contractual coupon rate, including variable-rate features;
- ✓ prepayment and extension features; and
- ✓ terms that limit the Company's claim to cash flows from specified assets (e.g. non-recourse features).

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

Financial assets - Assessment whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual

NOTES TO THE FINANCIAL STATEMENTS

term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Company considers:

- ✓ contingent events that would change the amount or timing of cash flows;
- ✓ terms that may adjust the contractual coupon rate, including variable-rate features;
- ✓ prepayment and extension features; and
- ✓ terms that limit the Company's claim to cash flows from specified assets (e.g. non-recourse features).

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

4.3.1.1.1 Financial Assets at Amortised Cost (Debt Instruments)

This category is the most relevant to the Group. The Group measures financial assets at amortised cost if both of the following conditions are met:

- ✓ The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows and
- ✓ The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Group's financial assets at amortised cost includes trade receivables, amounts due from related companies and fixed deposits.

4.3.1.1.2 Financial Assets at Fair Value through OCI (Debt Instruments)

The Group measures debt instruments at fair value through OCI if both of the following conditions are met:

- ✓ The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling and
- ✓ The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the income statement and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in OCI. Upon derecognition, the cumulative fair value change recognised in OCI is recycled to profit or loss.

The Group currently does not own any financial asset that is classified under this category.

4.3.1.1.3 Financial Assets Designated at Fair Value through OCI (Equity Instruments)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under LKAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the income statement the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

The Group currently does not own any financial asset that is classified under this category.

4.3.1.1.4 Financial Assets at Fair Value through Profit or Loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the income statement.

Dividends on listed equity investments are also recognised as other income in the income statement when the right of payment has been established.

The Group currently does not own any financial asset that is classified under this category.

4.3.1.2 Impairment of Financial Assets

The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

For trade receivables and contract assets, the Group applies a simplified approach in calculating ECLs. Therefore, the Group

does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

4.3.1.3 Derecognition of Financial Assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

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

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

NOTES TO THE FINANCIAL STATEMENTS

4.3.2 Financial Liabilities

4.3.2.1 Recognition and Measurement

Financial liabilities are classified as measured at amortised cost or fair value through profit or loss (FVTPL). A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

4.3.2.2 Derecognition of Financial Liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

4.3.3 Stated Capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity.

Holders of these shares are entitled to dividends as declared from time and are entitled to one vote per share at general meeting of the Company.

4.4 Property, Plant and Equipment

4.4.1 Recognition and Measurement

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

All items of property, plant and equipment are recognised initially at cost.

The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to working condition for its intended use.

The cost of self-constructed assets includes the cost of materials, direct labour and any other costs directly attributable to bringing the asset to the working condition for its intended use and borrowing costs if the recognition criteria are met.

This also includes cost of dismantling and removing the items and restoring them in the site on which they are located.

Cost Model

The Group applies the Cost Model to all Property, Plant & Equipment except for freehold land and buildings on Lease hold land, and records at cost of purchase together with any incidental expenses thereon, less accumulated depreciation and any accumulated impairment losses.

Revaluation Model

The Group applies Revaluation Model for the entire class of land and buildings in the statement of financial position. Revaluations are performed with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair values at the end of each reporting period. If the fair values of land and buildings does not change other than by an insignificant amount at each reporting period the Group will revalue such land and buildings every 2 years.

Any revaluation increase arising on the revaluation of such land and buildings are recognised in other comprehensive income and accumulated in equity, except to the extent that it reverses a revaluation decrease for the same asset previously recognised in the income statement, in which case the increase is credited to the income statement to the extent of the decrease previously expensed. A decrease in the carrying amount arising on a revaluation of land and buildings

are recognised in the income statement to the extent that it exceeds the balance, if any, held in the property's revaluation reserve relating to a previous revaluation of the same land and buildings.

Upon disposal, any related revaluation reserve is transferred from the revaluation reserve to retained earnings and is not taken into account in arriving at the gain or loss on disposal. The details of revaluation of land and buildings are disclosed in note 12 to the financial statements.

4.4.2 Significant Components of Property Plant and Equipment

When parts of an item of property, plant and equipment have different useful lives than the underlying asset, they are identified and accounted separately as major components of property, plant and equipment and depreciated separately based on their useful life.

4.4.3 Subsequent Cost

The Group recognises in the carrying amount of property, plant and equipment the cost of replacing a part of an item, when it is probable that the future economic benefits embodied in the item will flow to the Group and the cost of the item can be measured reliably. The carrying amounts of the parts that are replaced are derecognised from the cost of the asset. The cost of day-to-day servicing of property, plant and equipment are recognised in the income statement as and when incurred.

4.4.4 Depreciation

Depreciation is based on the cost of an asset less its residual value. Depreciation is recognised in the income statement on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment. Depreciation of an asset begins when it is available for use and ceases at the earlier of the date that the asset is classified as held for sale or on the date that the asset is disposed. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term.

The estimated useful lives of property plant and equipment are as follows:

Leasehold Buildings	40 years
Motor vehicles	4 years
Furniture and fittings	10 years
Office equipment	10 years
Computers	6 2/3 years
Other equipment	10 years
Medical equipment	10 years
Medical vehicles	4 years
Kitchen equipment	3 Years

The cost of replacement of components of assets recognised in the carrying amount of property, plant and equipment is depreciated over the balance useful life of the asset. Depreciation methods, useful lives and the residual values are reviewed at each reporting date and adjusted accordingly.

4.4.5 De-Recognition

The carrying amount of an item of property, plant and equipment is de-recognised upon disposal or when no future economic benefits are expected from its use or disposal. The gain or loss arising from the de-recognition of an item of property, plant and equipment is included in profit or loss when item is de-recognised.

When replacement costs are recognised in the carrying amount of an item of property, plant and equipment, the remaining carrying amount of the replaced part is derecognised as required by Sri Lanka Accounting Standard – LKAS 16 on “Property, plant and equipment”.

4.4.6 Capital Work-in-Progress

The cost of capital work-in-progress is the cost of purchase or construction together with any related expenses hereon. Capital work-in-progress is transferred to the respective asset accounts at the time of first utilization or at the time the asset is commissioned.

4.4.7 Borrowing Costs

Borrowing costs that are directly attributable to acquisition, construction or production of a qualifying asset which takes

NOTES TO THE FINANCIAL STATEMENTS

a substantial period of time to get ready for its intended use or sale, are capitalised as a part of the asset. The amounts of the borrowing costs which are eligible for capitalisation are determined in accordance with LKAS 23 - Borrowing Costs. Borrowing costs that are not capitalised are recognised as expenses in the period in which they are incurred and charged to the Statement of Profit or Loss and Other Comprehensive Income.

4.5 Investment Properties

4.5.1 Recognition and Measurement

A property that is held to earn rentals or for capital appreciation or both rather than for use in the production or supply of goods or services or for administrative purposes; or sale in the ordinary course of business, by the Group are accounted for as an investment properties.

Investment property is recognised as an asset when it is probable that future economic benefits associated with the expenditure will flow to the Company and the cost of the item can be measured reliably.

An investment property is measured initially at its cost. Transaction costs is included in the initial measurement. The cost of a purchased investment property comprises of its purchase price and any directly attributable expenditure. The cost of a self-constructed investment property is its cost at the date when the construction or development is complete.

Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair values of investment properties are included in profit or loss in the period in which they arise, including the corresponding tax effect. Fair values are determined based on a valuation performed by an accredited external independent valuer.

Subsequent expenditure is capitalised to the asset's carrying amount only when it is probable that future economic benefits associated with the expenditure will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed when incurred.

When part of an investment property is replaced, the carrying amount of the replaced part is derecognised.

Changes in fair values are recognised in the Statement of profit or loss. Investment properties are derecognised when they have been disposed or when they are permanently withdrawn from use and no future economic benefit is expected from their disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in profit or loss in the period of derecognition. The amount of consideration to be included in the gain or loss arising from the derecognition of investment property is determined in accordance with the requirements for determining the transaction price in SLFRS 15.

If an item of revalued owner occupied property becomes an investment property because its use has changed, any difference resulting between the carrying amount and the fair value of the item at the date of transfer is treated in the same way as a revaluation under LKAS 16; Property, plant and equipment. Accordingly, the surplus on revaluation is recognised in the statement of comprehensive income to the extent that it reverses a previous impairment loss. Further, any resulting decrease in the carrying amount of the property is initially charged in the statement of comprehensive income against any previously recognised revaluation surplus, with any remaining decrease charged to profit or loss.

The effect of depreciation on revalued property is also reversed within the statement of comprehensive income.

In the consolidated financial statements, properties which are occupied by companies within the Group for the production or supply of goods and services or for administrative purposes is treated as property, plant and equipment, while these properties are treated as investment property in the financial statements of the company owning the asset.

4.6 Lease

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for

consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group uses the definition of a lease in SLFRS 16.

4.6.1 Group Acting as a Lessee

At commencement or on modification of a contract that contains a lease component, the Group allocates consideration in the contract to each lease component on the basis of its relative stand-alone price.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove any improvements made to branches or office premises.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's / Group's incremental borrowing rate. Generally, the Company / Group uses its incremental borrowing rate as the discount rate.

The Group determines its incremental borrowing rate by analysing its borrowings from various external sources and makes certain adjustments to reflect the terms of the lease and type of asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- ✓ Fixed payments, including in-substance fixed payments;
- ✓ Variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;

- ✓ Amounts expected to be payable under a residual value guarantee; and
- ✓ The exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's / Group's estimate of the amount expected to be payable under a residual value guarantee, if the Company / Group changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group presents right-of-use assets in 'property and equipment' and lease liabilities in 'other liabilities' in the statement of financial position.

4.6.1.1 Short-Term Leases and Leases of Low-Value Assets

The Company / Group has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

4.6.2 Group Acting as a Lessor

When the Group acts as a lessor, it determines at lease inception whether the lease is a finance lease or an operating lease. To classify each lease, the Company / Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the

NOTES TO THE FINANCIAL STATEMENTS

lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Company/ Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

Finance Leases – Group as a Lessor

As per SLFRS 16, a lease which transfers substantially all the risks and rewards incidental to ownership of an underlying asset is classified as a finance lease. At the commencement date, the Group recognizes assets held under finance lease in the SOFP and present them as a lease receivable at an amount equal to the net investment in the lease. Net investment in the lease is arrived by discounting lease payments receivable at the interest rate implicit in the lease, i.e. the rate which causes present value of lease payments to equal to the fair value of the underlying asset and initial direct costs.

The Group applies the derecognition and impairment requirements in SLFRS 9 to the net investment in the lease. The Group further regularly reviews estimated unguaranteed residual values used in calculating the gross investment in the lease.

Operating Leases – Group as a Lessor

As per SLFRS 16, a lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership of an underlying asset. The Group recognises lease payments from operating leases as income on straight-line basis. Initial direct costs incurred in negotiating operating leases are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

4.7 Intangible Assets

4.7.1 Initial Recognition and Measurement

The Group recognises intangible assets if it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity and the cost of the asset can be measured reliably.

Separately acquired intangible assets are measured on initial recognition at cost. The cost of such separately acquired

intangible assets include the purchase price, import duties, non-refundable purchase taxes and any directly attributable cost of preparing the asset for its intended use.

The cost of intangible assets acquired in a business combination is the fair value of the asset at the date of acquisition.

The cost of an internally generated intangible asset arising from the development phase of an internal project which is capitalised includes all directly attributable costs necessary to create, produce, and prepare the asset to be capable of operating in the manner intended by the Management. Other development expenditure and expenditure on research activities, undertaken with the prospect of gaining new technical knowledge and understanding is expensed in the income statement as and when incurred.

4.7.2 Subsequent Costs

Subsequent expenditure on intangible assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All the expenditure is expensed as incurred.

4.7.3 Subsequent Measurement

After initial recognition an intangible asset is stated at its costs less any accumulated amortisation and any accumulated impairment losses.

The useful economic life of an intangible asset is assessed to be either finite or indefinite.

Intangible assets with finite lives are amortised over the useful economic life of the asset. The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at least at the end of each reporting date. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the income statement.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash-generating unit level.

The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

4.7.4 Intangible Assets Recognized by the Group

4.7.4.1 Computer Software – Intangible Assets

All computer software cost incurred and licensed for use by the Group, which does not form an integral part of related hardware, which can be clearly identified and reliably measured with the probability of leading to future economic benefits, are capitalised under intangible assets.

The Group amortises computer software over period of 6 2/3 years.

Expenditure on internally developed software is recognised as an asset when the Company is able to demonstrate its intention and ability to complete the development and use the software in a manner that will generate future economic benefits, and can reliably measure the costs to complete the development. The capitalized costs of internally developed software include all costs directly attributable to developing the software and capitalized borrowing costs, and are amortised over its useful life. Internally developed software is stated at capitalized cost less accumulated amortization and any accumulated impairment losses.

Subsequent expenditure on software assets is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

4.8 Inventories

Inventories are measured at the lower of cost and net realisable value after making due allowance for obsolete items. The cost of inventories is based on a first –in–first–out. The cost includes expenditure incurred in acquiring the

inventories and bringing them to their existing location and condition.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.'

4.9 Impairment - Non-Financial Assets

The carrying amounts of the Group's non-financial assets, other than inventories and deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the recoverable amounts of such assets are estimated.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that are largely independent from other assets.

Impairment losses are recognised in the income statement. Impairment losses recognised in respect of cash-generating units on acquisition of subsidiaries are allocated first to reduce the carrying amount of any goodwill allocated to the unit, and then to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis.

4.9.1 Calculation of Recoverable Amount

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash-generating unit.

4.9.2 Reversal of Impairment

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

NOTES TO THE FINANCIAL STATEMENTS

An impairment loss (excluding goodwill impaired previously) is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Reversals of impairment losses are recognised in the income statement.

4.10 Liabilities and Provisions

Liabilities classified as current liabilities in the statement of financial position are those which fall due for payment on demand of the creditor or within one year of the reporting date.

Non-current liabilities are those balances that become repayable after one year from the reporting date. All known liabilities have been accounted for in preparing the financial statements.

4.11 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the income statement net of any reimbursement.

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

4.12 Employee Benefits

4.12.1 Short-Term Employee Benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is

provided. A liability is recognised for the amount expected to be paid in cash as exgratia in the short term, if the Group has a present legal or constructive obligation to pay this amount as a result of past service rendered by the employee, and the obligation can be measured reliably.

