



A "GRANARY" OF WELLBEING

Nawaloka Hospitals PLC | Annual Report 2018/19

A "GRANARY" OF WELLBEING



සුදු හිනාව
Sudu Heenati



පොක්කාලි
Pokkali



කුරුළු තුඩ
Kurulu Thuda



දික් වේ
Dik Vee



මේ වේ
Mae Vee



සුවඳැල්ල
Suwandel



බෙහෙත් හිනාව
Beheth Heenati



කළු හිනාව
Kalu Heenati



මඳතඹලු
Madathawalu

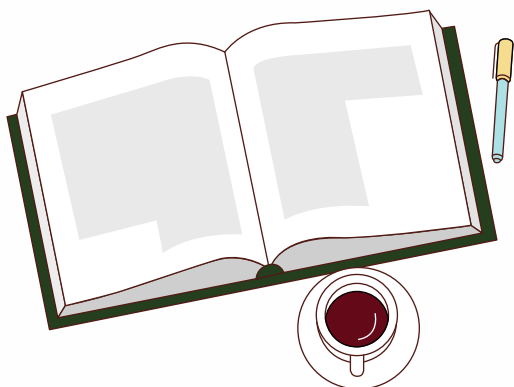
A "GRANARY" OF WELLBEING

Healthcare in Sri Lanka is encouragingly setting its sights on pre-emptive health protocols that promote healthy living whilst state of the art medical and surgical interventions continue to be offered to fortify these the new trends. This "repository" of holistic healthcare makes Sri Lanka a potential "granary" of wellbeing.

History tells us that, during the reign of King Parakramabahu the Great, Sri Lanka was known as the "Granary of the East". The land was bountiful and food plentiful, particularly indigenous strains of rice, of which there were over 500 varieties. Today, indigenous grain is making a "comeback" in market places around the country, with all their attendant nutritional benefits.



Our Integrated Report 2018/19



Report structure

For the seventh consecutive year Nawaloka Hospitals PLC is presenting its performance in the form of an integrated report. The Report concisely covers all aspects of the Company's performance, including key functions, main business lines, business processes, and strategic investments. It also includes materiality analysis, value creation process, approach to strategy, governance, compliance, and sustainability.

Through its businesses processes, and using its resources Nawaloka creates sustainable value for itself as well as all its stakeholders. Nawaloka is very conscious of its commitment to sustainability and this is reflected in the integrated nature of the Report with sustainability considerations weaved in to complement financial reporting.

Reporting period and boundary

The period which the Nawaloka Annual Report 2018/19 covers is the 12 months from 1 April 2018 to 31 March 2019. The previous annual report covered the period from 1 April 2017 to 31 March 2018 and is consistent with the Company's usual annual reporting cycle.

The boundary of this Report covers the activities of Nawaloka Hospitals PLC and its four subsidiaries – New Nawaloka Hospitals (Private) Ltd., New Nawaloka Medical Centre (Private) Ltd., Nawaloka Medicare (Private) Ltd. and Nawaloka Green Cross Laboratories (Private) Ltd. The Report focuses on aspects that have a material impact on the Company's ability to create value in the short, medium and long term. There are no significant changes in the scope and aspect boundaries, and there are no significant restatements of information provided in previous reports.

Compliance

This Report reflects the Companies' compliance with the following regulatory and legislative enactments and guidelines.

- The Companies Act No. 07 of 2007 and the subsequent amendments
- The listing rules of the Colombo Stock Exchange (CSE)
- Recommendations and guidelines of the Sri Lanka Accounting Standards (SLAS) applicable for financial periods beginning or after 1 January 2012.

The integrated Annual Report draws on the concepts, principles and guidelines given in the following where applicable:

- Global Reporting Initiative (GRI) Sustainability Reporting Guidelines GRI Standards (www.globalreporting.org)
- The International Integrated Reporting Framework (IIRC) (www.theiirc.org)
- Smart Integrated Reporting Methodology (www.SmartAnnualReport.com)

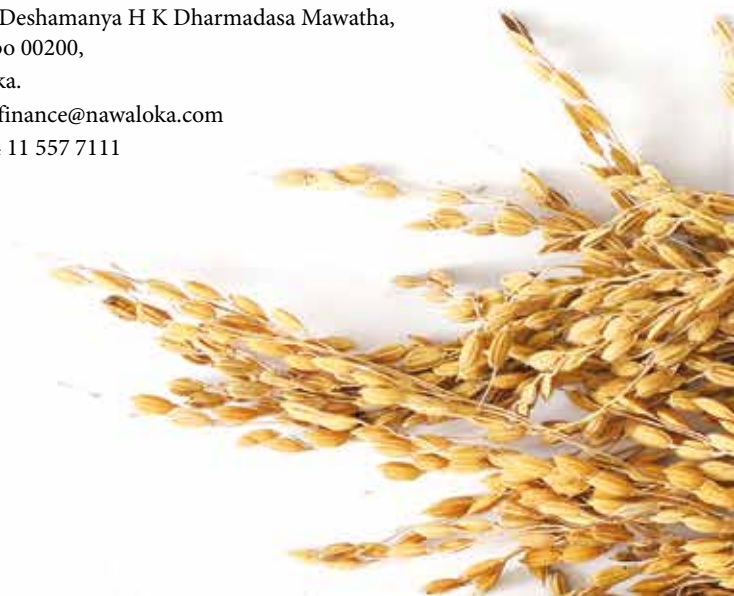
The precautionary principle

The Company is mindful of potentially adverse impacts on society and environment by our actions. We follow the precautionary principles in taking appropriate steps to mitigate risks and integrating such risks into operational and planning activities.

Queries

Any queries or questions regarding this report should be addressed to:

The Accountant
Nawaloka Hospitals PLC
No. 23, Deshamanya H K Dharmadasa Mawatha,
Colombo 00200,
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e-mail: finance@nawaloka.com
Tel: +94 11 557 7111



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Form of Proxy



About Nawaloka Hospitals

Nawaloka Hospital has spearheaded the development of private medical care in Sri Lanka since its establishment in 1985 by our founder Chairman Deshamanya H K Dharmadasa. Starting as a small hospital we have now expanded to be the private healthcare institution of choice.

Our founding ethos was “*Arogya Parama Laba*” or “good health is supreme wealth”.

As the first fully-fledged private hospital in Sri Lanka we were in the vanguard of private healthcare development in the country. We have continuously sought to improve our services and the contribution we make to the healthcare sector of the country. We strive to keep abreast of the latest developments in the medical field, whether in equipment, treatments or drugs. During our journey, we recorded many firsts; introducing the CT scanner, MRI scanner, and mammography unit introducing the flat panel-angiography system with state-of-the-art technology. We were also the pioneers in laser eye surgery in the country.

We believe that all Sri Lankans should have access to quality healthcare. We cater to customers from different walks of life and are committed to offering world-class affordable healthcare to all of them.

Our Group

Nawaloka Hospitals group includes four subsidiaries – New Nawaloka Hospitals (Private) Limited, New Nawaloka Medical Centre (Private) Limited, Nawaloka Medicare (Private) Limited and Nawaloka Green Cross Laboratories (Private) Limited. Nawaloka Hospitals was listed on the Colombo Stock Exchange in 2004.

Our Purpose

We’re working in a rapidly changing healthcare environment. With the input of a multidisciplinary team of faculty and staff, Nawaloka Hospitals PLC developed a strategic plan to lead the change. The plan guides our business strategies and decisions with a focus on five strategic priorities in which we’ll invest our time and resources –

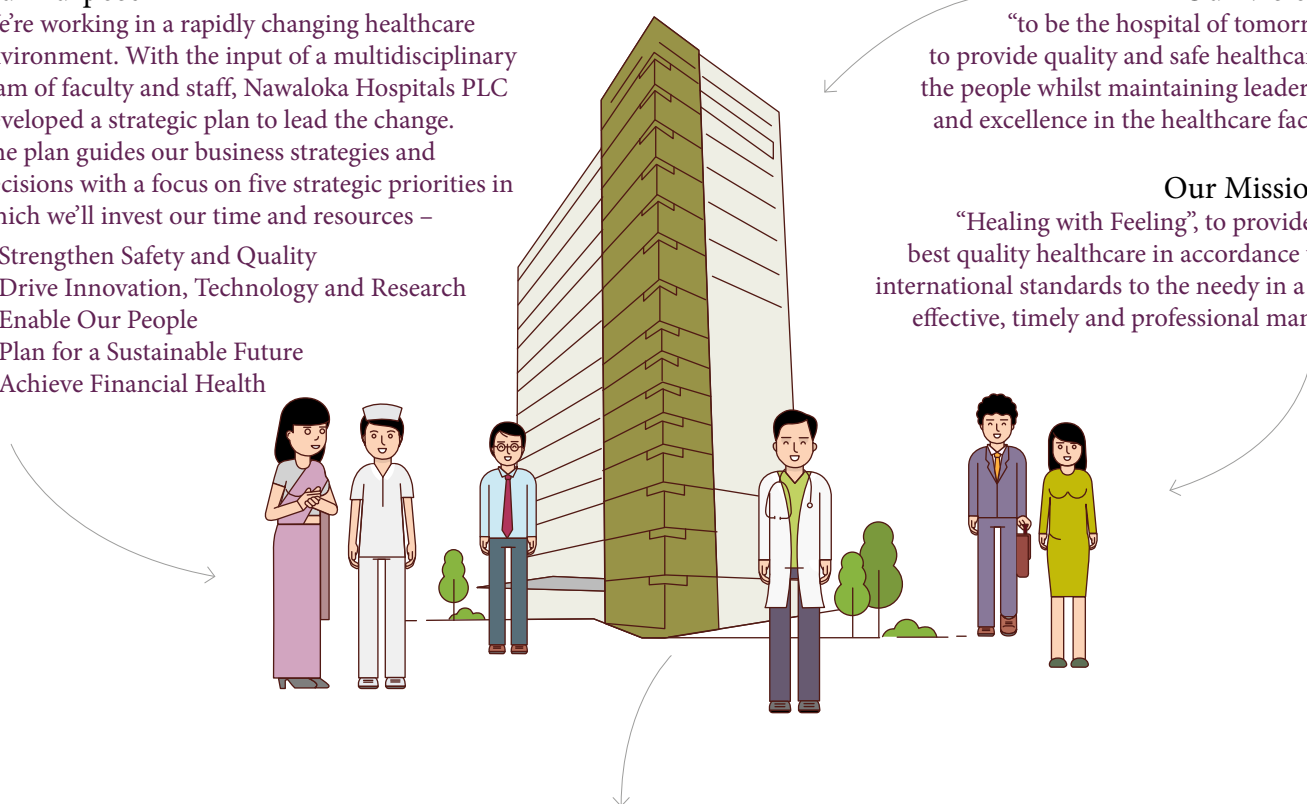
- Strengthen Safety and Quality
- Drive Innovation, Technology and Research
- Enable Our People
- Plan for a Sustainable Future
- Achieve Financial Health

Our Vision is

“to be the hospital of tomorrow”, to provide quality and safe healthcare to the people whilst maintaining leadership and excellence in the healthcare facility.

Our Mission is

“Healing with Feeling”, to provide the best quality healthcare in accordance with international standards to the needy in a cost effective, timely and professional manner.



Nawaloka Hospitals PLC

[Fully Owned Subsidiaries]





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***Bushel** is primarily used to measure grain in the threshing floor as well as to refer to the extent of land over which a particular amount of grain could be sown. This is made of wood and take the shape of a box with an open top. It can contain approximately 22kg of paddy.*



പൊക്കിൾ

Pokkali

High in protein content, with significant anti-bacterial properties, this variety of rice is a source of control for oxidative stress.



Milestones

1985

- Established as the first fully-fledged private hospital in Sri Lanka
- First Intensive Care Unit in a private hospital

1987

- Introduced the first CT Scanner in Sri Lanka

1992

- Established the first Mammography Unit in Sri Lanka

1993

- Performed the first Minimally Invasive Laparoscopic Surgery in Sri Lanka

1994

- Established the first Cardiac Catheterisation Laboratory in Sri Lanka
- Established the first Coronary Artery Bypass Surgery Unit in a private hospital

1995

- Introduced the first MRI Scanner in Sri Lanka

1998

- Only Hospital to win the Sri Lankan National Quality Award

2000

- The only ISO-Certified Hospital in Sri Lanka
- Awarded the “Baby-Friendly Hospital” status from the WHO and United Nation Children’s Fund

2005

- We made significant advances in Neuro Surgery and Cardiac Surgery
- Introduced Laser Eye Surgery
- Introduced a very successful IVF Treatment Centre together with our Indian affiliates

2006

- Commenced construction of the new building providing modern surgical units
- Computerised the entire operation of the Hospital

2007

- Introduced the first Flat Panel – Angiography System with state-of-the-art technology
- Introduced the first Comprehensive Polysomnography System
- Introduced a state-of-the-art Pulmonary testing facility

2008

- Introduced the first Arcadis Orbics Isocentric Digital C-Arm X-Ray system for Orthopedics
- Introduced the Digital Video Endoscopy System

2009

- First Private Hospital in Sri Lanka with 400 beds
- First Private Hospital to introduce ERCP (Endoscopic Retrograde Cholangiopancreatography)
- Installed the most technologically advanced Hemodialysis machine
- First Hospital to introduce “LED Lamps” in Operating Theatres

2010

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

2011

- Commissioned first state-of-the-art 3 TESLA MRI Scanner in Sri Lanka
- Awarded ISO 9001:2008 Certification
- Inaugurated Weight Management Centre
- Inaugurated Breast Cancer Screening Centre
- Introduced Single Balloon Enteroscope
- Introduced Doppler-Guided Hemorrhoid Artery Ligation and Rectal Anal Repair

2012

- Performed the first Live Donor Liver Transplant surgery in Sri Lanka
- Launched the Life Member Hospitality Card

2013

- Performed Vitro Retinal Eye Surgery
- Introduced Endovenous (Vericose) Laser Treatment – EVLT
- Introduced High Definition (HD) Arthroscopy System
- Established Infant, CPAP Ventilation for Paediatric Intensive Care Unit (PICU)

2014

- Installed South Asia's first and world's fastest, most accurate 640 slice CT Scanner
- Installed a Neuro Navigation System
- Certified as a CarbonConscious® hospital, making it Sri Lanka's FIRST hospital to achieve this distinction
- Installed Advanced Lasik Eye Surgical Equipment for Eye Surgery
- Introduced C-Arm machine for theatre unit

2015

- Commenced Regional Hospital operations in Negombo
- Introduced Bone Marrow Transplant Unit
- Installed the most technologically advanced mammography machine
- Retained the "Gold" Award in the healthcare sector at the Annual Report 2014 organised by CA Sri Lanka
- Only Hospital to be recognised at the ACCA Business Award 2014

2016

- Introduced the Fibro Scan to quantify Liver Fibrosis
- Introduced the Self-Channelling Kiosk
- Installed a new Chemotherapy Machine
- Only Hospital to be recognised at the ACCA Sustainability Business Awards 2015
- Retained the "Gold" Award in the healthcare sector at the Annual Report Awards 2015 organised by CA Sri Lanka
- Achieved 100% success rate in Bone Marrow Transplants
- Introduced Gold Standard Acu Pulse, a safe, simple CO₂ laser

2017

- Introduced Non-Invasive Fat Burner Machine
- Introduced ENT Console Unit
- Gold Winner at the ACCA Sustainability Reporting Awards 2016 – General Services (Utilities) category
- Retained the Gold Award in the healthcare sector at the Annual Reports Awards 2016 – Organised by CA Sri Lanka (6th Time)
- Introduced X-Ray Orthopantogram Unit for Dental
- Awarded ISO 9001:2015 Certification
- National Productivity Award – Special Commendation
- Upgraded the Cath-Lab with latest technology

2018

- Introduced second MRI machine for The Radiology Unit
- Gold Medal Winner at the ACCA Sustainability Business Awards 2017
- Retained the Gold Award in the Healthcare Sector at the Annual Report Awards 2017 Organised by ICASL
- Opened Nawaloka Medicare in Gampha
- Silver Winner at the International ARC Awards 2017
- Asia Best CSR Practices Awards 2017 organised by CMO Asia
- Opened Nawaloka Premier Wellness Centre
- Nawaloka Specialist Centre initiated with new modular channelling system and 550 car parking facility

2019

- Formed a new centre for weight management called Nawaloka-GEM Weight Management, Bariatric and Liver Surgery Centre
- Won the Gold award under Healthcare Institutions at the CA Sri Lanka's 54th Annual Report Awards Ceremony
- Renovated the Dental Unit to provide preventive and curative dental care to patients using a multi disciplinary approach
- Sri Lanka's largest state-of-art Laboratory complex constructed and started operations during the year
- Expanded the endoscopy unit which facilitate for fibre optic and video Gastroscopy, Colonoscopy, Bronchoscopy, Cystoscopy and related therapeutic endoscopic procedures



Hunduwa is primarily used for domestic measurements of smaller quantities of grains such as rice and kurakkan. It is mostly made of a metal and cylindrical in shape. It can contain approximately 650g of rice.



Highlights 2018/19

	Group		Company	
	2018/19 LKR	2017/18 LKR	2018/19 LKR	2017/18 LKR
Income Statement Data				
Revenue	8,755,718,461	7,955,278,613	3,569,500,917	3,568,770,483
Cost of services	(4,365,301,954)	(3,551,349,412)	(1,903,819,306)	(1,532,151,922)
Gross profit	4,390,416,507	4,403,929,201	1,665,681,611	2,036,618,561
Other operating income	244,851,729	198,816,074	250,304,480	534,238,431
Profit from operations	802,357,905	1,174,203,124	422,948,718	993,606,986
Net profit after taxation	(565,095,576)	179,958,539	(251,631,403)	453,607,982
Balance sheet data				
Shareholders' funds	3,608,656,991	4,258,504,794	934,921,036	1,274,086,896
Financial ratios				
Gross profit ratio (%)	50	55	47	57
Net profit ratio (%)	(6)	2	(7)	13
Increase in revenue (%)	10	26	0.02	39
Return on Equity (%)	(15.66)	4.23	(27)	36
Current asset ratio (times)	0.45	0.53	1.23	1.11
Quick asset ratio (times)	0.35	0.44	1.17	1.06
Return on assets (%)	(3.46)	1.04	(2.73)	4.30
Debt/equity ratio	2.13	1.61	4.45	2.93
Earnings/(loss) per share (LKR) (After share split)	(0.40)	0.13	(0.18)	0.32
Net assets per share (LKR) (After share split)	2.56	3.02	0.66	0.90
Dividend per share (LKR)	0.05	0.10	0.05	0.10



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Laas Kuruniya is used to measure grain in the threshing floor as well as to refer to the extent of land over which a particular amount of grain could be sown and is primarily made of wood. The size of Laas Kuruniya can vary from region to region.



Financial Capital

Revenue	Gross profit Ratio	Revenue growth
LKR 8,756 Mn.	50%	10%



Human Capital

Number of employees	Number of new recruits	Training hours
2,765	953	15,723
Male: female ratio	Staff aged 21-30	
27:73	45%	



Intellectual Capital

Brand valuation	Brand financial rating	Nurses with over 10 years experience
LKR 1,311 Mn.	AA	223



Business Partner Capital

Number of consultants	Number of suppliers
575	696



Customer Capital

Patient admissions	Channel appointments	Surgeries conducted
28,885	550,593	16,993
Foreign patients	Customer satisfaction level	Daily incoming/outgoing calls
1,025	86%	5,059

Average time to answer a call

37 seconds



Social and Environmental Capital

Investment in school development projects	Investment in community	Number of medical camps
LKR 2.6 Mn.	LKR 5.7 Mn.	42
Number of awareness programmes	Water consumption/employee	Linen expense/patient
52	71.38	108.71

Strategy

Chairman/CEO's Message



>> Our streamlined structure of governance keeps our processes and controls on par with global best practices. Thereby we not only protect our patients' interests, but also minimise risks to the hospital.

Our achievements

Throughout its history of nearly three and a half decades, Nawaloka Hospitals has much to be proud of. It has been the pioneer in introducing several technological developments which include the first CT scanner, the first mammography unit, and the first cardiac catheterisation lab, all of which were firsts in Sri Lanka; the first coronary artery bypass unit in a private hospital; and South Asia's first 640 slice CT scanner. Although the cost of introducing state-of-the-art medical technology can be extremely high, we have never let short-term considerations deter us from making necessary investments. With increasing diseases, both communicable and non-communicable, rising income levels, and pressure on State medical services the demand for private medical care has been steadily increasing.

Value creation and challenges

While we have many achievements to our credit, we face many challenges and we cannot afford to be complacent. Non-communicable diseases are on the rise, driven by changes in diets, environmental conditions, and the stress of modern urban living. Our healthcare services, in common with many other facilities, are heavily concentrated in the Colombo District. We have taken steps to alleviate this with the establishment of Nawaloka Hospital, Negombo and Nawaloka Medicare, Gampaha. However, the fact that close to half of our customer base is from the Western

Province indicates that much more needs to be done in this regard. In recent times increasing economic pressures have constrained the affordability of private healthcare. The low penetration of healthcare insurance in Sri Lanka also aggravates the problem; this is an issue that all connected stakeholders need to address. Increasing competition from many city and regional hospitals could be seen as future challenges that need to be addressed.

For the second consecutive year, Nawaloka recorded its highest annual revenue. The revenue increased by 10% to reach LKR 8.7 Bn. The increase is mainly attributable to channelling services, laboratory investigations, operating theatre services, and radiology services. There was however a decrease in profitability, with the gross profit margin reducing from 55% to 50% and the net profit margin decreasing from 2.0% to (6.5%). The reasons for the negative trend are heavy investment in the 14-storied specialist centre including 550 car parking unit for which returns will come in the long term; increase in depreciation due to capital expenses; deferred tax provision for property plant and equipment; and a provision of LKR 58 Mn for net foreign exchange fluctuation. In an environment where competition for healthcare talent is high, both from local and international hospitals, retention of staff is a major concern. Our human resources skills, ranging from recruitment, training to performance assessment, have been honed over a long period. Nawaloka is an equal opportunity employer that does not discriminate based on gender, race, ethnicity, religion or disability.

Governance

The Hospital has a clearly defined structure of governance, through which we ensure, directly and indirectly, the highest clinical standards and protection of patients' interests. We keep our controls and processes on par with global best practices. Through the governance framework, all aspects of clinical excellence are addressed including education and training, clinical effectiveness, patient and public involvement, human resources, and risk management.