4.12.2 Defined Contribution Plan

A defined contribution plan is a post-employment benefit plan under which an entity pays a fixed employee benefit contribution into a separate entity and will have no further legal or constructive obligations to pay any additional amounts. Obligations for contributions to a defined contribution plan are recognised as an employee benefit expense in the income statement in the periods during which services are rendered by employees. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

4.12.2.1 Employee Provident Fund and Employee Trust Fund

The Group and employees contribute a sum not less than 12% and 8% respectively, of the gross emoluments of employees employed in Sri Lanka as provident fund benefits managed by Central Bank of Sri Lanka (CBSL). Group contribute at the rate of 3% of the salaries of each employee to the Employees' Trust Fund managed by the CBSL.

4.12.3 Defined Benefit Plan - Retiring Gratuity

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan as defined by Sri Lankan Accounting Standard - LKAS 19 on "Employment Benefits". The liability recognised in the statement of financial position in respect of defined benefit plans is the present value of the defined benefit obligation at the reporting date. The defined benefit obligation is calculated annually using the projected unit credit method by qualified actuary as recommended by LKAS - 19. The present value of the defined benefit obligation is determined by discounting the estimated future cash flows using interest rates that are denominated in the currency in which the benefits will be paid, and that have terms of maturity approximating to the terms of the liability.

Provision has been made in the financial statements for retiring gratuities from the first year of service for all employees.

However, according to the Payment of Gratuity Act No. 12 of 1983, the liability for payment to an employee arises only after the completion of 5 years continued service. The liability is not externally funded.

Group recognises all actuarial gains and losses arising from defined benefit plans immediately in the statement of other comprehensive income as they occur.

4.13 Restructuring

Provision for restructuring is recognised when the Group has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been announced publicly. Future operating losses arising on such restructuring are not provided for.

The Group does not have any provision for restructuring as at the reporting date.

4.14 Onerous Contracts

A provision for onerous contracts is recognised when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Group recognises any impairment loss on the assets associated with that contract.

The Group does not have any onerous contracts as at the reporting date.

Income Statements

4.15 Revenue from Contracts with Customers

The Group is in the business of providing healthcare and laboratory services. Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. The Group has generally concluded that it is the principal in its revenue arrangements, except for the agency services explained below in 4.15.1.b,

because it typically controls the goods or services before transferring them to the customer.

The disclosures of significant accounting judgements, estimates and assumptions relating to revenue from contracts with customers are provided below.

4.15.1 Hospital Revenue

- a) The Group recognises revenue from hospital services over time, using an input method to measure progress towards complete satisfaction of the service, because the customer simultaneously receives and consumes the benefits provided by the Group.
- b) Consultancy fees collected on behalf of the in house and visiting consultants by the Group do not form part of revenue are excluded from the revenue.

The Company acts as the agent for rendering healthcare consultancy services to its customers due to following reasons:

- ✓ Prime responsibility to provide consultation services to the customer or fulfilling the order rests with the respective consultant.
- ✓ Establishing the consultancy charges and other terms of the service transaction rests with the respective consultant.

4.15.2 Pharmacy Revenue

Revenue from sale of goods is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the equipment.

The Group considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated. In determining the transaction price for the sale of goods, the Group considers the effects of variable consideration and the existence of significant financing components.

- (i) Variable consideration If the consideration in a contract includes a variable amount, the Group estimates the amount of consideration to which it will be entitled in exchange for transferring the goods to the customer. The

NOTES TO THE FINANCIAL STATEMENTS

variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved. Some contracts for the sale of goods provide customers with a right of return.

The rights of return gives rise to variable consideration. Rights of return Certain contracts provide a customer with a right to return the goods within a specified period. The Group uses the expected value method to estimate the goods that will not be returned because this method best predicts the amount of variable consideration to which the Group will be entitled. The requirements in SLFRS 15 on constraining estimates of variable consideration are also applied in order to determine the amount of variable consideration that can be included in the transaction price. For goods that are expected to be returned, instead of revenue, the Group recognises a refund liability.

- (ii) Significant financing component Generally, the Group receives short-term advances from its customers. Using the practical expedient in SLFRS 15, the Group does not adjust the promised amount of consideration for the effects of a significant financing component if it expects, at contract inception, that the period between the transfer of the promised good or service to the customer and when the customer pays for that good or service will be one year or less.

4.15.3 Rental Income from Investment Property

Rental income arising from renting of investment property is recognised as other income on a straight-line basis over the term of agreement.

4.15.4 Interest Income

Interest income is recognised as it accrues in the income statement. For all financial instruments measured at amortised cost interest income is recorded using the effective interest rate (EIR). EIR is the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period

where appropriate, to the net carrying amount of the financial asset or liability. When calculating effective interest rate, the Group estimates the future cash flows considering all contractual terms of the financial instrument, but not future credit losses.

The calculation of the EIR includes all transaction costs and fees and points paid or received that are an integral part of effective interest rate.

Interest income is included under finance income in the income statement.

4.16 Expenditure

Expenses are recognized in the statement of profit or loss on the basis of a direct association between the cost incurred and the earning of specific items of income. All expenditure incurred in the running of the business and in maintaining the property, plant and equipment in a state of efficiency has been charged to the statement of profit or loss.

4.17 Income Tax Expense

Income tax expense comprises current and deferred tax. Income tax expense is recognised in the Income Statement except to the extent that it relates to items recognised directly in Equity or in Other Comprehensive Income. According to Inland Revenue (Amendment) Act No. 45 of 2022, income tax rate applicable for companies has been changed from 14% to 30% with effect from 01st July 2022.

4.17.1 Current Tax

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date.

Current income tax relating to items recognised directly in equity is recognised in equity and not in the income statement. Management periodically evaluates positions taken in the

tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Taxation for the current and previous periods to the extent unpaid is recognised as a liability in the financial statements. When the amount of taxation already paid in respect of current and prior periods exceeds the amount due for those periods, the excess is recognised as an asset in the financial statements.

Provision for taxation is based on the profit for the year adjusted for taxation purposes in accordance with the provisions of the Inland Revenue Act No 24 of 2017 commencing 1 April 2018 and the amendments thereto.

Additional taxes that arise from the distribution of dividends by the Group, are recognised at the same time as the liability to pay the related dividend is recognised. These amounts are generally recognised in profit or loss as they generally relate to income arising from transactions that were originally recognised in profit or loss.

4.17.2 Deferred Tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same authority on the same taxable entity.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

4.17.3 Advance Income Tax (AIT) on Dividends

Dividends distributed out of profits after tax attracted a tax of 14% till 30th September 2022 and 15% with effect from 01st October 2022 charged in the hands of the dividend recipient. No Advance Income Tax (AIT) was mandatorily imposed until 30th September 2022 whereas 15% AIT (similar to Withholding Tax) is mandatorily imposed on dividends distributed with effect from 01st January 2023. Therefore, any dividends distributed after 01st January 2023 shall be subject to 15% AIT where shareholders shall receive dividends net of AIT. AIT deducted on dividends shall be final tax and will attract no further tax in the hands of the shareholders. With the introduction of the Inland Revenue (Amendment) Acts No. 10 of 2021 and No. 45 of 2022, any dividends paid out of the dividends received, shall be exempted from income tax net of the cost of funds. In addition, if a resident company pays the dividend to a non-resident person (including a company) such would be totally exempt from income tax.

4.17.4 Social Security Contribution Levy (SSCL)

The Social Security Contribution Levy (SSCL) Act No. 25 of 2022, has been passed in the parliament imposing a new levy on the turnover of persons. The SSCL came into operations with effect from 01st October 2022. Since SSCL is a turnover based direct tax, it has two tax bases.

1. Value Addition attributable to financial services.
2. Turnover liable for General VAT (Turnover not liable for financial services).

The Value Addition attributable for Financial Services shall be derived with the application of the turnover ratio distinguishing General VAT and VAT on Financial Services. Tax fraction 2.5/120.5 is applied in computing SSCL. In addition, turnover, liable for General VAT too shall be chargeable with SSCL. The Company is required to pay SSCL on the General VAT liable turnover at the rate of 2.5%.

NOTES TO THE FINANCIAL STATEMENTS

4.17.5 Advance Income Tax (AIT) and Withholding Tax (WHT)

Advance Income Tax (AIT) which has similar attributes to the Withholding Tax has been re-introduced with the introduction of Inland Revenue (Amendment) Act No. 45 of 2022 effecting from 01st of January 2023. AIT shall be charged on the interest paid or credited from all interest bearing deposit accounts denominated in Sri Lankan Rupees at the rate of 5% on such interest payments or credits. Interest received on interest bearing foreign currency accounts, "Special Deposit Accounts" and Diplomatic accounts are exempted from AIT. Withholding Tax has been reintroduced on Services Fees paid to Individuals and the Rent paid any person under the Inland Revenue (Amendment) Act No. 45 of 2022 effecting from 01st January 2023. If any individual including a sole proprietorship is paid with a service related fees as provided under the Section 85 - (1C) of the Inland Revenue (Amendment) Act No. 45 of 2022, the Withholding Tax agent or the service recipient has to deduct Withholding Tax at the rate of 5% on the total gross amount if such payment exceeds LKR 100,000.00 per calendar month. Withholding Tax has re-introduced on Rent expenses paid to any person if such aggregate gross rent income surpasses or equal to LKR 100,000.00 for a calendar month at the rate of 10%.

4.18 Segment Reporting

An operating segment is a component of the Group or the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group or the Company's other components. All operating segments' operating results are reviewed regularly by the Group's GCEO to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

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

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

4.19 Statements of Cash Flows

The statement of cash flows has been prepared using the "indirect method" in accordance with LKAS 7 - "Statement of cash flows".

Interest paid is classified as operating cash flows, interest received are classified as investing cash flows, while dividends paid are classified as financing cash flows for the purpose of presenting the cash flow statement.

4.20 Cash and Cash Equivalents

Cash and cash equivalents comprise short term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value. The cash and cash equivalents include cash in-hand, balances with banks and short term deposits with banks.

4.21 Contingencies and Capital Commitments

Contingencies are possible assets or obligations whose existence will be confirmed only by uncertain future events or present obligations where the transfer of economic benefit is not probable or cannot be readily measured as defined in the Sri Lanka Accounting Standard – LKAS 37 on "Provisions, Contingent Liabilities and Contingent Assets".

Commitments and liabilities are disclosed in Note 29 to the financial statements.

4.22 Related Party Transactions

Disclosure has been made in respect of the transactions in which one party has the ability to control or exercise significant influence over the financial and operating policies and decisions of the other, irrespective of whether a price is being charged.

4.23 Earnings per Share

The Group presents basic and diluted earnings per share (EPS) for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Group and the Company by the weighted average number of ordinary shares outstanding during the period.

Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders of the Group and the Company and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

4.24 Events Occurring After the Reporting Date

All material post reporting date events have been considered and where appropriate adjustments or disclosures have been made in the respective notes to the financial statements.

Secretary to the Treasury has conveyed to the management of The Lanka Hospitals Corporation PLC on 17th March 2023 about the "Approval in Principle" granted by the cabinet of Ministers for the divestment of the major shareholding in The Lanka Hospitals Corporation PLC.

4.25 New and Amended Standards Issued but Not Effective as at the Reporting Date

The Institute of Chartered Accountants of Sri Lanka has issued the following new Sri Lanka Accounting Standards (SLFRSs/LKASs) which will become applicable for financial periods beginning after 01st January 2023. Accordingly, the Group has not applied the following new standards in preparing these Financial Statements.

i) **Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to Sri Lanka Accounting Standard LKAS 12 – "Income Taxes")**

The amendments narrow the scope of the initial recognition exemption to exclude transactions that give rise to equal and offsetting temporary differences – e.g. leases and decommissioning liabilities. The amendments apply for annual reporting periods beginning on or after 01st January 2023. For leases and decommissioning liabilities, the associated deferred tax asset and liabilities will need to be recognised from the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to retained earnings or other components of equity at that date. For all other types of transactions, the amendments apply to transactions that occur after the beginning of the earliest period presented. There will be no impact on retained earnings on adoption of the amendments.

ii) **Sri Lanka Accounting Standard - SLFRS 17 "Insurance Contracts" effective from 01st January 2025**

SLFRS 17 introduces a new measure of insurance revenue, based on the delivery of services to policy holders and excluding any premiums related to the investment elements of policies, which will be significantly different from existing premium revenue measures, currently reported in the income statement. In order to transition to SLFRS 17, the amount of deferred profit, being the CSM at transition date, needs to be determined. SLFRS 17 will not be applicable to the Company.

iii) **Other New Accounting Pronouncements**

The following new and amended standards are not expected to have a significant impact on the Group's consolidated financial statements.

- ✓ Classification of liabilities as current or non-current (Amendments to LKAS 1) - effective for annual periods beginning on or after 01st January 2023.
- ✓ Disclosure of accounting policies (Amendments to LKAS 1 and SLFRS Practice Statement 2) - effective for annual periods beginning on or after 01st January 2023.
- ✓ Definition of accounting estimates (Amendments to LKAS 8) - effective for annual periods beginning on or after 01st January 2023.
- ✓ Supplier finance arrangements (amendments to LKAS 7 and SLFRS 7)
- ✓ Lease Liability in Sale and Leaseback (Amendments to SLFRS 16)
- ✓ Lack of exchangeability (Amendments to LKAS 21)

NOTES TO THE FINANCIAL STATEMENTS

5. Revenue from customer contracts

For the year ended 31st December,	Group		Company	
	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
Hospital revenue	9,696,877,423	7,957,422,116	9,696,877,423	7,957,422,116
Laboratory revenue	2,721,730,503	2,740,465,797	-	-
	12,418,607,926	10,697,887,913	9,696,877,423	7,957,422,116

The Effect of applying SLFRS 15 on the Group's revenue from contract with customers described in Note 4.15.

6. Other income

For the year ended 31st December,	Group		Company	
	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
Rent income	14,488,774	13,386,031	22,526,684	21,292,171
Car park income	43,494,743	34,694,365	43,494,743	34,694,365
Sundry income	13,118,337	32,176,899	12,987,518	31,733,096
Gain on disposal of property, plant and equipment	6,017,399	1,256,725	6,017,399	1,256,725
Gain on disposal of ROU assets	(185,203)	4,547,153	-	347,157
	76,934,050	86,061,173	85,026,344	89,323,513

7. Net Finance Income

7.1 Finance income

For the year ended 31st December,	Group		Company	
	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
Interest income from;				
- Call deposit	7,505,701	10,141,413	4,816,332	5,138,443
- Fixed deposits- Sri Lankan Rupees	704,235,089	474,663,602	220,118,544	238,932,105
- Fixed deposits- Foreign Exchange Earners Account (FEEA)	507,379,985	412,989,629	507,379,985	412,989,629
Gain / (loss) on translation of foreign currency	(518,043,823)	1,954,852,891	(518,043,823)	1,955,858,189
Short term deposits - Interest Income	38,540,661	29,724,365	38,540,661	29,724,365
	739,617,612	2,882,371,900	252,811,699	2,642,642,732

7.2 Finance Cost

For the year ended 31st December,	Group		Company	
	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
Interest expenses on lease liabilities	(33,031,212)	(30,383,252)	(13,914,343)	(16,332,997)
	(33,031,212)	(30,383,252)	(13,914,343)	(16,332,997)
Net Finance Income	706,586,400	2,851,988,649	238,897,356	2,626,309,735

8. Profit before tax

Profit before taxation is stated after charging all expenses including the following;

For the year ended 31st December,	Group		Company	
	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
Directors' remuneration and fees	22,130,000	17,185,000	19,530,000	15,155,000
Auditors' remuneration				
-Statutory audit	4,626,200	2,505,000	2,026,200	1,728,000
Amortisation of intangible assets (Note 13)	19,989,374	18,217,031	15,470,224	14,233,142
Impairment loss (reversal of provision) of trade receivables (Note 17.2)	3,078,236	261,562	(3,569,688)	(1,008,802)
Reversal of impairment provision on inventory (Note 16)	(1,169,470)	(19,113,261)	(2,340,866)	(23,326,755)
Amortisation of right of use assets (Note 26.4)	95,826,357	88,678,536	48,520,074	51,707,046
Legal expenses	1,860,951	2,611,865	1,711,951	2,603,085
Staff cost (note 8.1)	3,245,812,724	2,817,392,596	2,651,167,650	2,299,432,481
Gain/(loss) on disposal of property, plant and equipment	6,017,399	(1,256,725)	6,017,399	(1,256,725)
Gain/(loss) on disposal of right of use assets	(185,203)	4,547,153	-	347,157
Depreciation of property, plant and equipment - Cost of services	267,690,421	226,186,371	260,974,904	204,446,584
Depreciation of property, plant and equipment - Administrative cost	289,635,503	234,441,092	231,830,996	201,699,302

NOTES TO THE FINANCIAL STATEMENTS

8.1 Staff cost

Staff cost Under Cost of Services

For the year ended 31st December,	Group		Company	
	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
Salaries and other related costs	1,281,642,923	951,283,499	982,430,503	920,831,809
Defined contribution plan cost - EPF and ETF	86,171,021	72,967,770	64,828,740	55,379,732
Defined benefit plan cost - Retiring gratuity	31,448,669	26,277,788	24,357,426	20,553,379
	1,399,262,613	1,050,529,057	1,071,616,669	996,764,920
Staff cost Under Administrative Cost				
Salaries and other related costs	1,663,492,906	1,607,095,346	1,419,831,721	1,164,310,279
Defined contribution plan cost - EPF and ETF	135,365,618	120,985,236	116,755,168	103,390,599
Defined benefit plan cost - Retiring gratuity	47,691,586	38,782,957	42,964,092	34,966,684
	1,846,550,110	1,766,863,539	1,579,550,981	1,302,667,562
	3,245,812,724	2,817,392,596	2,651,167,650	2,299,432,481
No of employees	2,163	2,008	1,670	1,582

9. INCOME TAX EXPENSE

For the year ended 31st December,	Group		Company	
	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
Recognised in statement of profit or loss				
Income tax expense				
Taxation on the profit for the year (Note 9.1)	616,212,100	423,927,118	371,428,366	227,749,992
Under/(over) provision in respect of previous year	2,012,841	42,666,581	2,012,841	1,396,488
	618,224,941	466,593,699	373,441,207	229,146,480
Deferred tax expense				
Deferred tax liability reversal during the year	(42,277,731)	412,614,247	(43,409,741)	387,357,254
Deferred tax assets reversal during the year	(11,187,510)	(64,866,729)	(9,134,107)	(51,213,848)
	564,759,699	814,341,217	320,897,359	565,289,886
Recognised in Statement of other comprehensive income				
Deferred tax charge on property, plant and equipment	-	335,465,301	-	315,741,244
Deferred tax charge on actuarial gain or loss	(24,051,772)	19,721,189	(20,661,394)	17,522,488
	(24,051,772)	355,186,490	(20,661,394)	333,263,732

9.1 Reconciliation of the accounting profit to income tax expense

For the year ended 31st December,	Group		Company	
	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
Profit before taxation	1,909,985,892	4,061,197,580	1,121,064,018	3,243,403,892
Consolidation adjustments	23,832,096	16,106,227	-	-
Profit after adjustments	1,933,817,988	4,077,303,807	1,121,064,018	3,243,403,892
Less : Income not liable for income tax	(528,299,380)	(412,989,630)	(528,299,380)	(412,989,630)
Less : Allowable expenses	(664,006,534)	(580,377,580)	(510,550,376)	(447,205,213)
Less : Income from other sources	(849,035,422)	(2,540,481,807)	(341,212,111)	(2,295,547,344)
Add : Disallowable expense	1,312,528,258	683,308,031	1,155,880,292	542,833,754
Business income	1,205,004,910	1,226,762,821	896,882,443	630,495,459
Add : Income from other sources	828,018,024	570,515,916	341,212,111	329,781,449
Taxable income	2,033,022,934	1,797,278,738	1,238,094,554	960,276,909
Income tax at 14%	-	85,873,397	-	44,134,682
Tax on taxable Income at 24%	-	68,461,910	-	39,573,774
Tax on taxable Income at 30%	616,212,100	269,591,811	371,428,366	144,041,536
Taxation on profits for the year	616,212,100	423,927,118	371,428,366	227,749,992

9.2 The Inland Revenue (Amended) Act No.45 of 2022 was certified by the speaker on 19th December 2022. The standard rate of income tax has been increased from 24% to 30%. The increase in the income tax rate to 30% has resulted in two tax rates being applicable for the year of assessment 2022/23. The Company have computed the current tax based on the appropriate rates.

The Lanka Hospitals Corporation PLC is liable to income tax at 30% for the year ended 31st December 2023.

9.3 Surcharge Tax

As per the Surcharge Tax Act No. 14 of 2022 which was certified on 8th April 2022, Company and the Group liable for Surcharge Tax since the Sri Lanka Insurance Corporation Limited (SLIC) is the holding company of The Lanka Hospitals Corporation PLC. SLIC Group has exceeded the threshold of Rs. 2 Bn of aggregate taxable income.

Total Surcharge Tax liability of Rs 42,006,234 and Rs.35,095,284 has been recognised for the Group and the Company respectively as an opening adjustment to the 1st January 2022 retained earnings in the statement of Changes in Equity as per the addendum to the Statement of Alternative Treatment (SoAT) issued by The Institute of Chartered Accountants of Sri Lanka.

On 19th April 2022, the Group and the Company paid Rs. 21,003,117 and Rs. 17,547,642 respectively on account of the first installment of the Surcharge Tax liability. The final installment of Surcharge Tax payable reported under income tax liability as of 30th June 2022 has been paid on 14th July 2022.

There were no surcharge tax eligible for 2023 year.

NOTES TO THE FINANCIAL STATEMENTS

10. Earnings and Dividend per share

10.1 Basic earnings per share

Basic per share is calculated by dividing the profit attributable to the equity holders of the Company by the weighted average number of ordinary shares outstanding during the year.

For the year ended 31st December,	Group		Company	
	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
Profit attributable to the shareholders (Rs.)	1,345,226,193	3,246,856,363	800,166,659	2,678,114,006
Weighted average number of ordinary shares in issue	223,732,169	223,732,169	223,732,169	223,732,169
Earnings per ordinary share (Rs.)	6.01	14.51	3.58	11.97

10.2 Diluted earnings per share

Diluted earnings per share is calculated by dividing the net profit for the year attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the year after adjustment for the effects of all dilutive potential ordinary shares.

There were no dilutive potential ordinary shares as at 31st December 2023 (2022 - Nil). Hence, diluted earnings per share is same as basic earnings per share as per note 10.1.

11. Dividend per share

For the year ended 31st December,	Group		Company	
	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
Dividend (Rs.)	671,196,507	671,196,507	671,196,507	671,196,507
Number of ordinary shares in issue	223,732,169	223,732,169	223,732,169	223,732,169
Dividend per share (Rs.)	3.00	3.00	3.00	3.00

12. Property, plant and equipment

12.1. Group

	Freehold land Rs.	Buildings on leasehold land Rs.	Medical equipment Rs.	Furniture and fittings Rs.	Office equipment Rs.	Computer equipment Rs.	Other equipment Rs.	Kitchen equipment Rs.	Medical vehicles Rs.	Motor vehicles Others Rs.	Capital work in progress Rs.	Total Rs.
Cost or valuation												
Balance as at 1st January 2022	73,000,002	2,625,699,873	3,418,641,761	466,080,140	96,010,962	306,652,533	891,887,852	40,259,542	90,029,677	41,574,961	109,595,899	8,159,433,200
Additions during the year	-	28,833,319	190,805,294	64,309,026	11,378,669	48,154,016	72,413,446	1,726,192	4,810,000	-	38,429,720	460,859,683
Revaluation surplus	13,000,000	176,563,957	-	-	-	-	-	-	-	-	-	189,563,957
Transfers to other category	-	-	1,341,250	-	(1,341,250)	-	-	-	-	-	-	-
Transfer from capital work in progress	-	32,223,687	-	-	-	-	-	-	-	-	(32,223,687)	-
Disposals during the year	-	-	(36,159,116)	(736,934)	(2,546,994)	(9,480,072)	(2,801,214)	-	-	-	-	(51,724,330)
Balance as at 31st December 2022	86,000,002	2,863,320,836	3,574,629,189	529,652,233	103,501,387	345,326,477	961,500,084	41,985,734	94,839,677	41,574,961	115,801,932	8,758,132,510
Accumulated depreciation												
Balance as at 1st January 2022	-	127,278,643	1,990,177,017	282,481,842	67,629,448	259,640,815	614,466,154	37,198,797	22,454,603	39,848,123	-	3,441,175,440
Charge for the year	-	116,965,520	208,863,749	32,403,175	7,416,097	23,531,557	50,736,445	1,661,460	17,322,622	1,726,838	-	460,627,462
Disposals during the year	-	-	(26,982,380)	(625,303)	(1,590,564)	(9,362,722)	(1,993,716)	-	-	-	-	(40,554,685)
Transfers on revaluation during the year	-	(228,201,387)	-	-	-	-	-	-	-	-	-	(228,201,387)
Balance as at 31st December 2022	-	16,042,776	2,172,058,386	314,259,714	73,454,981	273,809,649	663,208,883	38,860,257	39,777,225	41,574,961	-	3,633,046,830
As at 31st December 2022	86,000,002	2,847,278,060	1,402,570,803	215,392,518	30,046,406	71,516,828	298,291,201	3,125,477	55,062,452	-	115,801,932	5,125,085,680
Cost or valuation												
Balance as at 1st January 2023	86,000,002	2,863,320,836	3,574,629,189	529,652,233	103,501,387	345,326,477	961,500,084	41,985,734	94,839,677	41,574,961	115,801,932	8,758,132,510
Additions during the year	-	90,772,767	474,354,612	81,933,758	23,691,851	62,299,393	68,626,458	5,112,008	-	-	44,525,661	851,316,508
Transfers to other category	-	-	-	-	-	-	-	-	-	-	(4,007,878)	(4,007,878)
Disposals during the year	-	-	(60,272,504)	(16,102,742)	-	-	(269,990)	-	-	-	-	(76,645,236)
Balance as at 31st December 2023	86,000,002	2,954,093,602	3,988,711,297	595,483,248	127,193,238	407,625,870	1,029,856,552	47,097,742	94,839,677	41,574,961	156,319,715	9,528,795,903
Accumulated depreciation												
Balance as at 1st January 2023	-	16,042,776	2,172,058,386	314,259,714	73,454,981	273,809,649	663,208,883	38,860,257	39,777,225	41,574,961	-	3,633,046,830
Charge for the year	-	147,126,432	250,009,991	40,860,001	9,375,449	32,366,835	57,721,721	2,185,066	17,680,430	-	-	557,325,924
Disposals during the year	-	-	(39,928,971)	(6,256,040)	-	-	(104,889)	-	-	-	-	(46,289,899)
Balance as at 31st December 2023	-	163,169,208	2,382,139,406	348,863,675	82,830,430	306,176,484	720,825,714	41,045,323	57,457,655	41,574,961	-	4,144,082,855
As at 31st December 2023	86,000,002	2,790,924,394	1,606,571,891	246,619,573	44,362,808	101,449,385	309,030,838	6,052,419	37,382,021	-	156,319,715	5,384,713,047

There were no capitalised borrowing costs related to the acquisition of property, plant and equipment during the year 2023 (2022 – Nil).

NOTES TO THE FINANCIAL STATEMENTS

12. Property, plant and equipment (contd.)

12.1.1 Title restriction on property, plant and equipment

There were no restrictions existed on the title of the property, plant and equipment of the Group as at the reporting date.

12.1.2 Property, plant and equipment pledged as security for liabilities

There were no items of property, plant and equipment pledged as securities for liabilities as at the reporting date.

12.1.3 Property, plant and equipment - contractual commitments

Contractual commitments of property, plant and equipment as at the reporting date is Rs 168 Mn.

12.1.4 Fully-depreciated property, plant and equipment

Property plant and equipment as at 31st December 2023 includes fully depreciated assets having a gross carrying amount (cost) of Rs.2.49 Bn (2022- 2.18 Bn).

12.1.5 Details of the valuation of property, plant and equipment

The building constructed on leasehold land of the Company was revalued by Mr A.A.M. Fathihu (FIV), Independent Chartered Valuer with appropriate experience valuation of properties in relevant location in December 2022 on current replacement cost basis.

Freehold land of the Company was revalued by Mr A.A.M. Fathihu (FIV), Independent Chartered Valuer in December 2022 on current market value basis.