By the nature of its function, a healthcare business is exposed to risks beyond those of normal commercial businesses. Some of these risks potentially can have serious legal and reputational consequences. The Company has adopted the "three lines of defence model" to safeguard against risks. The first or front line is the employees and operational managers. The second is the Risk Management Committee and other organisational functions such as finance which have a role to play in managing risk. The third is the internal and external audit functions which provide independent oversight over the risk function. There is an entire high level of risks including clinical risk, competition risk, operational risk, and information technological risk which the Committee addresses and for which it crafts mitigating strategies. The Organisation complies with all requests of statutory bodies such as SLMC, PHRSC, Department of Health, Atomic Energy Authority, and Central Environmental Authority.

Appreciations

Finally, I would like to place on record my appreciation of the contribution made by the Board of Directors, employees, consultants, and the Management towards making Nawaloka's vision a reality. I also express my gratitude to our shareholders, customers, and business partners for the continued trust they have reposed in us.



Dr Jayantha Dharmadasa

Chairman/Chief Executive Officer
20 August 2019



Kuruniya is used to measure grain in the threshing floor as well as to refer to the extent of land over which a particular amount of grain could be sown and is made of Kukula Wel (a type of vine used in weaving) on a wooden base and takes the shape of a pot. It can contain approximately three kg of paddy.



Director/General Manager's Review



The Nawaloka Hospital has been in the forefront of healthcare in Sri Lanka since its inception in 1985. We have been the pioneers in introducing several new technologies and equipment in the Sri Lankan private medical care sector. In the current competitive environment in the healthcare sector, we need to focus on operational efficiency and patient-centric clinical excellence if we are to retain our standing in the industry. It is imperative that we keep abreast of advancing technology.

Leveraging technology

However, despite all the technological advances and modern know-how there are basic skills where the human element comes in. The “healing touch” cannot be replicated by technology. The doctor’s bedside manner remains crucial in empathising with the patient. We have to beware of losing the human element as technology takes over more and more functions. The task before us is to innovate and realise all the potential technology can give, while keeping the human touch.

In the modern age, artificial intelligence (AI) is the driver of sustainable healthcare. AI can be used not only to prevent and treat diseases but also to proactively assess challenges and risks ahead. Healthcare is a competitive industry, which is expanding despite the constraints of shortage of human resources and limited payment capacity. The internet of things is another aspect of healthcare networking with online data on mobile devices. It enables doctors and healthcare institutions to monitor patients from remote locations.

We consider ourselves to be the hospital of tomorrow and we have sought to have state-of-the-art medical technology. Some of the cutting-edge developments we have introduced have included the world’s fastest CT scanner, a paperless environment with electronic medical records, picture archiving, and communications system (PACS) unrivalled in the industry and advanced medical diagnostics. Through our partnership with Green Cross laboratories, Korea, one of the leading laboratories in the world, we are able to provide an entire range of diagnostics laboratory investigation services. The medical diagnostics laboratory, that was established under this partnership, provides molecular biology and gene tech services; it is the single largest diagnostics centre in the country spanning an area of 20,000 square feet.

With medical tourism gaining traction in the country in recent years, we see the promotion of superior medicare as an opportunity for Sri Lanka to also be known as a go-to medical tourism destination. Nawaloka, being a pioneer healthcare provider, has identified and actively invested in the enhancement of our offering, in seeking to meet this demand.

The road ahead

Looking ahead the next 10 years we see “smart hospitals” which will have automated processes for tracking and analysing data. Hospitals are a repository of data on diverse conditions and diseases, which is daily being augmented through new data from patients. Mining this data using for AI will enable our healthcare professionals and researchers to develop new technologies. New therapeutics such as stem therapy, biotechnology, robotics, surgeries, and personalised medicine will bring us closer to a perfect system of healthcare. Weight management and bariatric surgery clinics, transplant surgeries such as Bone marrow, liver and heart transplants are gaining prominence in our hospital. However, with climatic change, atmospheric pollution, and changing food habits new diseases are emerging, non-communicable and communicable diseases which will be an added burden to our nation healthcare system.

Ageing population

With this plethora of advances in medicine and technology, in common with much of the world, we will see our senior citizens increasingly accounting for a larger share of the population. The trend will manifest itself with an increasing demand for care givers. Nawaloka has initiated a care givers training programme in collaboration with nationally and internationally accredited training partners such as TVEC Sri Lanka and The Community of Evaluators. Opportunities exist for the trainees both locally and internationally.

>> There however remains great potential in technology. Looking the future we can see “smart hospitals”, built on a platform of artificial intelligence, emerging. These institutions of the future will be repositories of data, which will be constantly updated. Their systems will be geared to proactively identify risks and challenges.

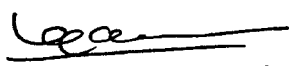
Dearth of professionals

There is today, a dearth of healthcare professionals, including paramedics, due to the growth in the public sector in parallel with the private sector. Training facilities in both sectors need to be expanded if we are to maintain standards of patient care. On the other hand, hospital stays may be cut short with the day care concept gaining more acceptance.

Appreciations

At the end of another year where we advanced further in-patient care and other services, I would like to acknowledge the contribution of our skilled and dedicated team of healthcare professionals who have worked tirelessly to make us the Hospital of choice.

In conclusion, I would also like to thank our customers, consultants, medical staff, business partners and other stakeholders for the continued support and trust in Nawaloka Hospital.



Vidya Jyothi Professor Lal Gotabhaya Chandrasena

Director/General Manager

20 August 2019



***Laaha** is primarily used to measure grain in the threshing floor as well as to refer to the extent of land over which a particular amount of grain could be sown. This is made of Kukula Wel (a type of vine used in weaving) on a wooden base. Similar to the Kuruniya, this too can contain approximately three kg of paddy.*





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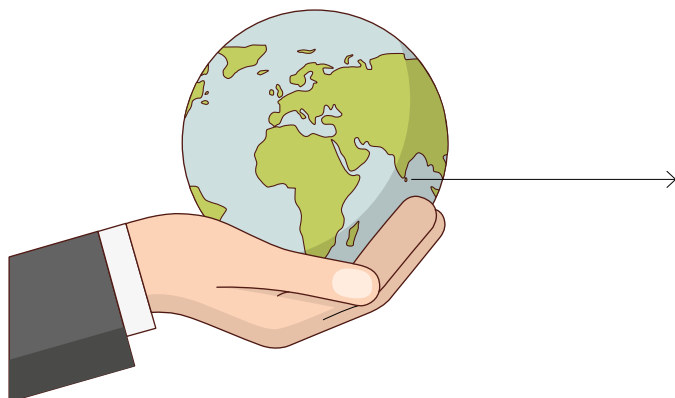
Sudu Heenati

This variety of rice has wide ranging health benefits that include – improving immunity, controlling oxidative stress, curing constipation, increasing physical strength and levels of energy, helping to control diabetes and high cholesterol levels, curing neurological disorders, whilst being effective in controlling cancer. This rice also contains natural anti-oxidants and anti-bacterial properties.



Operating Environment

The global economy



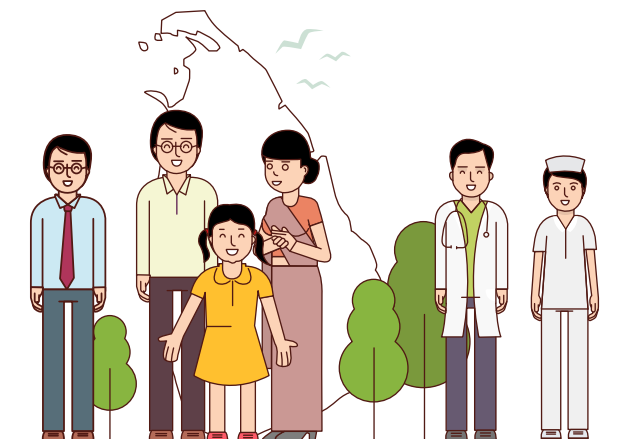
The Global economy, which showed a remarkable recovery in 2017, slowed down in 2018. Global growth for 2018 was 3.9%. Growth was dampened by a number of factors including trade tensions between China and the United States. In the United States growth is estimated at 2.9%. The US imposed tariffs on a number of items including aluminium and steel while China slapped tariffs on USD 60 Bn. imports from the US. However strong domestic demand will contribute to rising imports.

Growth rates in the Euro area is expected to be around 1.8%. Growth in Germany was adversely affected by soft private consumption and reduced domestic demand; in Italy due to weak domestic demand and higher borrowing costs; in France by street protests and industrial action. In Britain uncertainties over Brexit remain and growth is expected to be around 1.5%.

Japan's economy is expected to record a growth around 1.1% which is slightly higher than previous forecasts, reflecting additional fiscal support. China's economy slowed down, particularly towards the end of the year as a result of trade tensions; in addition there was the dampening effect of fiscal regulatory activity to rein in shadow banking. Nevertheless China achieved a growth of 6.6%.

Growth in emerging markets and developing economies was 4.6%. Emerging markets and developing economies generally continued to perform well though growth was less than in 2017. The positive factors were improved domestic demand and rising oil prices in oil-exporting economies. These compensated for rising trade tensions and tighter financial constraints.

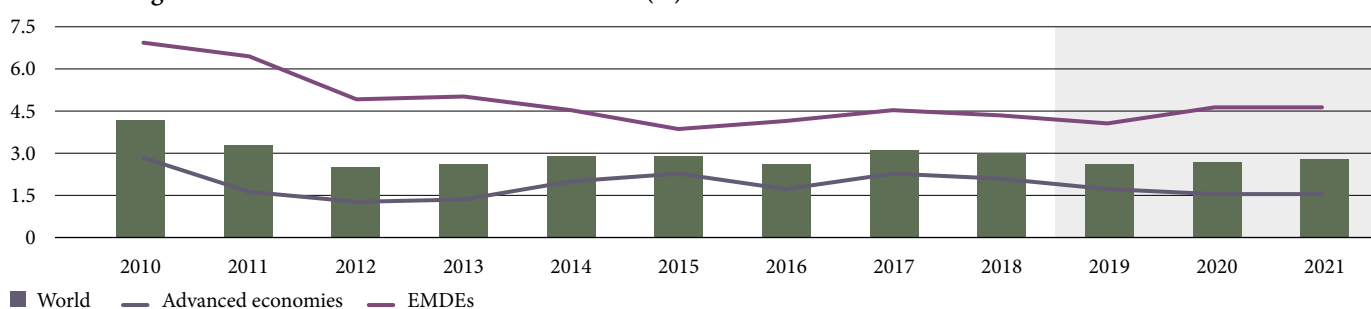
Looking ahead, global growth is expected to slow to 3.3% in 2019 before picking up to 3.6% in 2020. There is a risk of forecasts being further downgraded owing to trade tensions. There is also the possibility of a "no-deal" withdrawal of the UK from the EU and a greater-than-expected slowdown in China.



The Sri Lankan economy

The Sri Lankan economy was affected by headwinds, both domestic and international and recorded a growth rate of 3.2% compared to 3.4% the previous year. Sector-wise services, expanded by 4.7%; agriculture by 4.8%, reflecting a recovery from extreme weather conditions in 2017; and industry lagged behind with only 0.9%, largely due to the slump in construction. Investment was 28.6% of GDP compared to 28.8% the previous year. Domestic savings as a percentage of GDP also fell marginally from 21.7% to 21.2%. The per capita GDP was US Dollars 4,102 which was a slight reduction from the previous year.

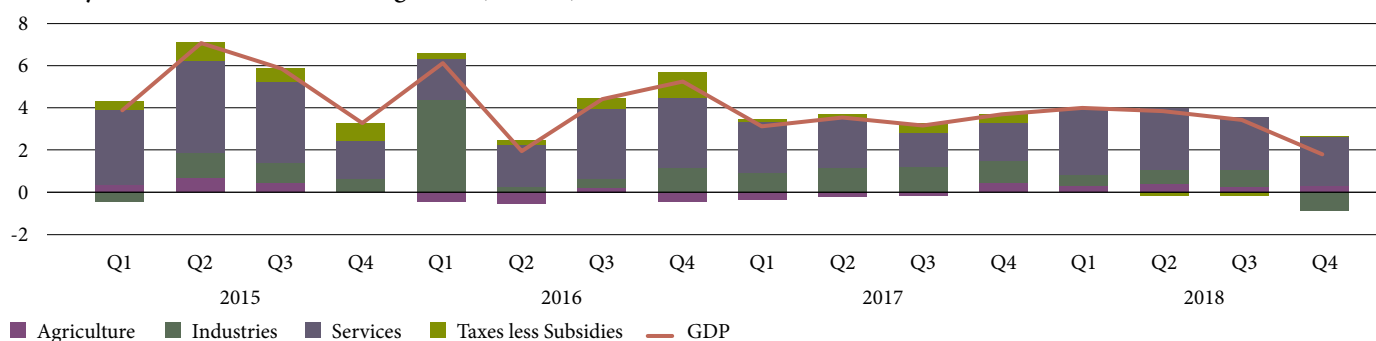
Global GDP growth rates – actual and forecast 2010-2021 (%)



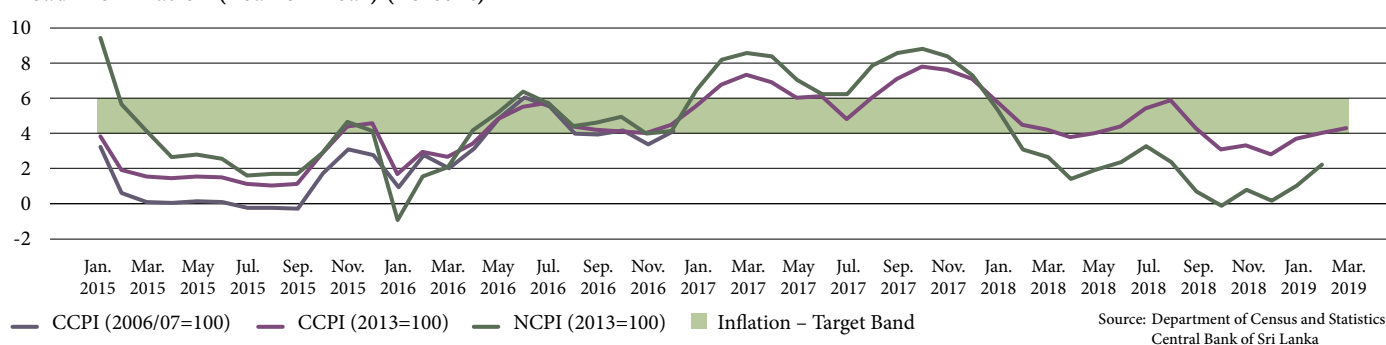
Source: World Bank

Note: EMDEs = emerging market and developing economies. Shaded area indicates forecasts. Aggregate growth rates calculated using constant 2010 U.S. dollar GDP weights. Data for 2018 are estimates.

Activity-wise contribution to GDP growth (Percent)



Headline inflation (Year-on-Year) (Percent)



Impact of macro environment indicators on performance of Nawaloka Hospitals PLC

Key indicator	Movement during the year	Impact on the industry	Level of impact
GDP per capita	Increased by LKR 47,088 to LKR 666,817	Due to increase in the purchasing power people try to move for private healthcare sector	High
Government expenditure on healthcare	Recurrent expenditure on healthcare increased by LKR 19.3 Bn. and capital expenditure on healthcare increased by LKR 2.4 Bn. Total government expenditure on healthcare increased by LKR 21.7 Bn.	Even though the investment has been increased government still cannot meet the increasing the demand for the healthcare. Hence this will create opportunity for private sector.	Low
Inflation	Inflation rate has decreased by 2.3% and currently stands at 4.3%	With the decrease of inflation cost of living goes down and increase the affordability of people.	Medium
Exchange rate	Rupee Against dollar has adversely fluctuated and rupee was depreciated by 16.4% Compared to 2017 average Exchange rate	Cost of imported drugs and consumable will increase	High
Mid-year population	Increased by 226,000	Increase in the population will result in an increase in the target market	High
Labour force	Decrease by 179,000	Decrease in the labour force increase the labour shortage in private healthcare sector	Medium

GDP Growth 2014/2018, Sector-wise contribution to GDP 2014/2018, headline inflation 2014/2018, budget deficit.

Monetary tightening globally, especially in the United States, caused capital outflows from emerging markets and increased pressure on exchange rates. Sri Lanka was also affected by political uncertainties and the downgrading of the country's sovereign rating in the latter part of the year. There was a growth in import expenditure which surpassed the growth in export earnings, which led to a record trade deficit. There was also a widened current account deficit of 3.2%. Foreign direct investment (FDI) recorded its historically highest level in 2018. Strengthening of the US Dollar, political uncertainties, and tight liquidity conditions in the domestic foreign exchange market combined to bring pressure on the Sri Lankan Rupee. The Rupee depreciated by 16.4% against the US Dollar in the course of the year.

However these developments were mitigated by certain measures taken by the Central Bank and the Government. These included increasing tariffs on non-essential imports, imposing margin requirements, tightening loan-to-value on certain types of lending, and suspending the issuance of letters of credit on concessionary permits for vehicle imports. As a result the pressure on the balance of payments and the exchange rate eased in late 2018.

In spite of the sharp depreciation of the Rupee and the price adjustment formula for domestic petroleum prices, headline and core inflation remained within the single digit range. This can be attributed to prudent monetary policies, improved domestic supply and subdued aggregate demand conditions. Headline inflation was also moderated by favourable food prices.

In the fiscal sector the Government concentrated on reducing the budget deficit. The budget deficit reduced from 5.5% of GDP to 5.3%, due to reduced capital expenditure in spite of lower revenue collection. However the latter resulted in widening of the current

account deficit to 1.2% of GDP. Central Government debt as a percentage of GDP increased to 82.9% of GDP from 76.9% the previous year.

In April 2018, the Central Bank relaxed the tight monetary policy that has been in place since 2015, and thereafter maintained a neutral policy. This was made possible by favourable developments in inflation. Despite this relaxation, on the whole deposit and lending rates of commercial banks increased, due to tight liquidity conditions. The rates on Government securities which showed mixed movements during the first nine months picked up during the last three months.

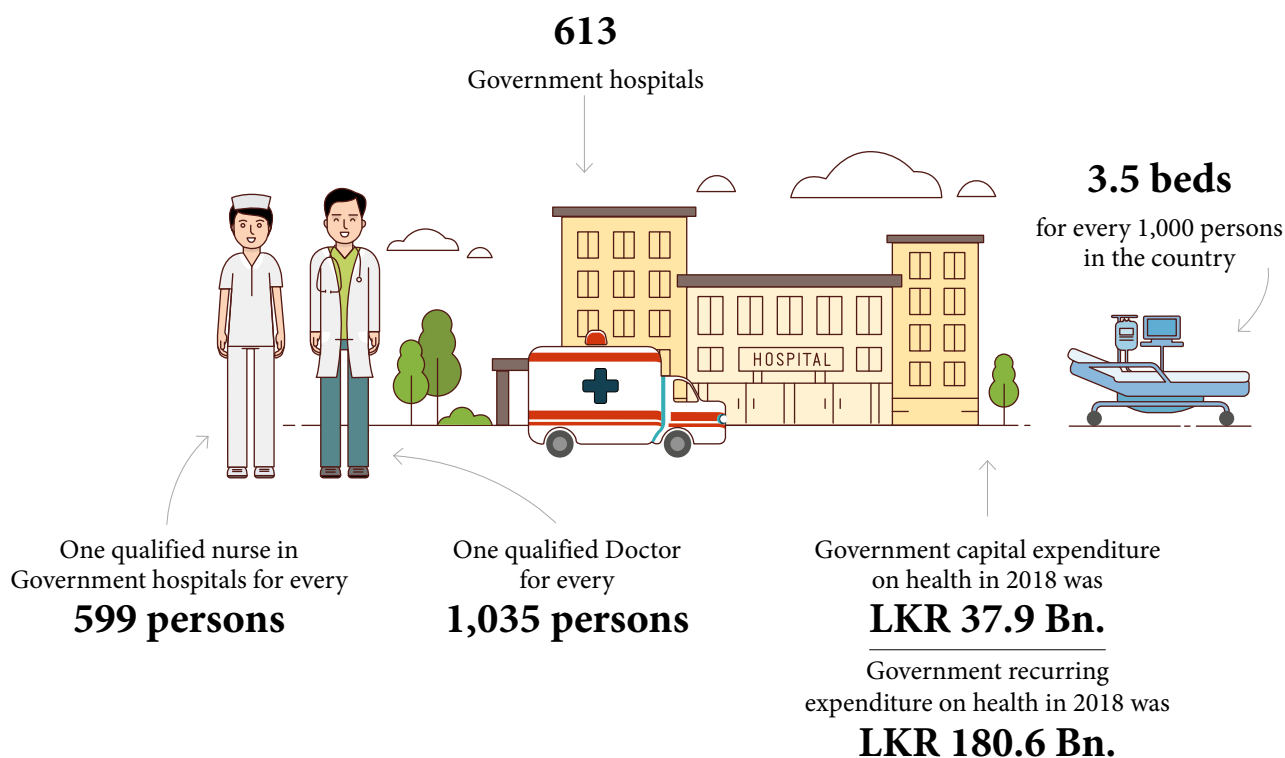
The financial sector expanded moderately in 2018, amidst challenging conditions both locally and globally. There was a growth in assets 84.1% of which was attributable to increase in loans. Deposits continued to be the main source of funding and accounted for 72% of liabilities. Adverse market conditions resulted in a deterioration of asset quality. Non-performing loans increased from 2.5% in 2017 to 3.4% in 2018. Profitability of the banking sector was dampened in 2018; the main causes were reduced asset quality, increased operating costs and taxes.

Sri Lanka succeeded in entering the league of (lower) middle income countries several years ago. The task now is to avoid the "middle income trap" and move into the high-income category. To achieve this, policy reforms are necessary in a number of areas including export promotion, attracting FDI, reducing budget deficits and debt levels, and strengthening public administration.