12. Property, plant and equipment Contd.

12.2 Company

	Freehold land Rs.	Buildings on leasehold land Rs.	Medical equipment Rs.	Furniture and fittings Rs.	Office equipment Rs.	Computer equipment Rs.	Other equipment Rs.	Kitchen equipment Rs.	Medical vehicles Rs.	Motor vehicles Others Rs.	Capital work in progress Rs.	Total Rs.
Cost or Valuation												
Balance as at 1st January 2022	73,000,002	2,400,379,037	3,204,475,427	372,108,005	66,748,388	223,786,893	853,481,556	40,259,540	90,029,677	41,574,961	109,595,899	7,475,439,384
Additions during the year	-	28,833,319	181,717,871	42,860,201	2,995,943	36,944,154	70,227,214	1,726,192	4,810,000	-	38,429,720	408,544,614
Revaluation surplus / (loss)	13,000,000	163,563,957	-	-	-	-	-	-	-	-	-	176,563,957
Transfer from capital work in progress	-	32,223,687	-	-	-	-	-	-	-	-	(32,223,687)	-
Transfer to other category	-	-	1,341,250	-	(1,341,250)	-	-	-	-	-	-	-
Disposals during the year	-	-	(36,159,116)	(736,934)	(2,546,994)	(9,480,072)	(2,801,214)	-	-	-	-	(51,724,330)
Balance as at 31st December 2022	86,000,002	2,625,000,000	3,351,375,432	414,231,272	65,856,087	251,250,975	920,907,556	41,985,732	94,839,677	41,574,961	115,801,932	8,008,823,624
Accumulated depreciation												
Balance as at 1st January 2022	-	106,719,555	1,874,611,562	242,348,143	58,331,190	193,544,501	598,824,737	37,198,797	22,454,603	39,848,123	-	3,173,881,211
Charge for the year	-	107,609,642	187,123,962	22,315,659	4,152,877	17,435,452	46,797,374	1,661,460	17,322,622	1,726,838	-	406,145,886
Disposals during the year	-	-	(26,982,380)	(625,303)	(1,590,564)	(9,362,722)	(1,993,716)	-	-	-	-	(40,554,685)
Transfers on revaluation during the year	-	(214,329,197)	-	-	-	-	-	-	-	-	-	(214,329,197)
Balance as at 31st December 2022	-	-	2,034,753,144	264,038,499	60,893,503	201,617,231	643,628,395	38,860,257	39,777,225	41,574,961	-	3,325,143,215
Carrying amounts												
As at 31st December 2022	86,000,002	2,625,000,000	1,316,622,288	150,192,774	4,962,585	49,633,744	277,279,161	3,125,475	55,062,452	-	115,801,932	4,683,680,410
Cost or valuation												
Balance as at 1st January 2023	86,000,002	2,625,000,000	3,351,375,432	414,231,272	65,856,087	251,250,975	920,907,556	41,985,732	94,839,677	41,574,961	115,801,932	8,008,823,624
Additions during the year	-	90,772,767	463,615,706	25,085,964	5,434,143	52,089,393	63,389,606	5,112,008	-	-	44,525,661	750,025,248
Transfer from capital work in progress	-	-	-	-	-	-	-	-	-	-	(4,007,878)	(4,007,878)
Disposals during the year	-	-	(60,272,504)	(16,102,742)	-	-	(269,990)	-	-	-	-	(76,645,236)
Balance as at 31st December 2023	86,000,002	2,715,772,767	3,754,718,634	423,214,494	71,290,230	303,340,368	984,027,172	47,097,740	94,839,677	41,574,961	156,319,715	8,678,195,758
Accumulated depreciation												
Balance as at 1st January 2023	-	-	2,034,753,144	264,038,499	60,893,503	201,617,231	643,628,395	38,860,257	39,777,225	41,574,961	-	3,325,143,215
Charge for the year	-	136,889,555	227,279,464	25,935,745	4,396,251	25,056,023	53,383,366	2,185,066	17,680,430	-	-	492,805,900
Disposals during the year	-	-	(39,928,971)	(6,256,040)	-	-	(104,889)	-	-	-	-	(46,289,899)
Balance as at 31st December 2023	-	136,889,555	2,222,103,637	283,718,204	65,289,754	226,673,254	696,906,872	41,045,323	57,457,655	41,574,961	-	3,771,659,215
Carrying amounts												
As at 31st December 2023	86,000,002	2,578,883,212	1,532,614,997	139,496,291	6,000,477	76,667,113	287,120,300	6,052,417	37,382,021	-	156,319,715	4,906,536,543

There were no capitalised borrowing costs related to the acquisition of property, plant and equipment during the year 2023 (2022 - Nil).

NOTES TO THE FINANCIAL STATEMENTS

12.2.1 Title restriction on property, plant and equipment

There were no restrictions existed on the title of the property, plant and equipment of the Company as at the reporting date.

12.2.2 Property, plant and equipment pledged as security for liabilities

There were no items of property, plant and equipment pledged as securities for liabilities as at the reporting date.

12.2.3 Property, plant and equipment - contractual commitments

Contractual commitments of property, plant and equipment as at the reporting date is Rs 168 Mn.

12.2.4 Fully-depreciated property, plant and equipment

Property plant and equipment as at 31st December 2023 includes fully depreciated assets having a gross carrying amount (cost) of Rs 2.44 Bn (2022 - 2.1 Bn).

12.2.5 Details of the valuation of property, plant and equipment

The building constructed on leasehold land of the Company was revalued by Mr A.A.M. Fathihu (MRICS), Independent Chartered Valuer with appropriate experience valuation of properties in relevant location in December 2022 on current replacement cost basis.

Freehold land of the Company was revalued by Mr A.A.M. Fathihu (MRICS), Chartered Valuer in December 2022 on current market value basis.

12.2.6 Freehold land carried at revalued amount

Fair value measurement of Freehold land has been classified as a level 3 in fair value hierarchy

Location	Method of valuation	Effective date of revaluation	Property valuer	Extent	Significant unobservable input	Carrying amount as at 31.12.2023 Rs.	Revaluation surplus	Carrying amount at cost Rs.
Hathbodiya, Kirula Road, Narahenpita, Colombo 05	Open market value method	31st December 2022	Mr. A A M Fathihu (MRICS), Chartered Valuer	10.35 Perches	Estimated price per perch Rs. 4,226,044.25	43,739,559	37,271,112	6,468,447
Hathbodiya, Kirula Road, Narahenpita, Colombo 05	Open market value method	31st December 2022	Mr. A A M Fathihu (MRICS), Chartered Valuer	10 Perches	Estimated price per perch Rs. 4,226,044.25	42,260,443	36,010,737	6,249,706
				20.35 perches		86,000,002	73,281,849	12,718,153

12.2.7 Carrying amount if buildings on leasehold measured using cost model

Location	Method of valuation	Effective date of revaluation	Property valuer	Significant unobservable input	Cost as at 31.12.2023	Cumulative depreciation if assets were carried at cost Rs.	Net carrying value Rs.
578, Elvitigala Mawatha, Colombo 05	Current replacement cost basis	31st December 2022	Mr. A A M Fathihu (MRICS), per square foot Chartered Valuer	Estimated value Rs.7,500 - 17,500	1,902,584,868	493,103,352	1,409,481,516

12.2.8 Capital work in progress

As at 31st December,	Balance as at 01.01.2023 Rs.	Additions during the year Rs.	Transfers during the year Rs.	Balance as at 31.12.2023 Rs.
Building on leasehold land	115,801,932	44,525,661	(4,007,878)	156,319,715
	115,801,932	44,525,661	(4,007,878)	156,319,715

13. Intangible asset

As at 31st December,	Group		Company	
	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
Cost				
Balance at the beginning of the year	189,424,899	179,669,776	128,416,264	120,788,439
Additions during the year	52,235,559	9,755,123	40,619,211	7,627,825
Balance as at the end of the year	241,660,458	189,424,899	169,035,475	128,416,264
Accumulated amortisation				
Balance at the beginning of the year	142,610,804	124,393,773	90,994,050	76,760,908
Amortisation charge for the year	19,989,374	18,217,031	15,470,224	14,233,142
Balance as at the end of the year	162,600,178	142,610,804	106,464,274	90,994,050
Carrying amount	79,060,281	46,814,095	62,571,202	37,422,214

Intangible assets include software used by the Group and the company.

There were no restrictions on the title of the intangible assets of the Group and the Company as at the reporting date. Further, there were no items pledged as securities for liabilities. There were no capitalised borrowing costs related to the acquisition of intangible assets during the year 2023 (2022- Nil).

NOTES TO THE FINANCIAL STATEMENTS

14. Investment property

As at 31st December,	Group		Company	
	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
Balance at the beginning of the year	-	-	155,000,000	146,700,000
Change in fair value	-	-	15,000,000	8,300,000
Balance as at the end of the year	-	-	170,000,000	155,000,000

Land and buildings which are occupied by the companies within the Group for the production or supply of goods and services or for administration purposes are treated as property, plant and equipment in the consolidated financial statements at revalued amounts. These properties are treated as investment property in the relevant company's statement of financial position at revalued amount, if such company has rented out the property to other Group company.

14.1 Income earned from investment property

The investment property consists of value attributable to the 7th floor of the building constructed on leasehold land at 578, Elvitigala Mawatha, Colombo 5. It is leased to Lanka Hospitals Diagnostics (Private) Limited, a subsidiary, for a monthly rental of Rs. 724,730/-.

14.2 Details of land and buildings classified as investment property

Location	Building Extent	Carrying amount at cost Rs.	Fair value Rs.	Last Revaluation Date
No 578, Etiviligala Mawatha, Colombo 05	11,500 square feet	82,110,000	170,000,000	12/31/2023

Income on Investment property

For the year ended 31st December,	Group		Company	
	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
Rental income	-	-	8,037,910	7,906,140
Changes in fair value	-	-	15,000,000	8,300,000

The building is valued as it is. But the building was re-furbished and the improvements and finishing works have been done by the lessee, who has right to enjoy for the period of 10 years. (Unexpired period of the lease is 5 years). The Lessor has right to enjoys value of improvements after lease period is over, for which valuer done necessary adjustment. Since methodology adopted is Cost Approach, valuer of the view that the sensitive analysis does not arise.

All the repair and maintenance costs are expensed by the lessee.

As at 31st December 2023, the fair value of the investment property is based on valuation performed by Mr. A.A.M. Fathihu (MRICS), Independent Chartered Valuer, an accredited independent valuer who has appropriate experience in valuation of properties. The valuation is based on depreciation replacement cost method.

There has been no impairment on investment property which requires a provision as at the reporting date.
The fair value measurement of the investment property has been classified as a Level 3 in fair value hierarchy

The following table shows the valuation technique used in measuring the fair value of investment property, as well as the significant unobservable inputs used.

Valuation technique	Significant observable and unobservable inputs	Interrelationship between key inputs and fair value measurement
Depreciation replacement cost method	Value per square feet determined based on similar properties value and depreciated for period used	“The estimated fair value would increase (decrease) if: ☒ Depreciation rate was lesser / (higher) ☒ Square feet value was higher / (lesser)

There were no restrictions on the realisability of any investment property or on the remittance of income proceeds of disposal

No contractual obligations to purchase, construct or develop investment property or enhancement.

15. Investment in subsidiary

As at 31st December,	Group		Company	
	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
Lanka Hospitals Diagnostics (Pvt) Ltd				
Balance at the beginning of the year (41,400,002 shares)	-	-	414,000,020	414,000,020
Balance as at the end of the year (41,400,002 shares)	-	-	414,000,020	414,000,020

NOTES TO THE FINANCIAL STATEMENTS

15.1 Below table shows a summary of financial information of the subsidiary in the Group.

Ownership Percentage	2023 100%	2022 100%
Non-current assets	493,375,476	409,856,151
Current assets	3,392,873,325	2,650,109,385
Non-current liabilities	186,621,434	143,658,542
Current liabilities	760,864,077	538,524,451
Net Assets	2,938,763,290	2,377,782,543
Revenue	2,721,730,503	2,740,465,798
Profit/(loss)	568,891,628	584,848,584
Other comprehensive income	(7,910,881)	5,130,303
Total comprehensive income	560,980,747	589,978,887
Profit attributable to equity holders	568,891,628	584,848,584
OCI attributable to equity holders	560,980,747	589,978,887
Cash flows from/ (used in) operating activities	163,193,823	735,435,674
Cash flows from/ (used in) investing activities	(118,964,815)	(673,127,836)
Cash flows from/ (used in) financing activities	(51,193,302)	(40,692,368)
Net increase/ (decrease) in cash and cash equivalents	(6,964,294)	21,615,471

16. Inventories

As at 31st December,	Group		Company	
	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
Medical items	819,198,527	948,493,383	531,419,923	675,880,716
Non medical items	29,292,884	20,158,010	29,292,884	20,158,010
Engineering stocks	13,469,806	12,127,514	13,469,806	12,127,514
Food and beverages	9,213,787	9,729,391	9,213,787	9,729,391
	871,175,004	990,508,297	583,396,400	717,895,630
Less; Impairment of inventories (Note 16.1)	(9,343,077)	(10,512,547)	(3,386,110)	(1,045,244)
	861,831,926	979,995,750	580,010,290	716,850,386

Rs. 48Mn worth of Pharmaceutical items received by way of bonus stocks is included in the purchases of medical items.

There were no inventories pledge as a securities for liabilities by the group and the company as at the reporting date.

16.1 Provision on inventories

As at 31st December,	Group		Company	
	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
Balance at the beginning of the year	10,512,547	29,625,808	1,045,244	24,371,999
Reversal of provision during the year	(1,169,470)	(19,113,261)	2,340,866	(23,326,755)
Balance as at the end of the year	9,343,077	10,512,547	3,386,110	1,045,244

17. Trade and other receivables

As at 31st December,	Group		Company	
	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
Trade receivables (Note 17.1)	576,617,123	475,137,403	435,614,173	363,482,475
Impairment loss on trade receivables (Note 17.2)	(57,534,061)	(54,455,825)	(29,988,640)	(33,558,328)
	519,083,062	420,681,579	405,625,532	329,924,147
Deposits and prepayments	168,560,739	117,015,272	119,433,065	82,129,070
Advances and other receivables	522,195,700	261,090,305	483,016,762	243,571,757
Interest income receivable	247,653,104	216,742,251	211,313,229	143,157,636
	1,457,492,605	1,015,529,407	1,219,388,589	798,782,611
17.1 Trade receivables				
Trade receivable - Sri Lanka Insurance Corporation Limited	48,454,187	33,292,248	39,515,485	26,397,504
Trade receivable - Other debtors	475,144,471	375,231,990	343,080,222	270,471,806
Patients not yet discharged	53,018,465	66,613,165	53,018,465	66,613,165
	576,617,123	475,137,403	435,614,173	363,482,475
17.2 Impairment loss on trade receivables				
Balance at the beginning of the year	54,455,825	54,194,263	33,558,328	34,567,130
Impairment recognised/ (Reversal of Provision) during the year	3,078,236	261,562	(3,569,688)	(1,008,802)
Balance as at the end of the year	57,534,061	54,455,825	29,988,640	33,558,328

NOTES TO THE FINANCIAL STATEMENTS

18. Amounts due from related companies

As at 31st December,	Group		Company	
	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
Sri Lanka Insurance Corporation Limited	9,743,380	235,232	9,743,380	235,232
Lanka Hospitals Diagnostics (Pvt) Ltd	-	-	218,749,223	133,481,509
	9,743,380	235,232	228,492,602	133,716,741

19. Financial assets measured at amortized cost

As at 31st December,	Group		Company	
	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
Fixed deposits- Foreign Exchange Earners Account (FEEA)	4,013,739,953	4,236,445,430	4,013,739,953	4,236,445,430
Fixed deposits- Sri Lankan Rupees	2,962,268,956	2,686,762,133	749,999,998	1,004,601,036
	6,976,008,910	6,923,207,563	4,763,739,952	5,241,046,466

There were no financial assets pledged as a securities for liabilities by the Group and the Company as at reporting date.