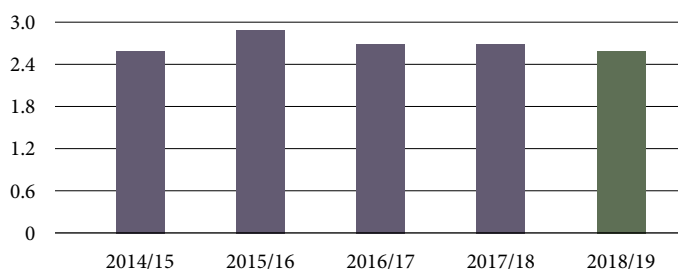
The Sri Lankan healthcare sector

Sri Lanka, though a lower middle-income country, has attained parity with many upper middle-income countries in several healthcare indicators. Some of these are life expectancy, maternal, neonatal and under-five mortality rates. Sri Lanka is well placed to achieve universal health coverage, one of the United Nation's Sustainable Development Goals (SDGs).

At end of 2018, some of the healthcare statistic were as follows:



Government expenditure on healthcare sector (Share of total PCE %)



Source: Ministry of Finance and Mass Media, Department of Census of Statistics

During the year measures were taken to halt the spread of communicable diseases such as influenza, dengue and leptospirosis. A total of 108,158 cases similar to influenza were reported during the year, while 41 deaths due to the disease were recorded. However the number of dengue patients dropped by 72.3% from 186,101 in 2017 to 51,591 in 2018. The dengue fatality rate also decreased from 0.24% to 0.11% over the same periods. This was achieved by establishing well equipped units in several hospitals with trained staff; in addition mosquito control activities were carried out. On the other hand the number of leptospirosis cases recorded a considerable increase of 44.8% from 3,626 in 2017 to 5,249 in 2018.

Chronic Kidney Disease (CKD) continued to be a major health issue, particularly in rural areas. The number of CKD patients increased to 28,114 at end of 2018 from 27,530 a year ago. The prevalence level (cases at a percentage of population) reached 0.88 at end 2018. Screening of individuals who are at high risk continued to facilitate early diagnosis. Thirteen new renal clinics were completed during the year in high risk areas, while five others are under construction. In addition, 16 kidney dialysis units were completed in CKD prevalent areas while two others are ongoing.

The private sector continued to expand its role in the provision of healthcare services. The 200 registered private hospitals had a total of 5,120 beds; this included 23 private ayurvedic hospitals with 454 beds. With increasing income levels, aging population and higher prevalence of communicable diseases there is an increasing demand for private healthcare.

Future outlook

After recording a strong first quarter in 2018, which saw overall admissions increase by 5% compared to the previous year, the economic downturn in the country has adversely affected the hospital business. Due to the poor economic climate the disposable income of the population has reduced drastically. This has eroded their spend on healthcare as well. Further, the financial performance of most companies has not been healthy. This has reduced their spending on insurance policies and other health benefits. The economic downturn has affected the growth in the healthcare business, and impacted many private hospitals including Nawaloka Hospitals PLC. The Hospital has come under financial constraints, especially since heavy borrowings were incurred to construct the 14 storied specialist centre including 550 car parking unit which was a necessity to remain competitive in the business. Before the new parking space was constructed the Hospital had limited space for car parking and other for OPD services.

However, the Company has taken short-term and long-term remedial actions to manage the present situation. Most of the actions focus on expanding the market share of the business. Some of the key actions are as follows:

- The Company has worked aggressively with Corporates to reach out to their staff members. This will be done through awareness campaigns, free medical check-ups and the loyalty programme. A Dedicated corporate counter will be established for this purpose
- The Company will increase its presence in the digital platform. Customer interactions will be the main focus. More attention will be given to social media platforms such as Facebook, Instagram etc.
- The company has already established Hospitals and Diagnostic Centres in many towns such as Negombo, Gampaha, Battaramulla etc. The Hospital intends to work with them closely to improve admissions
- Several promotional activities were designed and will be launched in the next financial year
- More focus on laboratory operations

In the meantime, strong measures have also been taken to manage the cost of the Company, which will improve profitability. Nawaloka can look forward to a more positive outlook in the next financial year with these changes.



>> Our Consultants span the widest spectrum of discipline with **extensive expertise and experience**

575 Consultants with unparalleled proficiency and experience in the widest of disciplines, from general medicine to specialised fields such as oncology, cardiology, renal bring the Nawaloka health proposition to the customer.

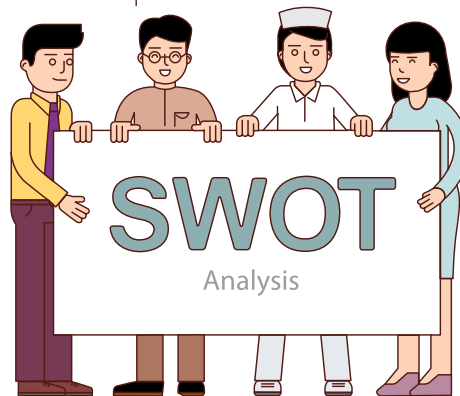
SWOT Analysis

Strengths

- Largest private healthcare provider in the country with the highest number of consultants.
- Reputation as the pioneer of private healthcare in the country.
- Thirty-three years of experience in the healthcare sector.
- The “Nawaloka” brand name.
- Links with overseas medical bodies like Green Cross Laboratories South Korea.
- Use of cutting-edge technology including the world's fastest 640 Slice CT Scanner, two high-tech MRI machines.
- Availability of full-time consultants for any emergency medical assistance.
- Qualified and trained panel of elite nurses.
- Fully-fledged Nurse Training School.
- Multiple awards and accolades.

Opportunities

- Medical Tourism.
- Increasing life expectancy increasing the need of healthcare.
- Demand for high-quality, premier private healthcare.
- Public-Private Partnership (PPP) programme to cater to the needs of patients.
- Increase in population and distribution of disposable income in the regions which create demand for private healthcare in the regions.
- Expansion of the existing laboratory and pharmaceutical distribution chain islandwide.
- Increased demand for wellness and healthier lifestyles leading to need of aspects such as weight management, aesthetic and cosmetic surgery.
- Establishment of new medical centres.



Weaknesses

- High maintenance cost.
- High capital expenditure to upgrade the medical equipment.
- High staff turnover due to shortage of labour island wide.
- High borrowing cost.

Threats

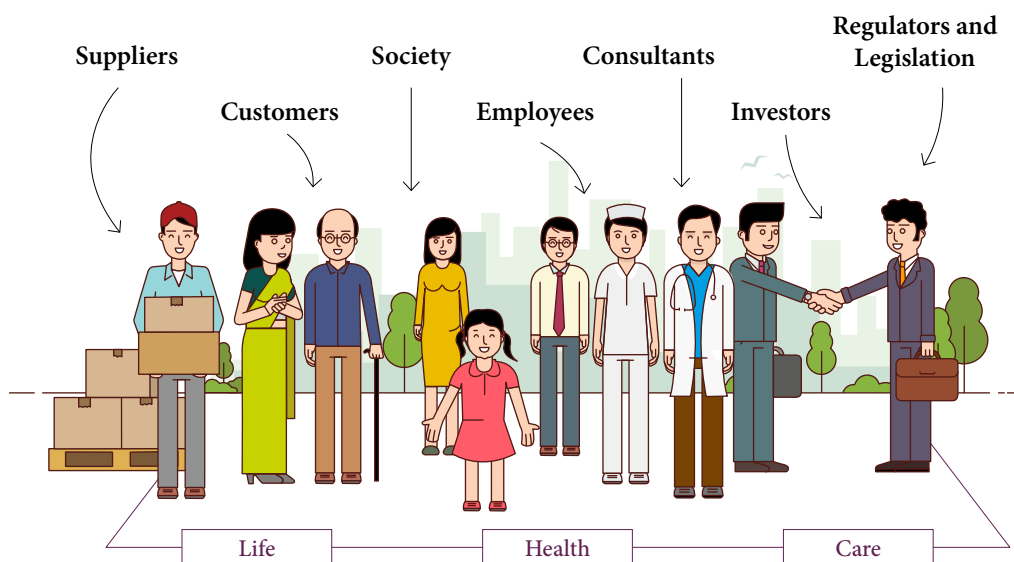
- Increasing cost of healthcare due to VAT and changes in corporate taxes.
- Price controls for drugs and lab investigations.
- Adverse movement of USD to LKR exchange rate.
- High interest rates which lead to increase in cost of borrowing.
- Having to keep up with developments in medical technology leads to high capital investments.
- Increase in inflation rate negatively affects affordability.
- Competition from regional hospitals and medical centres.
- Rising cost of living which negatively affects disposable income.

Stakeholders and Materiality

Stakeholders

Nawaloka Hospitals, given the nature of its activities impacts a large number of individuals, groups, and organisations; similarly there are individuals, groups, and organisations who through their actions, perceptions, and attitudes impact Nawaloka. These individuals and entities form the stakeholders of Nawaloka Hospitals.

We have a network of relationships and communication channels with our stakeholders. For us to deliver and derive value it is essential that we understand our stakeholders needs, and expectations. Our primary stakeholders are investors, customers, employees, business partners, society, the environment, regulators and Government authorities.

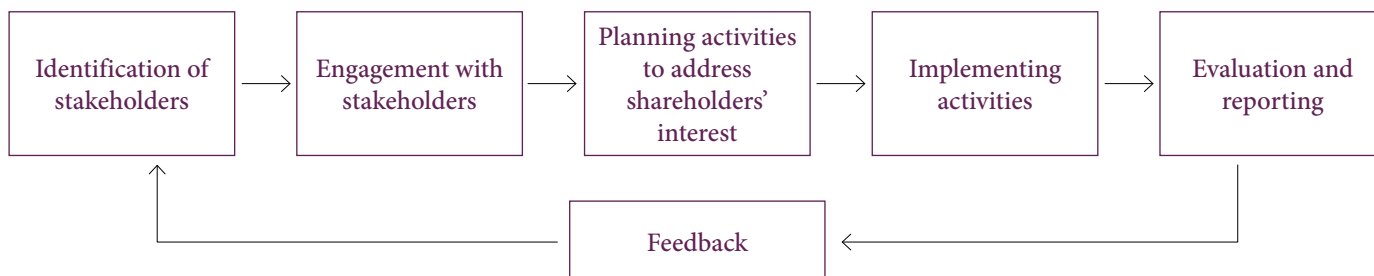


Stakeholder engagement process

We have been in existence for 34 years and over this period we have formed lasting and dynamic relationships with our stakeholders. In the process we have had to understand the interests and perceptions of diverse stakeholders to cement our relationships. The stakeholders are grouped in order to efficiently manage meeting their needs and communication channels.

We have a clear four stage process identified for stakeholder engagement. The steps in the process are: identification of stakeholder interests, planning stakeholder activities, engagement with stakeholders, and evaluation and reporting. The process also includes a feedback loop.

The feedback from our stakeholders helps us align stakeholder interests with our interests. Thereby our service provision becomes a collaborative endeavour. In expanding access to medical services we collaborate with the patient community and other stakeholders. These interactions form a valuable input to our strategy formulation and our corporate governance process.



Stakeholder engagement

The mechanisms through which we identify stakeholders' needs, plan activities, communicate with stakeholders, and evaluate results are shown in the table below.