20. Cash and cash equivalents

As at 31st December,	Group		Company	
	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
Favourable balances				
Repo Investment	485,733,124	227,293,029	435,733,124	207,293,029
Cash in hand and at bank	513,845,502	484,297,964	465,714,829	417,256,467
	999,578,625	711,590,993	901,447,953	624,549,496
Unfavourable balances				
Bank overdraft	(289,731,370)	(527,826,734)	(194,259,886)	(450,408,719)
Cash and cash equivalents for the purpose of statement of cash flows,	709,847,255	183,764,259	707,188,068	174,140,777

21. Stated capital

As at 31st December,	Group		Company	
	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
Issued and fully paid				
223,732,169 Ordinary shares	2,671,543,090	2,671,543,090	2,671,543,090	2,671,543,090

The holders of ordinary shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at meetings of the Company.

As at 31st December,	Group		Company	
	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
22 . Revaluation reserve				
Balance at the beginning of the year	1,361,084,883	1,330,581,534	1,266,920,410	1,240,031,685
Surplus on revaluation of freehold land	-	13,000,000	-	13,000,000
Surplus on revaluation of Leasehold Buildings	-	404,765,345	-	377,893,155
Effect on deferred tax due to rate change	-	(210,135,698)	-	(198,473,298)
Depreciation transfer on revaluation of buildings	(54,838,392)	(51,796,694)	(51,097,384)	(48,263,185)
Deferred tax on surplus of revaluation of buildings	-	(125,329,603)	-	(117,267,946)
Balance as at the end of the year	1,306,246,491	1,361,084,883	1,215,823,026	1,266,920,410

The revaluation reserve relates to the revaluation of Building on leasehold land and Freehold land.

23. Employee benefits

23.1 Description of the post employment defined benefit plan

A defined benefit plan is a postemployment benefit plan other than a defined contribution plan. The liability recognised in the statement of financial position in respect of defined benefit plans is the present value of the defined benefit obligation at the reporting date.

Description of the post employment defined benefit plan

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The liability recognised in the statement of financial position in respect of defined benefit plans is the present value of the defined benefit obligation at the reporting date.

NOTES TO THE FINANCIAL STATEMENTS

23. Employee benefits (Contd.)

23.1 Description of the post employment defined benefit plan contd.

Description of the valuation method used and the information about the valuer

LKAS 19 "Employee Benefits" requires the use of actuarial techniques to make a reliable estimate of the amount of retirement benefit that employees have earned in return for their service in the current and prior periods and discount that benefit using the Projected Unit Credit Method in order to determine the present value of the retirement benefit obligations and the current service cost. This requires an entity to determine how much benefit is attributable to the current and prior periods and to make estimates about demographic and financial variables that will influence the cost of the benefit. The provision for retirement benefits obligations for the year is based on the actuarial valuation carried out by professionally qualified actuaries, Acturial and Management Consultants (Pvt) Ltd, as at 31st December 2023. The liability is not externally funded.

As at 31st December,	Group		Company	
	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
23.2 Movement in defined benefit obligations				
Balance as at 1st January	254,261,408	277,775,607	218,336,229	242,422,163
Included in Income statement				
Current service cost	28,287,973	34,505,427	23,654,272	28,853,624
Interest cost	50,852,282	30,555,317	43,667,246	26,666,438
	79,140,255	65,060,744	67,321,518	55,520,062
Included in other comprehensive income				
Actuarial (loss) / gain recognised	80,172,572	(65,737,297)	68,871,314	(58,408,293)
	80,172,572	(65,737,297)	68,871,314	(58,408,293)
Other				
Contributions paid by the employer	(43,757,322)	(22,837,645)	(35,645,672)	(21,197,703)
	(43,757,322)	(22,837,645)	(35,645,672)	(21,197,703)
Balance at 31st December	369,816,913	254,261,408	318,883,389	218,336,229

As at 31st December,	Group		Company	
	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
23.3 Actuarial assumptions				
The following were the principal actuarial assumptions at the reporting date.				
Discount rate	13.00%	20.00%	13.00%	20.00%
Future salary growth	8%	8.00%	8%	8%
Staff turnover rate	18%	16.00%	17%	16%
Retirement age	60 Years	60 Years	60 Years	60 Years

According to the payment of Gratuity Act No. 12 of 1983, the liability for the gratuity to an employee arises only on completion of five years of continuous service.

23.4 Sensitivity analysis

Reasonable possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below.

As at 31st December,	Group		Company	
	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
Change in:	+1%	+1%	+1%	+1%
	Rs.	Rs.	Rs.	Rs.
Discount rate	(12,914,629)	(7,168,461)	(11,192,734)	(6,322,650)
Future salary growth	16,180,328	9,738,853	14,004,481	8,446,254

As at 31st December,	Group		Company	
	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
Change in:	-1%	-1%	-1%	-1%
	Rs.	Rs.	Rs.	Rs.
Discount rate	13,942,035	7,745,777	12,081,884	6,737,088
Future salary growth	(15,202,321)	(9,236,763)	(13,158,071)	(8,010,346)

NOTES TO THE FINANCIAL STATEMENTS

23.5 Maturity Analysis of the payments

The below tabular summarises the maturity profile of the Group's and the Company's define benefit obligation

As at 31st December,	Group		Company	
	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
within the next 12 months	83,883,318	62,762,873	70,022,772	51,479,297
Between 1-2 years	135,508,630	122,040,936	119,058,807	105,996,658
Between 2-5 years	161,400,944	148,232,114	139,186,132	128,940,500
Beyond 5 years	325,023,323	308,289,039	281,620,749	268,066,317
	705,816,215	641,324,962	609,888,460	554,482,772

24. Deferred tax liabilities

As at 31st December,	Group		Company	
	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
24.1 Deferred taxation				
Net deferred tax liability				
Deferred tax liability (Note 24.1.1)	1,265,828,900	1,308,106,631	1,169,024,169	1,212,433,910
Deferred tax assets (Note 24.1.2)	(131,008,219)	(95,768,937)	(105,677,443)	(75,881,941)
	1,134,820,682	1,212,337,694	1,063,346,727	1,136,551,969

24.1 Deferred taxation

As at 31st December,	Group		Company	
	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
Net deferred tax liability				
Deferred tax liability (Note 24.1.1)	1,265,828,900	1,308,106,631	1,169,024,169	1,212,433,910
Deferred tax assets (Note 24.1.2)	(131,008,219)	(95,768,937)	(105,677,443)	(75,881,941)
	1,134,820,682	1,212,337,694	1,063,346,727	1,136,551,969
24.1.1 Deferred tax liability				
Balance at the beginning of the year	1,308,106,631	560,027,083	1,212,433,910	509,335,412
Originated during the year- recognised in profit or loss	(42,277,731)	412,614,247	(43,409,741)	387,357,254
(Originated)/ reversal during the year- recognised in other comprehensive income	-	335,465,301	-	315,741,244
Balance at the end of the year	1,265,828,900	1,308,106,631	1,169,024,169	1,212,433,910

24.1.2 Deferred tax asset

As at 31st December,	Group		Company	
	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
Balance at the beginning of the year	(95,768,937)	(50,623,397)	(75,881,941)	(42,190,581)
Originated during the year- recognised in profit or loss	(11,187,510)	(64,866,729)	(9,134,107)	(51,213,848)
(Originated)/ reversal during the year- recognised in other comprehensive income	(24,051,771)	19,721,189	(20,661,394)	17,522,488
Balance at the end of the year	(131,008,219)	(95,768,937)	(105,677,443)	(75,881,941)

24.2 Recognised deferred tax assets and liabilities

24.2.1 Group

	Net Balance as at 1st January 2023 Rs.	Recognised in profit or loss Rs.	Recognised in OCI Rs.	Net balance at 31st December 2023 Rs.	Deferred tax liability Rs.	Deferred tax asset Rs.
Property, plant and equipment	1,181,152,388	(6,548,809)	-	1,174,603,579	1,174,603,579	-
Employee benefits	(76,278,426)	(10,614,880)	(24,051,772)	(110,945,077)	-	(110,945,077)
Intangible assets	3,949,511	(2,872,593)	-	1,076,918	1,076,918	-
Impairment loss on inventory	(3,153,764)	350,841	-	(2,802,923)	-	(2,802,923)
Impairment loss on trade receivables	(16,336,747)	(923,471)	-	(17,260,218)	-	(17,260,218)
Right of use assets	123,004,732	(32,856,329)	-	90,148,403	90,148,403	-
	1,212,337,694	(53,465,241)	(24,051,772)	1,134,820,682	1,265,828,900	(131,008,219)
	Net Balance as at 1st January 2022 Rs.	Recognised in profit or loss Rs.	Recognised in OCI Rs.	Net balance at 31st December 2022 Rs.	Deferred tax liability Rs.	Deferred tax asset Rs.
Property, plant and equipment	521,639,893	324,047,194	335,465,301	1,181,152,388	1,181,152,388	-
Employee benefits	(38,888,586)	(57,111,029)	19,721,189	(76,278,426)	-	(76,278,426)
Intangible assets	(1,001,999)	4,951,510	-	3,949,511	3,949,511	-
Impairment loss on inventory	(4,147,614)	993,849	-	(3,153,764)	-	(3,153,764)
Impairment loss on trade receivables	(7,587,198)	(8,749,550)	-	(16,336,747)	-	(16,336,747)
Right of use assets	39,389,189	83,615,543	-	123,004,732	123,004,732	-
	509,403,686	347,747,518	355,186,490	1,212,337,694	1,308,106,631	(95,768,937)

NOTES TO THE FINANCIAL STATEMENTS

24. Deferred tax liabilities

24.2.2 Company

Recognised deferred tax assets and liabilities

	Net Balance as at 1st January 2023 Rs.	Recognised in profit or loss Rs.	Recognised in OCI Rs.	Net balance at 31st December 2023 Rs.	Deferred tax liability Rs.	Deferred tax asset Rs.
Property, plant and equipment	1,075,788,718	(20,098,932)	-	1,055,689,786	1,055,689,786	-
Investment property	2,490,000	11,460,000	-	13,950,000	13,950,000	-
Employee benefits	(65,500,869)	(9,502,754)	(20,661,394)	(95,665,017)	-	(95,665,017)
Intangible assets	7,398,214	(2,751,387)	-	4,646,828	4,646,828	-
Impairment loss on inventory	(313,574)	(702,260)	-	(1,015,833)	-	(1,015,833)
Impairment loss on trade receivables	(10,067,498)	1,070,906	-	(8,996,592)	-	(8,996,592)
Right of use assets	126,756,978	(32,019,423)	-	94,737,556	94,737,556	-
	1,136,551,969	(52,543,848)	(20,661,394)	1,063,346,727	1,169,024,169	(105,677,443)

	Net Balance as at 1st January 2022 Rs.	Recognised in profit or loss Rs.	Recognised in OCI Rs.	Net balance at 31st December 2022 Rs.	Deferred tax liability Rs.	Deferred tax asset Rs.
Property, plant and equipment	462,501,801	297,545,673	315,741,244	1,075,788,718	1,075,788,718	-
Investment property	2,270,000	220,000	-	2,490,000	2,490,000	-
Employee benefits	(33,939,101)	(49,084,256)	17,522,488	(65,500,869)	-	(65,500,869)
Intangible assets	3,077,960	4,320,254	-	7,398,214	7,398,214	-
Impairment loss on inventory	(3,412,080)	3,098,507	-	(313,574)	-	(313,574)
Impairment loss on trade receivables	(4,839,399)	(5,228,099)	-	(10,067,498)	-	(10,067,498)
Right of use assets	41,485,651	85,271,327	-	126,756,978	126,756,978	-
	467,144,831	336,143,406	333,263,732	1,136,551,969	1,212,433,910	(75,881,941)

25. Trade and other payables

As at 31st December,	Group		Company	
	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
Trade payables (Note 25.1)	275,444,899	170,904,264	714,847,848	532,922,440
Other payables				
- Accrued expenses	434,452,543	288,670,147	416,298,021	258,360,651
- Advance received	100,784,593	78,139,229	98,102,516	72,591,748
- Withholding tax payable	(25,660,502)	37,663	-	-
- Other payables	407,640,051	227,875,924	323,319,427	184,626,278
	1,192,661,584	765,627,228	1,552,567,813	1,048,501,117
25.1 Trade payables				
Trade payables - Lanka Hospitals Diagnostics (Pvt) Ltd	-	-	565,127,337	402,806,686
Trade payables - Other creditors	275,444,899	170,904,264	149,720,511	130,115,754
	275,444,899	170,904,264	714,847,848	532,922,440

26. Leases

The value of the Right-of-use assets is presented as a separate line item in the Consolidated Statement of Financial Position and the correspondent lease liability has presented under 'Current liabilities and Non current liabilities' in the Statement of Financial Position as at 31 December 2023.

Further, the amortisation charge on Right-of-use asset is presented as a separate line item under 'Depreciation & Amortization' and the interest cost on lease liability is presented as a component of the finance cost of the Group/Company in the Statement of Profit or Loss for the year ended 31st December 2023.

The relevant disclosures to be made under "Notes to Consolidated the Financial Statements" in the Annual Financial Statements for the year ended 31 December 2023 are illustrated below.