Stakeholder	Stakeholder interest	Planning stakeholder activities	Engagement with stakeholders	Evaluation and reporting
Customers	Introduction of value added services with enhanced technology for better patient care	Innovation – New packages, new tests, new modern medical treatments	Public relationship officer, social media, corporate website and above the line and below the line marketing	Repeat customers Level of customer satisfaction Number of customer complaints Calls to customers by call centre staff
	Quality of the services received	Service excellence of the hospital	Periodic customer satisfaction survey feedback system	Number of customers for new services Revenue from new services
		Customer complaints management	Responding to concerns raised through e-mail and letters Meetings conducted by public relationship officers	
	Availability of services Advantages in terms of pricing, time consumption, and quality	Continuous monitoring of processes for improvements	Communication through social media, call centre, corporate website, customer support desk	
	Maintain customer privacy	Restrict access to personal information	Shred sensitive paper documents	
Employees	Skill development	Human resource development plan	Monthly and weekly inbound and outbound training	Post meeting feedback evaluation Employee turnover
	Operational issues	Employee engagement	Meetings and workshops Communicating operational updates via E-mails	Satisfaction surveys Comments and suggestions
	Employee benefits	Rewards and recognition Job security	Quarterly performance appraisal	Exit interviews
	Employee suggestions, and complaints	Grievance handling	Grievance Committee Open Door Policy One to one Discussion	
	Risk involved in work place	Establishing occupational health and safety policy and employee welfare	Employee forums Training and awareness programmes	
	Social events	Enhancing employee motivation	Employee get-together Cricket fiesta Annual trip	
Regulators and legislation	Legal and regulatory compliance	Establishment of Legal Department	Ongoing dialogue and review Press releases	Number of litigations Compensation paid for non-compliance
		Adherence to all mandatory regulations	Filing reports and returns Submission of reports Adherence to environmental regulations	

Stakeholder	Stakeholder interest	Planning stakeholder activities	Engagement with stakeholders	Evaluation and reporting
Suppliers	Expected quality and quantity, prices, delivery terms, payment method, credit period	Detailed supplier chain management policy	Ongoing dialogue and Tender Committee meetings Equitable and on-time payments Transparent tender process Contract negotiations	Number of repeat purchases Quality complaints Credit days On time delivery Stock out percentage
	New orders	Tender procedure	Newspapers, e-mails Tender Committee Invite supplier via newspaper and e mails	
Society	Contribution to the society	Community development and capacity building	Sponsorships Contributing to improve public facilities such as sanitary and water supply Various medical awareness and discussion programmes Programmes conducted for the general public	Number of complaints Comments on social media Adverse news presented on public media Investment per project
		Education and literacy	Awareness programme Health promotional campaign	
		Health and nutritional development of society	Press conferences Medical campaign	
Investors	Corporate performance and improvements in all aspects including CSR activities	Detailed financial management and operational management Improve effectiveness and efficiency	Announcements to Stock Exchange Corporate website Annual General Meeting Quarterly Reports and Annual Report	Weekly management meetings Budgets Internal controls
	New improvements	Innovations – New packages and new tests	Communication through above the line and below the line advertising	
	Changes and improvement of governance	Corporate governance practices	Compliance to Code of Best Practice on Corporate Governance	
Consultants	Time schedules for consultation contribution to the Hospital Consultant payments Additional medical facilities required	Enhancing facilities to consultants Service excellence of the hospital CME programmes	Individual meetings Ongoing dialogue Consultant forum	Consultants' feedback evaluation Consultant retention ratio Contribution per consultant

Materiality




Aspects of material value are those that have a substantial impact on Nawaloka's ability to create value in the short, medium, and long-term. We identify material topics by ascertaining whether the aspect has the potential to impact our operations, reputation, commercial viability, organisational goals, and the relationships with stakeholders.

A material topic can be of significance to the Hospital or its stakeholders or both. The process of ascertaining materiality is done

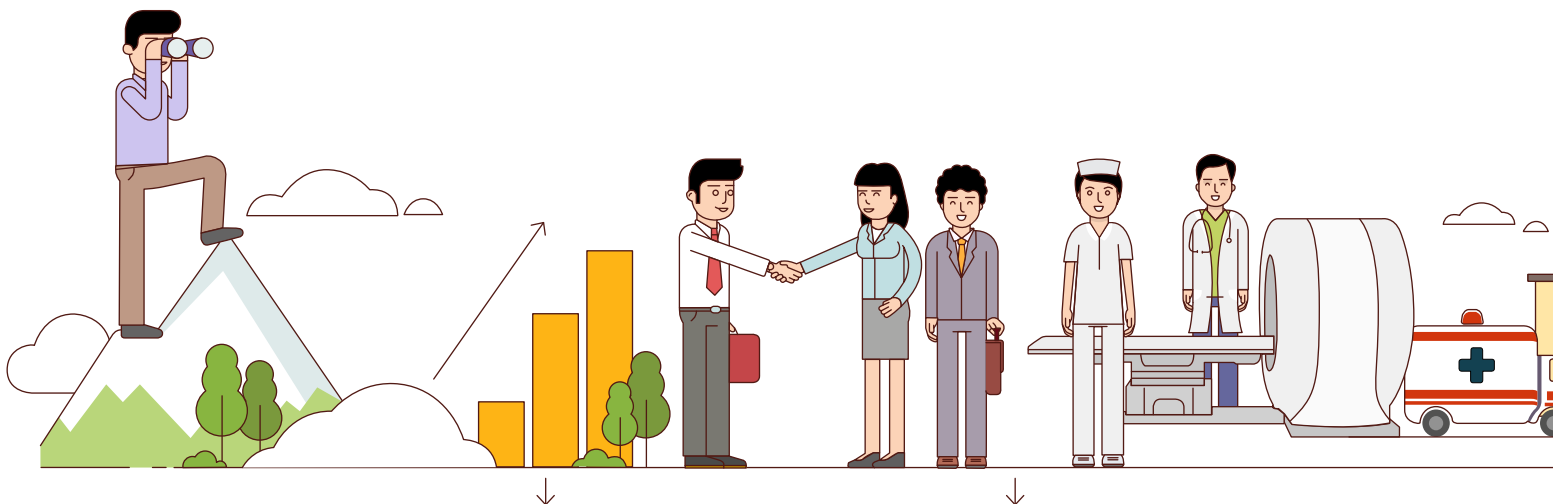
by a two-dimensional matrix, which maps economic, social, and environmental issues according to their degree of importance to Nawaloka and the stakeholder.

Our approach to strategy formulation takes into account, all relevant contextual factors. The Board and the Management reviews the issues taking into account all developments in the socio-economic and environmental context. This process will be explained in greater detail under Value Creation.

Significance to Stakeholders	Very High		302 Energy 303 Water 304 Biodiversity 305 Emissions 306 Effluents and waste	205 Anti-corruption 307 Environmental compliance 403 Occupational health and safety 404 Training and education 406 Non-discrimination 408 Child labour 413 Local communities 416 Customer health and safety 418 Customer privacy 419 Socio-economic compliance
	High	402 Labour/Management relations	203 Indirect economic impacts 204 Procurement practices 301 Materials 405 Diversity and equal opportunity 407 Freedom of association and collective bargaining 412 Human rights assessment	201 Economic performance 206 Anti-competitive behaviour 401 Employment 417 Marketing and labelling
	Medium		202 Market presence	
		Medium	High	Very High
		Significance to Nawaloka		

 200: Economic
  300: Environmental
  400: Social

Strategic Direction



The Nawaloka Hospitals' strategies are built on our Vision and Mission. We were founded with the Mission of "Healing with Feeling" which we translate into practice by providing the best health to the needy in a cost effective, timely, and professional manner. Our Vision is "To be the Hospital of Tomorrow" which particularly guides our long-term strategies. To achieve our Vision and Mission, the Board of Directors has set the strategic objectives which are described below. Initiatives have also been implemented for each.

In this section we briefly describe the key strategic thrusts of Nawaloka Hospitals.

>>

Generating substantial financial returns to the stakeholders

As stakeholder relationships are critical to our success, Nawaloka Hospitals is adopting business strategies and activities that are aligned with the needs of the enterprise and its stakeholders. There are several initiatives which are on-going to maximise the financial return to the stakeholders.

- Adopting powerful growth strategies to increase revenue; a key initiative is to continually invest in medical equipment. We thereby stay in the forefront of medical technology, make our service offering more attractive to customers, and generate financial returns
- Introducing new services such as the Weight Management Centre and Skin Care Centre which broadens our revenue base
- Controlling costs by effective cost management strategies
- Reducing interest costs by rationalising the debts of the Company

Enhance Hospitals' facilities and interactions which enable good customer service

We intend to provide our customers with the best service since taking care of patients is the essence of healthcare. The entire experience at our Hospital, from staff interaction to addressing environmental needs is designed to maximise the customer satisfaction.

Some of our initiatives:

- We stand out in the industry in our channelling practices
- Only private hospital with 3 TESLA and 1.5 TESLA MRI machine
- 14 storied specialist centre with 550 car parking unit
- 24/7 call centre and an updated website to be accessible always and provide information
- A modular channelling system in place for more convenience
- A children's play area



Increasing the regional presence

In common with many other services, medical facilities have tended to be concentrated in the Colombo District. The Company is planning to expand its operational footprint by establishing regional hospitals across the country thus broadening access to premium healthcare.

Some of the steps we have taken:

- Establishment of the Negombo Hospital in 2015
- Opening Nawaloka Medicare in Gampaha to increase accessibility
- Adding laboratories and collection centres
- Establishing an affiliate hospital in the Maldives

Enhance the skills of employees for better return

Our staff, and their skills and commitment, are the lifeblood of our service. Employee retention and engagement is vital if we are to succeed and grow. Our employee development process helps our staff to enhance their skills and to upgrade their existing knowledge in order to provide a better service. When recruiting we look for people who not only have the requisite qualifications, but also who will fit Nawaloka's ethos and culture.

Some of our relevant initiatives are:

- On- going training for nurses and other employees to familiarise them with new equipment and treatments
- Effective and efficient recruitment and training strategies.
- Focussed employee incentive and job programmes which will enhance job satisfaction and thereby promote retention

Environmentally and socially sustainable operations

Sustainability is at the heart of everything we do. Nawaloka is very conscious of the need to safeguard the environment and help disadvantaged groups in society. We ensure that our programmes and operations are socially and environmentally sustainable. The umbrella under which we execute our social and environmental projects is the "Nawaloka Sathkara" programme. Some of the social and environmental initiatives we carried out were:

- School infrastructure development programmes
- Mitigating and minimising the environmental impacts through consumption and emissions
- Utilisation of water recycling process (eg: use of well water purified by our own plant for drinking)



കുറുള തുട

Kurulu Thuda

This is a rice that is rich in protein, fibre and fatty acids. It is thought to improve bladder function and also to control the levels of cholesterol in the blood.



Risk Management

Identification, analysis, and acceptance or mitigation of uncertainty in business decisions is an essential part of our risk management. Risk management in healthcare assesses risk in the enterprise to uncover insights and improve the operational and financial health of the Organisation. Risk management practices provide the Company with the capacity to face numerous environmental and operational uncertainties with great assurance and to approach the future with confidence. Operating a hospital is replete with different types and levels of risk exposures such as diagnostic errors, surgical mishaps, medication issues, hazardous conditions, and privacy breaches which may lead to losses and liabilities. Consequently Nawaloka Hospital worked proactively and reactively to either prevent or to minimise the damages through adequate risk management strategies.

Nawaloka Hospital applies a systematic risk management procedure where a daily effort is given on identifying and managing the unexpected situations. Consistent and thorough processes are the hallmark of our successful risk management framework.