26.1 The carrying amounts of right-of-use assets recognised and its movements during the year:

For the year ended 31st December,	Group		Company	
	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
Cost				
Balance at the beginning of the year	793,155,283	712,571,804	567,895,077	526,983,335
Additions during the year	115,428,029	108,144,209	45,987,330	52,708,186
Disposals during the year	(5,112,548)	(27,560,730)	-	(11,796,444)
Balance as at the end of the year	903,470,764	793,155,283	613,882,407	567,895,077
Accumulated amortisation				
Balance at the beginning of the year	261,684,171	179,094,760	145,371,816	97,203,703
Charge for the year	95,826,357	88,678,536	48,520,074	51,707,046
Disposal during the year	(4,402,444)	(6,089,125)	-	(3,538,933)
Accumulated amortisation as at 31st December	353,108,084	261,684,171	193,891,890	145,371,816
Net book value as at 31st December	550,362,680	531,471,112	419,990,517	422,523,261

NOTES TO THE FINANCIAL STATEMENTS

26.2 The carrying amounts of lease liability (included under current and non current liabilities) and its movements during the year:

	Group		Company	
As at 31st December,	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
Balance at the beginning of the year	239,031,602	248,042,040	119,814,309	133,453,554
Additions during the year	121,189,247	108,144,209	46,471,895	52,708,186
Accretion of interest	33,031,211	30,383,251	13,914,343	16,332,997
Payments	(139,229,283)	(121,519,141)	(76,001,883)	(74,075,760)
Disposal during the year	(5,112,548)	(21,818,761)	-	(8,604,668)
Gain on Disposals	185,203	(4,199,996)	-	-
Balance as at the end of the year	249,095,432	239,031,602	104,198,664	119,814,309
Current	89,051,355	87,055,794	50,180,964	49,344,349
Non-current	160,044,076	151,975,808	54,017,701	70,469,960
	249,095,431	239,031,602	104,198,665	119,814,309

26.3 Maturity analysis of the contractual undiscounted cashflows:

	Group		Company	
For the year ended 31st December,	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
Less than one year	118,110,429	58,924,868	49,540,050	4,944,349
One to Five Years	279,612,940	243,359,756	134,437,281	137,748,940
More than five years	-	894,432	-	-
Total cashflows as at 31st December	397,723,369	303,179,056	183,977,331	142,693,289

26.4 The amounts recognised in the statement of Profit or Loss for the year ended 31st December

	Group		Company	
For the year ended 31st December,	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
For the year ended 31st December				
Amortisation expenses on right-of-use assets	95,826,357	88,678,536	48,520,074	51,707,046
Interest expenses on lease liabilities	33,031,211	30,383,251	13,914,343	16,332,997
Amounts recognised in the statement of profit and loss	128,857,568	119,061,787	62,434,417	68,040,043

26.5 The amounts recognised in the statement of Cash flows for the year ended 31st December

For the year ended 31st December,	Group		Company	
	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
For the year ended 31st December				
Payments on lease instalments	(139,229,283)	(121,519,141)	(76,001,883)	(74,075,760)
Amount recognised in statement of cash flows	(139,229,283)	(121,519,141)	(76,001,883)	(74,075,760)

26.5 The company is a lessee entered into 99 years lease agreement with the Urban Development Authority in 1999. In terms of this agreement a sum of Rs. 18,546,548/- per annum should be paid by the Company till 2025, and the final premium payment of Rs. 9,273,274/- should be paid in 2026.

There are other lease facilities entered by the company for corporate office and hostels. In addition, The Lanka Hospitals Diagnostic Pvt Ltd, the subsidiary of The Lanka Hospitals Corporation PLC has entered into lease agreements for the purpose of Laboratory services and company sample collection centers.

27. Related party transactions

The Company carried out transactions in the ordinary course of business on an arm's length basis at commercial rates with parties who are defined as related Parties as per the Sri Lanka Accounting Standard – LKAS 24 – “Related Party Disclosures”, other than, transactions that the Key Management Personnel (KMP) have availed under schemes uniformly applicable to all staff at concessionary rates.

27.1 Identify of the related parties

An entity is related to a reporting entity if it meets LKAS 24 - “Related Party Disclosures”. The Company has a related party relationship with Sri Lanka Insurance Corporation Limited (the parent entity) , Lanka Hospitals Diagnostics (Private) Limited (the Subsidiary) and Super Religare Laboratories Limited (Which is controlled by ,who has significant influence over the reporting entity).

27.2 Transactions with the Key Management Personnel

Key Management Personnel are those having authority and responsibility for planning, directing and controlling the activities of the entity directly or indirectly. The members of the Board of Directors & Executive Committee members (EXCO) have the authority and responsibility for planning, directing and controlling the activities of the entity directly or indirectly. The Board of Directors of the company (Executive and Non- executive Directors) and Executive Committee members (EXCO) are Key Management Personnel of the Group. The short term compensation of Key Management Personnel for the year ended 31st December 2023 amounted to Rs.117,883,565.00- (2022 - Rs 112,138,636/-). While the compensation for Key Management Personnel of the group for the year ended 31st December 2023 amounted to Rs.131,294,788/- (2022 - Rs. 124,092,016/-).

27.3 Terms and Conditions of Transactions with the Companies

Transactions with related parties are carried out in the ordinary course of business. Outstanding current account balances at year end are unsecured, interest free and settlement occurs in cash. There have been no guarantees provided or received for any related party receivable or payables for the year ended 31st December 2023.

NOTES TO THE FINANCIAL STATEMENTS

27.4 Recurrent Related Party Transactions

Other than the transactions disclosed in Note 27.6.1, there were no any recurrent related party transactions which aggregate value exceeds 10% of the gross revenue of the Company as per December 2022 Audited Financial Statements, which required additional disclosures in the 2023 Annual Report under Colombo Stock Exchange listing Rule 9.3.2 and Code of Best Practices on Related Party Transactions under the Security Exchange Commission Directive issued under Section 13 (c) of the Security Exchange Commission Act.

27.5 Non-Recurrent Related Party Transactions

There were no non-recurrent related party transactions which aggregate value exceeded 10% of the equity or 5% of the total assets which ever is lower of the Company as per 31st December 2022 audited financial statements, which required additional disclosures in the 2023 Annual Report under Colombo Stock Exchange listing Rule 9.3.2 and Code of Best Practices on Related Party Transactions under the Securities and Exchange Commission Directive issued under Section 13 (c) of the Securities and Exchange Commission Act.

27.6 Transactions with Related Entities

The Company has carried out transactions with Group entities in the ordinary course of business. The Group has not recorded any impairment for receivables relating to amount owed by Group entities.

Company	Relationship	Details of Transactions	Transactions during the year Rs.	Balance as at 31st December 2023 (Payable) / Receivable (Rs.)	Balance as at 31st December 2022 (Payable)/ Receivable (Rs.)
Sri Lanka Insurance Corporation Limited	Parent Company	Services provided	197,805,273	39,516,484	26,397,504
		Amount received	(184,686,293)		
		Premiums paid for the insurance policy on fire, vehicle, professional indemnity, staff insurance and general insurance	72,573,194	-	-
		Amounts Paid	(72,573,194)		
		Other medical services provided by the company	26,334,082	9,743,380	235,232
Lanka Hospitals Diagnostics (Private) Limited	Subsidiary Company	Amounts Received	(16,825,934)		
		Reimbursement of expenses and the rent income received/receivable by the Company	185,267,713	218,749,222	133,481,509
		Amounts Received	(100,000,000)		
		Services provided	(1,071,480,563)	(565,127,335)	(402,806,686)
		Amounts Paid	909,159,915		-

27.6.1

Year	Name of Related Party	Relationship	Nature of the Transaction	Aggregate value of Related Party Transactions entered during the year	Aggregate value of Related Party Transactions as a % of Net Revenue / Income	Terms and Conditions
2023	Lanka Hospitals Diagnostics (Private) Ltd	Subsidiary Company	Laboratory Services provided	1,071,480,563	13.47%	Arms Length Transactions
	Sri Lanka Insurance Corporation PLC	Parent Company	Medical Services provided	197,805,273	2%	Arms Length Transactions
2022	Lanka Hospitals Diagnostics (Private) Ltd	Subsidiary Company	Laboratory Services provided	1,428,583,968	21.30%	Arms Length Transactions
	Sri Lanka Insurance Corporation PLC	Parent Company	Medical Services provided	146,754,002	2%	Arms Length Transactions

28. Going concern

The Directors are confident that the company has adequate resources to continue business operations. Accordingly, the Directors consider that it is appropriate to adopt the going concern basis in preparing the Financial Statements.

29. Contingent liabilities and assets**Liabilities**

Pending litigations against The Lanka Hospitals Corporation PLC with a maximum liability of Rs. 106 Mn exist as at the reporting date. Based on the information currently available company has been advised by its legal council that it is not probable the ultimate resolution of such legal procedures would not likely have a material adverse effect on the result of the operations, financial position or liquidity of the company. Accordingly, no provision for any liability has been made in these financial statements in this respect.

There were no material contingent liabilities as at the reporting date which require adjustments to or disclosure in the financial statements, other than mentioned above.

Assets

There were no material contingent assets as at the reporting date which require adjustments to or disclosure in the financial statements.

30. Capital commitments

Capital commitments of Group and Company in respect of the on going projects but not incurred as at the financial year end 31st December 2023 amounted to Rs.168 Mn. (2022 : Rs 87.3 Mn)

NOTES TO THE FINANCIAL STATEMENTS

31. Events occurring after the reporting date

Pursuant to the actions initiated by the Government of Sri Lanka to divest their shareholding interest in the company held through Sri Lanka Insurance Corporation Limited, the buyers due diligence process is currently in progress.

There were no other material events that occurred after the reporting date that require adjustment to or disclosure in the Financial Statement.

32. Financial risk management objectives and policies

32.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk and cash flow interest rate risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's / Company's financial performance.

Risk management is carried out by a Risk Management Committee under policies and procedures approved by the Audit Committee. The Committee identifies and evaluates financial risks in close co-operation with the Group's treasury function. Treasury function is governed by the Treasury Committee, headed by the Group Chief Financial Officer and within the requirements of an approved treasury policy. The Risk Management Committee provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

32.2 Market risk management

The market risk occurs due to the actual cashflow originating from a financial instrument being different to the expected cashflow. This anomaly could occur due to the impact of external factors such as fluctuations in market interest rates and exchange rates. Market risk could possibly result in the revenues and expenses of the Group being adversely affected thereby impacting the profit attributable to the shareholders. In order to identify, manage and minimise the market risk the Group has put into practice a number of policies and procedures.

Currency risk

The company is exposed to currency risk on foreign currency fixed deposits amounting to Rs. 4,013,739,953.42/- (USD 12,575,311.00). Group and the Company's transactions (Hospital revenue, pharmacy revenue, cost of services and cost of purchasing of pharmacy items and other medical equipment) are mainly denominated in Sri Lankan Rupees.

As at 31st December,	Average Rate		Reporting Date Spot Rate	
	2023	2022	2023	2022
USD	327.53	324.55	319.18	360.41

Foreign currency sensitivity

An estimation of the impact of the currency risk with respect of financial instruments with a 5% change in US Dollar exchange rate is given below. In calculation of risk it is assumed that all other variable factors are held constant. The calculation of sensitivity has been performed only on the assets and liabilities denominated in foreign currency of the Group and Company as at 31st December 2023.

32.2 Market risk management contd.**Group****As at 31st December,**

	2023		2022	
	Effect on profit or loss Rs.	Effect on equity Rs.	Effect on profit or loss Rs.	Effect on equity Rs.
LKR depreciated against USD by 5%	200,686,998	-	211,822,271	-
LKR appreciated against USD by 5%	(200,686,998)	-	(211,822,271)	-

Company**As at 31st December,**

	2023		2022	
	Effect on profit or loss Rs.	Effect on equity Rs.	Effect on profit or loss Rs.	Effect on equity Rs.
LKR depreciated against USD by 5%	200,686,998	-	211,822,271	-
LKR appreciated against USD by 5%	(200,686,998)	-	(211,822,271)	-

Interest rate risk

Changes in market interest rates result in the fluctuation of present values of future cash flows derived from financial instruments thereby giving rise to interest rate risk. Values of financial instruments could rise or decline depending on the variations in interest rates resulting in mark to market gains or losses in investment portfolios. Mark to market values could have an impact on the reported financial results of the Group. Interest rate risk arises on interest bearing financial assets recognised in the statement of financial position.

The interest rate risk of the group arises from financial instruments which are exposed to variable or fixed rate interest rates. Financial instruments with fixed interest rates are subject to variations in fair values due to market interest rate movements. The Group manages its interest rate risk by monitoring and managing cash flows, negotiating favourable rates on deposits.

Equity price risk

Equity price risk represents the risk that the fair value of future cash flows of a financial statement will fluctuate because of a change in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The Group is not exposed to equity price risk since there are no investments in equity securities. The Group is also not directly exposed to commodity price risk.

NOTES TO THE FINANCIAL STATEMENTS

32.3 Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Group's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the Group's operations.

The operational risk management framework of the Company has been defined under the Board-approved operational risk management policy. Operational risk is managed by establishing an appropriate internal control system that requires a mechanism for segregation of related responsibilities within the Company, and a detailed testing and verification of the Company's overall operational systems, and achieving a full harmony between internal and external systems and establishing a fully independent backup facility for business continuity planning.

32.4 Liquidity risk management

Liquidity refers to the availability of cash or assets which can be converted to cash in a short period of time in order to meet future liabilities of a business. An entity would require sufficient funds for a number of purposes such as operational requirements, debt servicing and investments. Additionally, a shortage of liquidity would have a negative impact on stakeholder confidence in a business entity. The Group has ensured that it maintains sufficient liquidity reserves to meet all its funding requirements by closely monitoring and forecasting future funding needs and securing funding sources for both regular and emergency requirements.

Management of working capital by shortening the working capital cycle is given a high priority by the Group. The Group has implemented procurement and vendor evaluation policies to prevent payment of excessive prices to suppliers and to obtain maximum credit in order to ensure a strong working capital position. Special attention has been given to cash inflows and outflows. The maturity profile of the Group's investments is monitored and adjusted to meet expected future cash outflows in the short, medium and long terms.

The table below summarises financial assets/liabilities.

For the year ended 31st December,	Group		Company	
	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
Cash and cash equivalents	999,578,625	711,590,993	901,447,953	624,549,496
Trade and other receivables within 30 days	251,357,426	171,400,690	186,088,568	150,861,980
Financial assets measured at amortized cost	6,976,008,910	6,923,207,563	4,763,739,952	5,241,046,466
Total liquid assets	8,226,944,961	7,806,199,246	5,851,276,473	6,016,457,942
Less;				
Bank overdraft	289,731,370	527,826,734	194,259,886	450,408,719
Trade payables on demand	275,444,899	170,904,264	714,847,848	532,922,440
Other payables on demand	917,216,684	594,722,965	837,719,964	515,578,677
Total demand liabilities	1,482,392,954	1,293,453,963	1,746,827,699	1,498,909,836
Excess/short liquidity through operating cycle	6,744,552,007	6,512,745,283	4,104,448,775	4,517,548,106

The following table shows the amounts to be settled no more than 12 months and more than 12 months after the reporting period for each liability items.