Risk management strategies

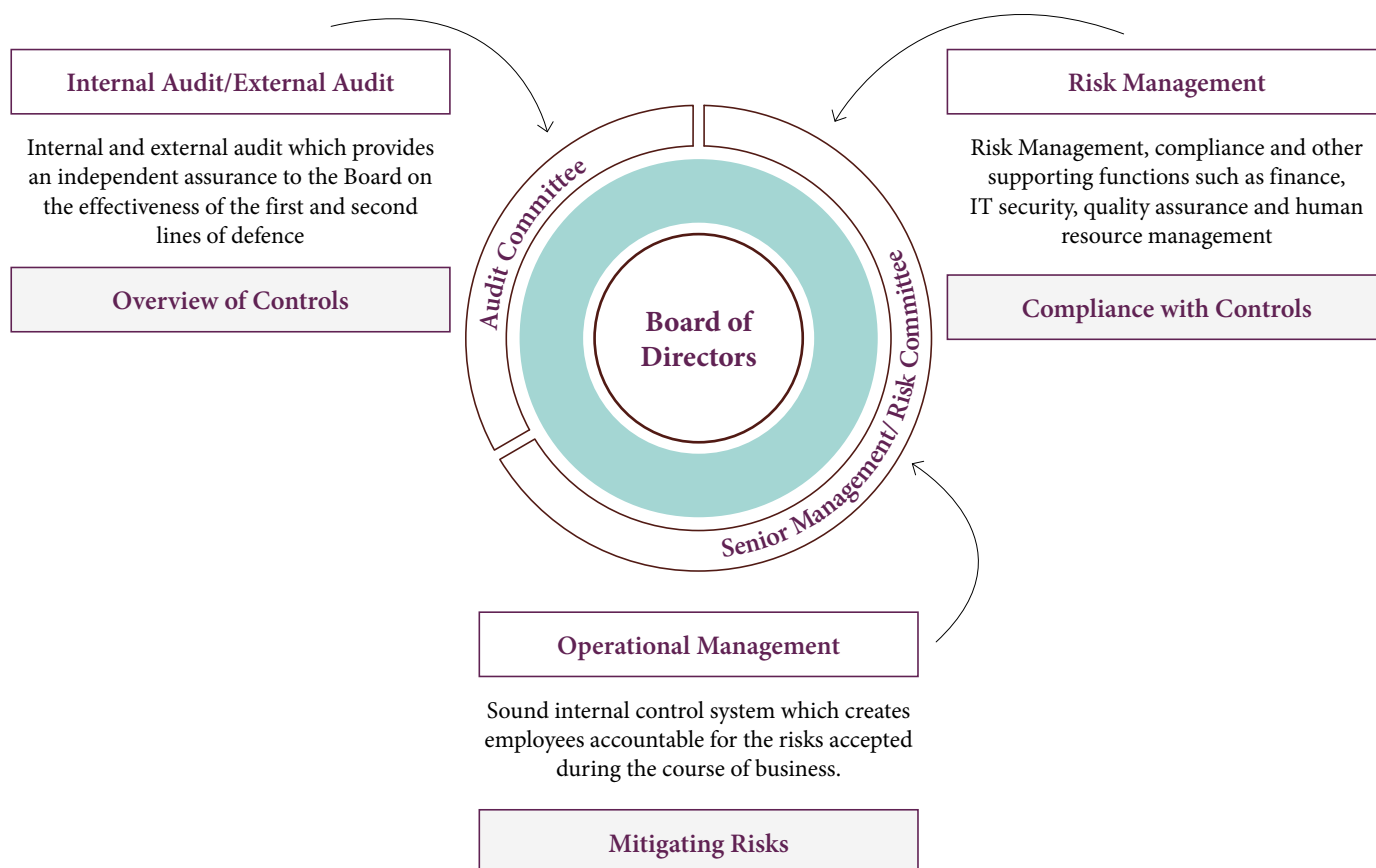
Risk is inherent in any commercial enterprise. Nawaloka Hospital faces the risks that are common to all other industries, but in addition there are special risks arising out of the nature of the medical domain. Given the possible consequences of such risks, we have developed rigorous systems and procedures to mitigate them. At Nawaloka, we follow a participative process where employees at all levels are encouraged to participate in the risk management process.

Our risk management strategy is based on the “three lines of defence model” described below:

- The first is the functions that own and manage risk
- The second is the functions that play a supervisory and oversight role over the first
- The third is the functions that provide independent assurance.

Three lines of defence

The Company has deployed the “Three lines of defence” governance model which facilitates accountability and transparency through clear identification and segregation of roles as given below:



Risk management committee

The purpose of the Risk Management Committee of Nawaloka Hospital is to assist the Board of Directors in the effective discharge of its primary responsibilities of identifying principal risks and implementing appropriate system and risk assessment process to manage such risk. The Committee comprises eight members and is chaired by Professor Lal Chandrasena who is the Director/General Manager of Nawaloka Hospitals PLC.

- Ms A G Dharmadasa – Member (ED)
- Mr Nalaka Niroshana – Member (Head of Finance and Corporate Planning)
- Dr Tissa Perera – Member (Medical Superintendent)
- Mrs R M Jayarathne – Member (Chief Nursing Officer)
- Mr Kanishka Warusavitarana – Member (Senior Manager – Operations)

Board members of the risk management committee

- Vidya Jyothi Professor Lal Chandrasena – Chairman (DGM/ED)
- Mr U Harshith Dharmadasa – Member (ED)
- Mr A G Dharmadasa – Member (ED)

The Committee conducts monthly meetings to oversee and approve risk management, internal compliance and control policies and practices of the Company.

The Committee has identified below risks for the hospital and mitigating strategies as follows:



Identified risk	Impact	Response
Reputation risk: Reputational risk refers to the potential for negative publicity, public perception or uncontrollable events to have an adverse impact on a company's reputation	Reputational risk is an ongoing yet growing concern of any company that affects the revenue, capital, shareholder value and etc.	<ul style="list-style-type: none"> • Conventional risk management strategies • Total Quality Management to improve product and service quality • Ensure effective communications with the stakeholders
Clinical risk: Risks relating to the quality of Patient care	Hospital retains a significant amount of clinical risk which will lead to customer dissatisfaction and reputational risk	<ul style="list-style-type: none"> • Continuous employee training on patient and facility safety for the clinical staff • Create and maintain high quality medical and safety standards • Identification and analysis on any potential risk and take precautionary action • Adhere to set protocols • Carrying out ISO internal/external audits to maintain ISO procedures • Frequent testing of medical and laboratory equipments
Financial risk: The probability of loss inherent in financing methods which may impair the ability to provide adequate return	Finance is regarded as the life blood of a business. A poor grasp of financial management can impact directly on the continuity of the hospital	<ul style="list-style-type: none"> • Prompt and relevant decisions on investing and financing • Productive and systematic working capital management • Negotiable discounts and credit terms • Implementing business turnaround plan
Operational risk: Probability of loss occurring from the internal inadequacies of a firm or a breakdown in its controls, operations, or procedures	Operational risk can result in significant loss for a company as it is heavily dependent on the human factor and will impact on the clinical risk as well	<ul style="list-style-type: none"> • Good quality investigations of the root causes of deviations and losses and taking actions to avoid reoccurrence • Periodic upgradation of control system with the changes of operations • Alteration and modification of business continuity planning • Effective Internal audit procedures • Establishment operation policies and procedures
Human resources risk: Risks that can arise from employee negligence, conflict of interest, fraud and mismanagement, or due to lack of employee trainings	Productivity is usually linked with human resource risk failures may lead to employee turnovers, absenteeism, and affects the continuity of business	<ul style="list-style-type: none"> • Suitable HR and remuneration policies. • Incorporate skill development into the regular performance appraisal process • Succession planning for all departments and business units • Implementing a job rotation program • Evaluate and measure job satisfaction and improve motivation within the organisations • Workmen compensation Insurance
Information technology risk: IT risk is basically any threat to your business data, critical systems and business processes	Information technology risks can have an extensive impact on a business. The technology risks in business are constantly growing and evolving, especially the risks associated with cloud computing and data storage	<ul style="list-style-type: none"> • Periodic upgrading and refreshing servers and hardware • Execution of firewalls and virus protection • Recurrent testing on backup files to ensure backup system is operating properly • Mirror data storage • Error logs and user logs maintenance • Ad hoc backup restorations • Ensuring that the data and hardware is protected through a disaster recovery plan

Identified risk	Impact	Response
Legal and regulatory environment risk:		
Risk arises due to Non-compliances	Not adhering to the laws and standards could lead to penalties, loss of reputation	<ul style="list-style-type: none"> • Competent legal department • Make certain adherence to all applicable laws and regulations
Disaster risk:		
Disaster risk is expressed as the likelihood of loss of life and assets, injury or destruction and damage from a disaster	Disqualification to ensure the safety of assets information could lead to financial losses	<ul style="list-style-type: none"> • Felicitous insurance covers • Performing ad hoc backups • Emergency training • Fire team • Property insurance to provide protection against the risk
Technological obsolescence risk:		
The impact of changing technology on the Company's operations	Failure to embrace the latest technology could result in loss of customers, falls in revenue and profits.	<ul style="list-style-type: none"> • Continuous engagement with consultants • Competent biomedical team to keep abreast with developments in medical equipment and introduce new technology to maintain high technological standards and continuous investment in medical equipment • Regular monitoring of developments and innovations in healthcare industry and adopting the latest technology as the pioneer
Procurement risk:		
Procurement risk is the potential for failures of a procurement process designed to purchase services, products or resources	Customer dissatisfaction, high maintenance costs, high replacement costs and damages to the Company name are some consequences of bad procurement	<ul style="list-style-type: none"> • Maintaining effective relationships with multiple suppliers • Define quality parameters • Negotiate for better prices and discounts • Setting yardsticks for procurement process
Credit risk:		
Includes defaults by debtors and other parties who obtain credit from the Hospital	Credit risks could bring threat to the liquidity position, profitability, and the cash flows of the Company	<ul style="list-style-type: none"> • Evaluate the creditworthiness and credit policies of companies before granting credit • Carrying out timely collections from patients • Strengthening the debt collection process
Intellectual property risk:		
Intellectual property risks refer to the analysis on how a company needs to be prepared for when deciding to protect their intellectual property (IP)	IP risk management will reduce not only the likelihood of an adverse event occurring, but also the magnitude of its impact on the business	<ul style="list-style-type: none"> • Properly implemented internal controls • Having a keen eye on the brand and image usage by other parties • Registering the brand and trademarks • Ensure proper IT data protection • Accessing legal advice
Competition risk:		
Competitive risk is the chance that competitive forces will prevent you from achieving a goal	It is often associated with the risk of declining business revenue or margins due to the failure to overcome the competition	<ul style="list-style-type: none"> • Tracking the business activities of the competitors • Customer relationship management • Service quality improvement strategies

Value Creation

Our Business Model

Nawaloka Hospital's business model illustrates how the Company achieves its core purpose of raising the healthcare standards of all Sri Lankans. It also shows how we create value over different time frames – short, medium and long term – through our business processes. These include delivering on profitability and growth, efficiency, effectiveness, and achieving operational excellence. The value creation process is guided by our Vision and Mission, governance and risk management frameworks; it takes place within the operating environment.