As at 31st December 2023,	Group			Company		
	Carrying amount Rs.	Less than 12 Months Rs.	Over one year Rs.	Carrying amount Rs.	Less than 12 Months Rs.	Over one year Rs.
Non current liabilities						
Lease liability	160,044,076	-	160,044,076	54,017,701	-	54,017,701
Current liabilities						
Trade and other payables	1,192,661,584	1,192,661,584	-	1,552,567,813	1,552,567,813	-
Lease liability	89,051,355	89,051,355	-	50,180,963	50,180,963	-
Bank overdraft	289,731,370	289,731,370	-	194,259,886	194,259,886	-

As at 31st December 2022,	Group			Company		
	Carrying amount Rs.	Less than 12 Months Rs.	Over one year Rs.	Carrying amount Rs.	Less than 12 Months Rs.	Over one year Rs.
Non current liabilities						
Lease liability	151,975,808	-	151,975,808	70,469,960	-	70,469,960
Current liabilities						
Trade and other payables	765,627,228	765,627,228	-	1,048,501,117	1,048,501,117	-
Lease liability	87,055,794	87,055,794	-	49,344,349	49,344,349	-
Bank overdraft	527,826,734	527,826,734	-	450,408,719	450,408,719	-

32.5 Credit risk management

Credit risk refers to the risk borne by the Group owing to the risk of a counter party defaulting on its contractual obligations in relation to a financial instrument or customer contract. The Group is exposed to credit risk from its operating activities and from its financing activities, including deposits with banks, foreign exchange transactions and other financial instruments. The maximum credit risk of the Group and the Company is limited to the carrying value of these financial assets as at the reporting date.

The group applies the SLFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets.

To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due.

NOTES TO THE FINANCIAL STATEMENTS

The historical loss rates are adjusted to reflect current and forward looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The group has identified a more relevant macroeconomic forward looking element of Sri Lanka, the country in which it sells its services to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

As at 31st December,	Group				Company			
	2023		2022		2023		2022	
	Rs.	Exposure %	Rs.	Exposure %	Rs.	Exposure %	Rs.	Exposure %
Trade and other receivables	1,457,492,605	15%	1,015,529,407	12%	1,219,388,589	18%	798,782,611	12%
Financial assets measured at amortized cost	6,976,008,910	74%	6,923,207,563	80%	4,763,739,952	69%	5,241,046,466	79%
Cash and cash equivalents	999,578,625	11%	711,590,993	8%	901,447,953	13%	624,549,496	9%
Total	9,433,080,140	100%	8,650,327,963	100%	6,884,576,494	100%	6,664,378,573	100%

The Group treasury manages the risk arising from investments made in financial institutions in accordance with the policy direction provided by the Board. The transactions are carried out only with a limited number of institutions all of which have stable credit ratings from internationally recognised rating providers. The Group's exposures and credit ratings of counterparties are continuously monitored and the investment portfolio is diversified amongst several institutions to minimize the unsystematic risk.

The ageing of Trade Receivables at the reporting date was

As at 31st December,	Group				Company			
	2023		2022		2023		2022	
	Gross Rs.	Impairment %	Gross Rs.	Impairment %	Gross Rs.	Impairment %	Gross Rs.	Impairment %
Past due 0-90 days	439,153,979	5,240,241	300,291,601	4,680,838	326,532,082	423,107	240,024,212	3,395,760
Past due 91-180 days	30,960,019	2,789,246	25,525,400	748,440	23,148,958	148,085	21,623,896	361,922
Past due 181-365 days	3,966,065	1,858,010	28,990,707	4,766,677	1,736,819	111,631	5,989,874	571,318
More than 365 days	49,518,595	47,646,564	53,716,530	44,259,870	31,177,848	29,305,817	29,231,328	29,229,328
	523,598,658	57,534,061	408,524,238	54,455,825	382,595,707	29,988,640	296,869,310	33,558,328

33. Capital management

The capital management strategy of the Group has the twin key objectives of ensuring the availability of a sufficient amount of capital for long term investments and growth while maintaining an adequate liquidity buffer for business operations. Sustaining the financial health to withstand economic cycles while maintaining stakeholder confidence in the Group is another vital requirement that it has integrated into the capital management strategy.

Capital not being available in sufficient quantities or at a reasonable cost is a factor which can retard the performance of the Group. The management, being conscious of these factors, has implemented the capital management policy to ensure the long term sustainability and competitiveness of the Group. In this regard another important factor that the Group is aware of is to make certain that there is no idle capital which will act as a drag on the returns generated. Too much capital invested in a business will have a dampening impact on the performance while too little capital will prevent an organization from achieving its long term objectives.

33.1 Capital management policy

The capital management policy of the Group is aimed at maximising the return on scarce capital whilst safeguarding the already invested capital. Ensuring that there is adequate capital for the Group to invest and grow while continuing with its regular business operations requires decision makers to look at many facets of the business and consider a number of variables, both internal and external. The rapid pace of change in the operating environment has a profound impact on many factors affecting the use of capital, and a deep understanding derived from years of experience in a business sector is vital to ensure successful management of capital.

As at 31st December,	Group		Company	
	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
Total Liabilities	3,719,831,743	3,352,879,006	3,522,026,251	3,164,180,421
Less: Cash and Cash Equivalents	999,578,625	711,590,993	901,447,953	624,549,496
Net Debt	2,720,253,118	2,641,288,013	2,620,578,298	2,539,630,925
Total Equity	12,598,959,711	11,981,050,826	10,144,151,417	10,063,391,184
Net Debt to Equity Ratio	22%	22%	26%	25%

34. Segment reporting

There are no distinguishable components to be identified as segments for the Group and the Company.

NOTES TO THE FINANCIAL STATEMENTS

35 . Classification of Financial Assets and Financial Liabilities

Financial assets and financial liabilities are measured on an ongoing basis at either fair value or amortised cost. The following table sets out the carrying amount/fair value of financial assets and liabilities by category as defined in LKAS 39- Financial Instruments : Recognition and measurement under headings reported in the Statement of Financial Position and related fair value hierarchy.

35.1 Group

As at 31st December 2023	Financial assets - amortised cost Rs.	Other financial liabilities Rs.	Non financial asset Rs.	Total carrying amount Rs.	Fair Value Rs.	Level 1 Rs.	Level 2 Rs.	Level 3 Rs.	Total Rs.
Non-financial assets									
Property, plant and equipment									
Freehold land	-	-	86,000,002	86,000,002	86,000,002	-	-	86,000,002	86,000,002
Leasehold building	-	-	2,790,924,394	2,790,924,394	2,790,924,394	-	-	2,790,924,394	2,790,924,394
Investment property	-	-	-	-	-	-	-	-	-
Total non-financial assets	-	-	2,876,924,396	2,876,924,396	2,876,924,396	-	-	2,876,924,396	2,876,924,396
Financial assets									
Trade and other receivables	1,457,492,605	-	-	1,457,492,605	1,457,492,605	-	-	-	1,457,492,605
Financial assets measured at amortized cost	6,976,008,910	-	-	6,976,008,910	6,976,008,910	-	-	-	6,976,008,910
Cash and cash equivalents	999,578,625	-	-	999,578,625	999,578,625	-	-	-	999,578,625
Total financial assets	9,433,080,140	-	-	9,433,080,140	9,433,080,140	-	-	-	9,433,080,140
Financial liabilities									
Trade and other payables	-	1,192,661,584	-	1,192,661,584	1,192,661,584	-	-	-	1,192,661,584
Bank overdraft	-	289,731,370	-	289,731,370	289,731,370	-	-	-	289,731,370
Total financial liabilities	-	1,482,392,954	-	1,482,392,954	1,482,392,954	-	-	-	1,482,392,954
As at 31st December 2022									
Non-financial assets									
Property, plant and equipment									
Freehold land	-	-	86,000,002	86,000,002	86,000,002	-	-	86,000,002	86,000,002
Leasehold building	-	-	2,847,278,060	2,847,278,060	2,847,278,060	-	-	2,847,278,060	2,847,278,060
Total non-financial assets	-	-	2,933,278,062	2,933,278,062	2,933,278,062	-	-	2,933,278,062	2,933,278,062
Financial assets									
Trade and other receivables	1,015,529,407	-	-	1,015,529,407	1,015,529,407	-	-	-	1,015,529,407
Financial assets measured at amortized cost	6,923,207,563	-	-	6,923,207,563	6,923,207,563	-	-	-	6,923,207,563
Cash and cash equivalents	711,590,993	-	-	711,590,993	711,590,993	-	-	-	711,590,993
Total financial assets	8,650,327,963	-	-	8,650,327,963	8,650,327,963	-	-	-	8,650,327,963
Financial liabilities									
Trade and other payables	-	765,627,228	-	765,627,228	765,627,228	-	-	-	765,627,228
Bank overdraft	-	527,826,734	-	527,826,734	527,826,734	-	-	-	527,826,734
Total financial liabilities	-	1,293,453,962	-	1,293,453,962	1,293,453,962	-	-	-	1,293,453,962

35. Classification of Financial Assets and Financial Liabilities

Financial assets and financial liabilities are measured on an ongoing basis at either fair value or amortised cost. The following table sets out the carrying amount/fair value of financial assets and liabilities by category as defined in LKAS 39- Financial Instruments : Recognition and measurement under headings reported in the Statement of Financial Position and related fair value hierarchy.

35.2 Company

As at 31st December 2023	Financial assets -	Other financial	Non financial	Total carrying	Fair Value	Fair Value			Total
	amortised cost	liabilities	asset	amount		Level 1	Level 2	Level 3	
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Non-financial assets									
Property,plant and equipment									
Freehold land	-	-	86,000,002	86,000,002	86,000,002		-	86,000,002	86,000,002
Leasehold building	-	-	2,578,883,212	2,578,883,212	2,578,883,212	-	-	2,578,883,212	2,578,883,212
Investment property	-	-	170,000,000	170,000,000	170,000,000	-		170,000,000	170,000,000
Total non-financial assets	-	-	2,834,883,214	2,834,883,214	2,834,883,214	-	-	2,834,883,214	2,834,883,214
Financial assets									
Trade and other receivables	1,219,388,589	-	-	1,219,388,589	1,219,388,589	-	-	-	1,219,388,589
Financial assets measured at amortized cost	4,763,739,952	-	-	4,763,739,952	4,763,739,952	-	-	-	4,763,739,952
Cash and cash equivalents	901,447,953	-	-	901,447,953	901,447,953	-	-	-	901,447,953
Total financial assets	6,884,576,494	-	-	6,884,576,494	6,884,576,494	-	-	-	6,884,576,494
Financial liabilities									
Trade and other payables	-	1,552,567,813	-	1,552,567,813	1,552,567,813	-	-	-	1,552,567,813
Bank overdraft	-	194,259,886	-	194,259,886	194,259,886	-	-	-	194,259,886
Total financial liabilities	-	1,746,827,699	-	1,746,827,699	1,746,827,699	-	-	-	1,746,827,699
As at 31st December 2022									
Non-financial assets									
Property,plant and equipment									
Freehold land	-	-	86,000,002	86,000,002	86,000,002	-	-	86,000,002	86,000,002
Leasehold building	-	-	2,625,000,000	2,625,000,000	2,625,000,000	-	-	2,625,000,000	2,625,000,000
Investment property	-	-	155,000,000	155,000,000	155,000,000	-	-	155,000,000	155,000,000
Total non-financial assets	-	-	2,866,000,002	2,866,000,002	2,866,000,002	-	-	2,866,000,002	2,866,000,002
Financial assets									
Trade and other receivables	798,782,611	-	-	798,782,611	798,782,611	-	-	-	798,782,611
Other financial assets	5,241,046,466	-	-	5,241,046,466	5,241,046,466	-	-	-	5,241,046,466
Cash and cash equivalents	624,549,496	-	-	624,549,496	624,549,496	-	-	-	624,549,496
Total financial assets	6,664,378,573	-	-	6,664,378,573	6,664,378,573	-	-	-	6,664,378,573
Financial liabilities									
Trade and other payables	-	1,048,501,117	-	1,048,501,117	1,048,501,117	-	-	-	1,048,501,117
Bank overdraft	-	450,408,719	-	450,408,719	450,408,719	-	-	-	450,408,719
Total financial liabilities	-	1,498,909,836	-	1,498,909,836	1,498,909,836	-	-	-	1,498,909,836

NOTES TO THE FINANCIAL STATEMENTS

Cash and cash equivalents / Bank overdraft

The carrying amount of the cash and cash equivalents and bank overdrafts approximates the fair value as at the reporting date as they are short term in nature.

Trade receivables

Trade receivables are expected to be settled within one year from the reporting date, hence the discounting impact would be immaterial. Therefore, carrying amount approximates the fair value as at the reporting date.

Trade and other payable

Trade and other payables are expected to be settled within one year from the reporting date hence the discounting impact would be immaterial. Therefore, carrying amount approximate the fair value as at the reporting date.

SHAREHOLDER AND INVESTOR INFORMATION

Top 20 Shareholding as at 31st December 2023

Shareholder	2023		2022	
	No of shares	Holding	No of shares	Holding
1. Fortis Healthcare International Pte Ltd	64,120,915	28.66%	64,120,915	28.66%
2. Sri Lanka Insurance Corporation Ltd - Life Fund	58,781,308	26.27%	58,781,308	26.27%
3. Sri Lanka Insurance Corporation Ltd - General Fund	56,080,643	25.07%	56,080,643	25.07%
4. Property Development PLC A/C No.1	21,329,000	9.53%	21,329,000	9.53%
5. Peoples Bank	7,316,042	3.27%	7,316,042	3.27%
6. Bank of Ceylon A/c Ceybank Unit Trust	3,014,475	1.35%	3,014,475	1.35%
7. Dr. M. R. Mubarak	1,421,606	0.64%	1,421,606	0.64%
8. Acuity Partners (Pvt) Limited / Mr.Don Janaka Nishan Hettiarachi	855,300	0.38%	275,000	0.12%
9. Bank of Ceylon A/c Ceybank Century Growth Fund	524,721	0.23%	524,721	0.23%
10. Mr. M. S. Siraj	382,193	0.17%	-	0.00%
11. Peoples Leasing & Finance PLC/ L.P. Hapangama	350,368	0.16%	350,368	0.16%
12. Mr. A. H. Munasinghe	233,900	0.11%	283,900	0.13%
13. Peoples Leasing & Finance PLC/ Mr. D. M. P. Disanayake	232,553	0.10%	-	0.00%
14. Peoples Leasing & Finance PLC/ Dr. H. S. D. Soysa & Mrs. G. Soysa	200,000	0.09%	200,000	0.09%
15. Mr. G. C. A. De Silva	150,567	0.07%	-	0.00%
16. Mrs. T. R. P. Wanigasooriya	150,000	0.07%	-	0.00%
17. Merchant Bank of Sri Lanka & Finance PLC/ W.L.B Siriwardana	143,391	0.06%	-	0.00%
18. Mr. G. C. Goonetilleke	100,000	0.04%	-	0.00%
19. Mr. L. N. Dayananda	97,231	0.04%	-	0.00%
20. Mr. M. N. Cader	97,024	0.04%	112,024	0.05%
	215,581,237	96.35%	213,810,002	95.57%

Individual / Institution as at 31 December 2023

	No of Shares	As %	No of Shares	As %
Individual	7,261	98.24	9,615,695	4.30
Institution	130	1.76	214,116,474	95.70
	7,391	100.00	223,732,169	100.00

Resident / Non-Resident as at 31 December 2023

	No of Shareholders			
	No of Shares	As %	No of Shares	As %
Resident	7,373	99.76	159,151,193	71.13
Non-Resident	18	0.24	64,580,976	28.87
	7,391	100.00	223,732,169	100.00

Disposal of government owned Shares

Advertisements/ notices had published by the State-Owned Enterprise Restructuring Unit on 18th October 2023 for inviting Expression of Interest for the disposal of government owned controlling interest of The Lanka Hospitals Corporation PLC.

SHAREHOLDER AND INVESTOR INFORMATION

Directors'/Senior Management Shareholdings as at 31st December

Board of Directors	Position	2023		2022	
		No of shares	Holding %	No of shares	Holding %
Dr. Bandula Wijesiriwardhana	Chairman	-	-	-	-
Mr. Ashish Bhatia	Director	-	-	-	-
Ms. Richa Singh Debgupta	Director	-	-	-	-
Dr. Ravindra Ruberu	Director	-	-	-	-
Ms. Lakshmi Sangakkara	Director	-	-	-	-
Mr. Mayura Fernando	Director	500	-	500	-
Mr. Kushan De Alwis PC	Director	-	-	-	-
Mr. Nandun Fernando	Director	-	-	-	-
Dr. Kanishka Karunaratne	Director	-	-	-	-
Mr. Kasun Rajapaksa	Director	-	-	-	-
Mr. Ronald C Perera PC	Director	-	-	-	-
Dr. Abinaya Alagarasan	Director	-	-	-	-
Senior Management					
Mr. Deepthi Lokuarrachchi	Group Chief Executive Officer	-	-	-	-

		Group		Company	
		2023	2022	2023	2022
Earning Per Share	Rs.	6.01	14.51	3.58	11.97
Dividend Per Share	Rs.	3.00	3.00	3.00	3.00
Net Assets Value Per Share	Rs.	56.31	53.55	45.34	44.98
Market Value per Ordinary Share					
Highest price	Rs.	-	-	139.00	120.00
Lowest price	Rs.	-	-	92.30	39.90
Closing Price	Rs.	-	-	120.25	95.80
Gearing Ratio	%	N/A	N/A	N/A	N/A
Interest Cover	Times	N/A	N/A	N/A	N/A
Quick Asset Ratio	Times	4.59	4.99	3.41	3.91

Summary of Share Ranges as at 31 December

Share Range	2023			2022		
	No of shareholders	No of shares	Holding %	No of shareholders	No of shares	Holding %
1. 1 -1,000	6,101	2,011,945	0.90	6,092	2,026,578	0.91
2. 1001 - 10,000	1,167	3,219,328	1.44	1,221	3,420,124	1.53
3. 10,001 - 100,000	105	3,213,914	1.44	117	3,337,320	1.49
4. 100,001 - 1,000,000	11	3,222,993	1.44	13	2,884,158	1.29
5. 1,000,001 & above	7	212,063,989	94.78	7	212,063,989	94.78
	7,391	223,732,169	100.00	7,450	223,732,169	100.00

Public Shareholding

Public Shareholding as at 31st December 2023 - 20.00% (2022 - 20.00%)

Number of shares as at 31st December 2023 - 44,748,803 (2022- 44,748,803)

Number of Shareholders as at 31st December 2023 - 7,387 (2022 - 7,446)

Float adjusted Market Capitalization Rs. 5,381,043,561(2022 - Rs. 4,286,935,327)

The Float adjusted market capitalization of the Company falls under Option 3 of Rule 7.14.1 (a), of the Listing Rules of the Colombo Stock Exchange and the Company has complied with the minimum public holding requirement applicable under the said option.

TEN YEAR FINANCIAL SUMMARY

In Rs. Mn -	Group									
	Year ended 31 December									
	Audited									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Revenue from customer contracts	12,419	10,698	10,034	6,804	7,549	7,077	6,382	5,886	5,514	4,754
Cost of Services	(7,210)	(6,260)	(5,270)	(3,942)	(4,329)	(4,113)	(3,519)	(3,099)	(2,973)	(2,647)
Gross Profit	5,209	4,438	4,764	2,862	3,220	2,964	2,863	2,787	2,541	2,107
Other operating income	77	86	137	62	68	59	52	53	36	39
Administrative & Other operating Expenses	(4,083)	(3,315)	(3,042)	(2,729)	(2,635)	(2,380)	(2,186)	(1,941)	(1,766)	(1,694)
Finance income	740	2,882	406	250	226	479	193	183	156	70
Finance cost	(33)	(30)	(33)	(35)	(38)	-	-	-	-	-
Profit before tax	1,910	4,061	2,233	410	841	1,122	922	1,081	967	522
Income tax (expense) / release	(565)	(814)	(21)	(25)	(261)	(252)	(341)	(109)	(107)	(8)
Profit for the year	1,345	3,247	2,212	385	581	870	581	972	860	514
ASSETS										
Non current assets										
Property, plant and equipment	5,385	5,125	4,718	4,757	4,375	4,489	4,520	4,083	3,650	3,660
Right of use assets	550	531	533	552	639	-	-	-	-	-
Intangible asset	79	47	55	57	76	94	96	60	61	32
Investment in subsidiary	-	-	-	-	-	-	-	-	-	-
Advance lease premium	-	-	-	-	-	217	203	189	175	162
	6,014	5,703	5,307	5,365	5,089	4,800	4,819	4,332	3,886	3,854
Current assets										
Inventories	862	980	455	439	413	369	295	319	272	307
Trade and other receivables	1,457	1,016	1,032	676	915	726	554	503	434	472
Amounts due from related parties	10	-	2	4	6	5	7	4	6	6
Income tax Receivable	-	-	-	-	-	-	-	-	-	34
Cash and cash equivalents & Other Financial Assets	7,976	7,635	5,204	3398	3004	3050	2475	2,194	1,746	1,000
	10,305	9,631	6,693	4,517	4,338	4,150	3,331	3,020	2,458	1,819
Total assets	16,319	15,334	12,000	9,882	9,427	8,950	8,150	7,352	6,344	5,673
EQUITY AND LIABILITIES										
Equity										
Stated capital	2,672	2,672	2,672	2,672	2,672	2,672	2,672	2,672	2,672	2,672
Revaluation reserve	1,306	1,361	1,331	1,093	982	1,029	1,066	1,284	994	1,028
Retained earning / (loss)	8,621	7,948	5,317	3,405	2,975	2,754	2,282	1,888	1,324	783
Total equity	12,599	11,981	9,319	7,169	6,629	6,455	6,020	5,844	4,990	4,483
Non current liabilities										
Employee benefit obligations	370	254	278	294	245	189	167	134	119	106
Deferred tax liabilities	1,135	1,212	509	1,053	1,102	1,004	998	426	347	314
Lease Liability	160	152	159	200	301	-	-	-	-	-
	1,665	1,618	946	1,547	1,648	1,193	1,165	560	466	420
Current liabilities										
Borrowings / Bank Overdraft	290	528	482	256	262	332	233	234	179	198
Amounts due to related parties	-	-	-	5	6	6	23	24	28	13
Lease Liability	89	87	89	72	77	-	-	-	-	-
Income tax payable	484	354	265	48	57	167	39	36	21	-
Trade and other payables	1,193	766	898	785	748	797	670	654	660	559
	2,055	1,735	1,734	1,166	1,150	1,302	965	948	888	770
Total liabilities	3,720	3,353	2,681	2,713	2,798	2,495	2,130	1,508	1,354	1,190
Total equity and liabilities	16,319	15,334	12,000	9,882	9,427	8,950	8,150	7,352	6,344	5,673

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the 25th Annual General Meeting of The Lanka Hospitals Corporation PLC(LHC) will be held as a virtual meeting on June 27, 2024 at 3.00 pm. assembled at the Dr. Prathap C Reddy Auditorium of The Lanka Hospitals Corporation PLC, No.578, Elvitigala Mawatha, Colombo 5 for the purposes of conducting the following businesses:

1. To receive and consider the Annual Report and the Audited Financial Statements of the Company for the year ended 31st December 2023 together with the Report of the Auditors' thereon.
2. To re-elect Dr. Kanishka Karunaratne who retires by rotation in terms of Article 85 of the Articles of Association and being eligible offers himself for re-election.
3. To re-elect Mr. Ashish Bathia who retires by rotation in terms of Article 85 of the Articles of Association and being eligible offers himself for re-election.
4. To re-elect Mrs. Richa Debgupta who retires by rotation in terms of Article 85 of the Articles of Association and being eligible offers herself for re-election.
5. To re-elect Dr. Bandula Wijesiriwardena who retires in terms of Section 210 of the Companies Act No. 07 of 2007.
6. To re-elect Mrs. Lakshmi Sangakkara who retires in terms of Section 210 of the Companies Act No 07 of 2007.
7. To note the appointment of the Auditor General as the Auditors of the company for the ensuing financial year in compliance with Article 154 of the constitution.
8. To authorize the Directors to determine donations for the year 2024 and up to the date of the next Annual General Meeting.
9. Any other business of which due notice has been given.

By order of the Board of Directors of
THE LANKA HOSPITALS CORPORATION PLC



Deloitte Corporate Services (Private) Limited

Secretaries

25th April 2024

NOTES

NOTES

FORM OF PROXY

The Lanka Hospitals Corporation PLC * Annual Report 2023
THE LANKA HOSPITALS CORPORATION PLC
(Company Registration No PQ180-)
No. 578, Elvitigala Mawatha, Narahenpita, Colombo 5.

I/WE.....
bearing NIC NO..... of
being a shareholder/shareholders of The Lanka Hospitals Corporation PLC, hereby appoint:
☒ Full name of proxy :
☒ NIC of Proxy :
☒ Address of Proxy :
☒ Contact Numbers : Land..... mobile..... Email ID.....

failing him/her	
Dr. Bandula Wijesiriwardena	or failing him
Mr. Mayura Fernando	or failing him
Mr Ronald C Perera PC	or failing him
Dr. Ravindra Ruberu	or failing him
Ms. Lakshmi Sarigakkara	or failing her
Mr. Kushan De Alwis PC	or failing him
Mr. Nadun Fernando	or failing him
Dr. Kanishka Karunaralne	or failing him
Mr. Ashish Bhatia	or failing him
Ms. Richa Singh Debgupta	or failing her
Mr. Kasun Rajapaksa	or failing him
Dr. Abinaya Alagarasan	or failing her

as my/our Proxy to represent me/us** to vote for me/us on my/our behalf at the 25th Annual General Meeting of the Company to be held on 27th June 2024 at 3.00p.m and at any adjournment thereof and at every poll which may be taken in consequence thereon.

I/We*** the undersigned, hereby direct my/our* proxy to speak and vote for me/us and on my/our behalf on the resolution set out in the Notice convening the meeting, as follows:

	FOR	AGAINST
1. To receive and consider the Annual Report and the Audited Financial Statements of the Company for the year ended 31st December 2023 with the Report of the Auditors' thereon.	☐	☐
2. To re-elect Dr. Kanishka Karunaratne who retires by rotation in terms of Article 85 of the Articles of Association and being eligible offers himself for re-election.	☐	☐
3. To re-elect Mr. Ashish Bathia who retires by rotation in terms of Article 85 of the Articles of Association and being eligible offers himself for re-election.	☐	☐
4. To re-elect Mrs. Richa Debgupta who retires by rotation in terms of Article 85 of the Articles of Association and being eligible offers herself for re-election.	☐	☐
5. To re-elect Dr. Bandula Wijesiriwardena who retires in terms of Section 210 of the Companies Act No. 07 of 2007.	☐	☐
6. To re-elect Mrs. Lakshmi Sangakkara who retires in terms of Section 210 of the Companies Act No 07 of 2007.	☐	☐
7. To authorize the Directors to determine donations for the year 2024 and up to the date of the next Annual General Meeting.	☐	☐

In witness my/our** hands this- day of Two Thousand and Twenty Four

.....
Signature

.....
Date

Notes: * Please indicate your folio number given in the address sticker carrying this annual report pack,
** instructions as to completion appear overleaf,
***Please indicate with an "x" in the space provided, how your Proxy is to vote on the Resolutions.
If no indication is given, the Proxy in his discretion will vote as he thinks fit.

FORM OF PROXY

INSTRUCTIONS FOR COMPLETION

1. Kindly perfect the Form of Proxy by filling in legibly your full name, address and the National identity Card number and by signing in the space provided and filling in the date of signature.
2. A proxy need not be a shareholder of the Company. However, the proxyholder must be above 18 years of age.
3. The completed form of proxy must be deposited at the Deloitte Corporate Services (Private) Limited, Level 03, No:11, Castle Lane, Colombo 4, not less than forty-eight hours before the time fixed for the meeting
4. If you wish to appoint a person other than the Chairman or a Director of the Company, please insert the relevant details at the space provided (above the names of the Board of Directors) on the Proxy Form.
5. If the Form of Proxy is signed by an Attorney, the relative Power of Attorney should accompany the Form of Proxy for registration, if such Power of Attorney has not already been registered with the Company.
6. If the appointor is a company/ incorporated body, this form must be executed in accordance with the Articles of Association/ Statute.

CORPORATE INFORMATION

Name of the Company

The Lanka Hospitals Corporation PLC

Company Registration No.

PQ 180

Registered Office

No. 578, Elvitigala Mawatha,
Narahenpita, Colombo 05, Sri Lanka
Tel: +94 11 5430000
Fax: +94 11 4511199
E-mail: info@lankahospitals.com

Board of Directors

Dr. Bandula Wijesiriwardena (*Chairman*)
Mr. Mayura Fernando (*Deputy Chairman*)
Mr. Ronald C Perera PC
Ms. Richa Singh Debgupta
Mr. Ashish Bhatia
Dr. Ravindra Ruberu
Ms. Lakshmi Sangakkara
Mr. Kushan De Alwis PC
Mr. Nadun Fernando
Dr. Kanishka Karunaratne
Mr. Kasun Rajapaksa
Dr. Abinaya Alagarasan

Secretaries & Registrars to Shares

Deloitte Corporate
Services (Private) Limited
Level 03, No:11, Castle Lane, Colombo 4.
Tel: +94 11 544 4400

Auditors

The Auditor General,
National Audit Office
306/72, Polduwa Road
Battaramulla
Sri Lanka.

Bankers

Bank of Ceylon
Hatton National Bank PLC



LANKA
HOSPITALS

සුවසේ සැලසුම • CARING CURING • பராமரித்தல் குணமாக்கல்

No: 578, Elvitigala Mawatha, Narahenpita, Colombo 5, Sri Lanka.