The resources we use for value creation are our capitals, stores of value in various forms. Capitals owned by the business are termed “internal” and those that are not are termed “external”. Internal capitals include the financial capital which is represented in the Financial Statements; it also includes intellectual capital which consists of intangibles such as corporate culture, knowledge, brand image, ethics, systems, and procedures. The external capitals are also inputs to the value creation process. Our external capital includes investors, customers, employees, business partners, society, and the environment.

Through our business processes, capitals are consumed and transformed.

Financial Capital

- Funds obtained through operations
- Equity capital of
LKR 3,608 Mn.

Intellectual Capital

- Knowledge and skills
- Brand value
- Ethics and values
- Systems and procedures

Investor Capital

- Shareholders' funds
- Investor relations

Customer Capital

- Service locations and facilities
- Channelling procedures
- Out-patient treatment
- In-patient treatment
- Surgery
- Radiology
- Pharmacy

Human Capital

- Knowledge
- Experience
- Commitment
- Loyalty and retention
- Training and development

Business Partner Capital

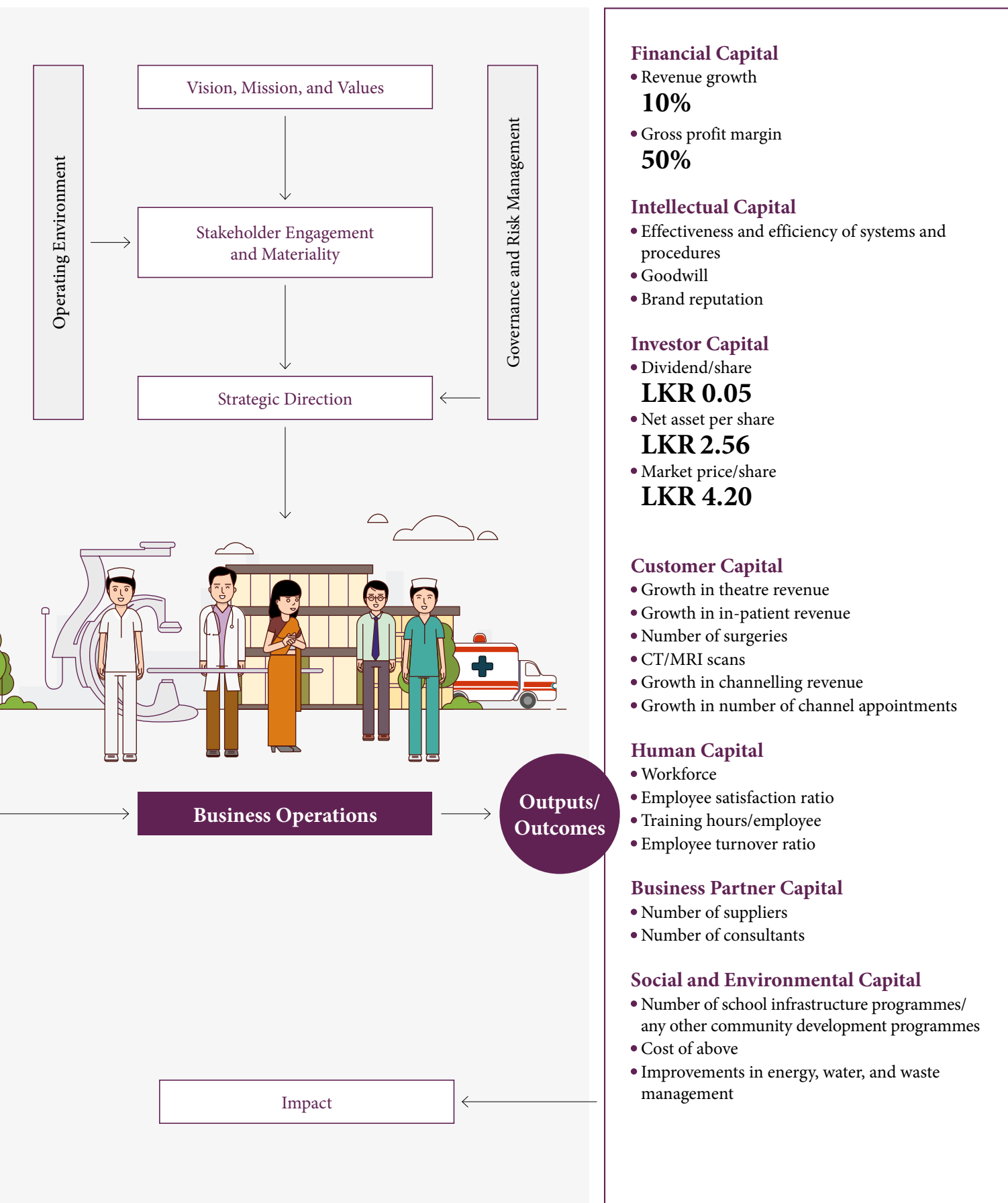
- Well-experienced consultants
- Sustainable supplier relationships
- Strategic alliances

Social and Environmental Capital

- School infrastructure development
- Energy, water, and waste management
- Materials accounting



Inputs





බෙහෙත් හීනට්

Beheth Heenati

Efficacious in the control of diabetes, folklore also claims that a porridge made from it helps to remove/neutralise the toxic effects of snakebite.



Financial Capital



The Group revenue increased by 10% and the main contributors to the increase were pharmacy services, radiology services, laboratory investigations and channelling services.

Revenue

2018/19

LKR 8,756 Mn.

Gross profit margin

2018/19

50%


Summary of financial performance

Aspect	Measure	2018/19	2017/18	2016/17	2015/16
Revenue	Turnover (LKR Mn.)	8,756	7,955	6,300	5,860
Profitability	Gross profit margin (%)	50.14	55.36	52.00	50.00

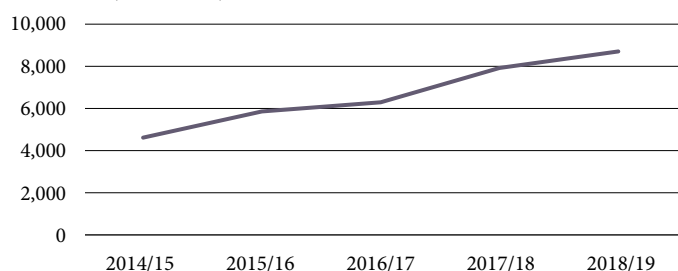
The Company requires financial capital to procure goods and services, pay its employees, and invest in new plant and equipment and inventories. Financial capital, raised through equity and debt, is transformed into other capitals through the business processes of the Company; similarly, other capitals are converted to financial capital. Primarily financed by borrowing at a high financing cost of LKR 1,191 Mn.

While in 2017/18 Nawaloka recorded the highest revenue up to then, this year the revenue further increased by 10% to LKR 8,756 Mn. (2017/18: LKR 7,955 Mn.). The gross profit margin declined from 55.36% to 50.14% while the net profit margin declined from 2.3% to (6.45%). There were four main reasons for incurring a loss; heavy investment in the 14 storied specialist centre including 550 car parking unit for which the returns will come over several years; deferred tax provision for property, plant and equipment which is a non-cash expense; increase in depreciation expense due to increased capital assets; a foreign exchange provision of LKR 65 Mn. which has been hedged by paying loan interest and capital using dollar income.

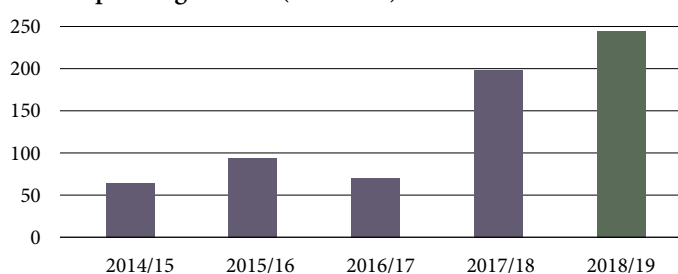
Revenue

The Group revenue increased by 10% and the main contributors to the increase were pharmacy services, radiology services, laboratory investigations and channelling services. The expansion of pharmacy services has resulted 26% revenue growth out of total revenue. The incorporation of Nawaloka Green Cross Laboratories (Pvt) Ltd. as a wholly-owned subsidiary also contributed to revenue growth. This accounted for 6%.

During the year, Channel income increased due to the diverse types of channelling services; the call centre booking increased during the period. Our partnership with Green Cross laboratories, Korea, enabled more test menus and reduced turnaround time, resulting in higher revenue. The revenue from the Radiology Department increased by 8% with the addition of a 1.5 Tesla MRI machine. The addition of an X-ray machine and two Ultra-sound machines also contributed to the growth. The Theatre Department also showed a very commendable performance with revenue of 8% out of total revenue.

Revenue (LKR Mn.)

Regarding the revenue composition, 54% of the revenue was generated from in-house patients while the balance 46% was generated from out-patients.

Other operating income (LKR Mn.)

Other operating income increased by 23% over the previous year to LKR 245 Mn. (2017/18: LKR 199 Mn.).

Expenses

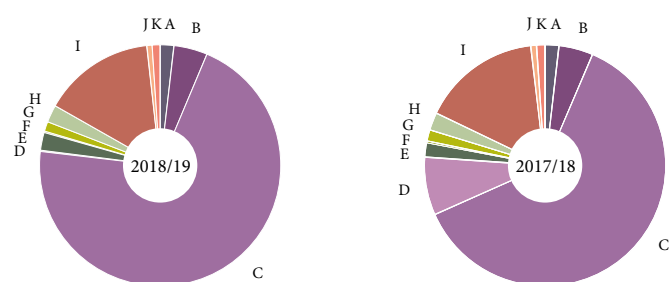
Salary expense increased by 8% from LKR 1,583 Mn. to LKR 1,708 Mn.; the reasons were salary revisions made at the beginning of the year and costs of absorbing the staff of Green Cross Laboratories (Pvt) Ltd. Administration expenses increased by 17% from LKR 1,762 Mn. due to depreciation in 2017/18 to LKR 2,053 Mn. Other operating expenses decreased by 13% from LKR 83 Mn. to LKR 72 Mn.

Financial costs also recorded a large increase of 93% from LKR 617 Mn. the previous year to LKR 1,191 Mn. What drove this cost increase were increase in borrowings for the specialist centre and the increase in interest rates. Total borrowings (both short and long term) increased by LKR 141 Mn. during the year and the Average Weighted Lending Rate (AWPLR) which was 14.04% at the beginning of the year increased to 14.49% by the year end. The interest cover ratio saw a decline to 0.67 from 1.9 the previous year. This was despite the increase in finance costs due to the decrease in operating profit. This should improve in the future as the revenue picks up.

Asset base

Total asset base of the Group stood at LKR 16.3 Bn. as at 31 March 2019.

Additions of property, plant and equipment during the year amounted to LKR 944 Mn. This includes LKR 253 Mn. invested in medical equipment and LKR 182.8 Mn. invested in building construction. Procurement of medical equipment during the year included MRI Scanner, Electromyography, Digital Slit Lamp for eye centre, Echo machine and two ambulances to improve the services to our customers.

Assets Base (%)

	2018/19 %	2017/18 %
A. Freehold land	2	2
B. Buildings constructed on freehold land	5	5
C. Buildings constructed on leasehold land	71	62
D. Work in-progress	0	8
E. Fixtures and fittings	2	2
F. Plant and machinery	0	0
G. Motor vehicles	1	1
H. Hospital equipment	2	2
I. Medical equipment	15	16
J. Computer equipment	1	1
K. Furniture and fittings	1	1

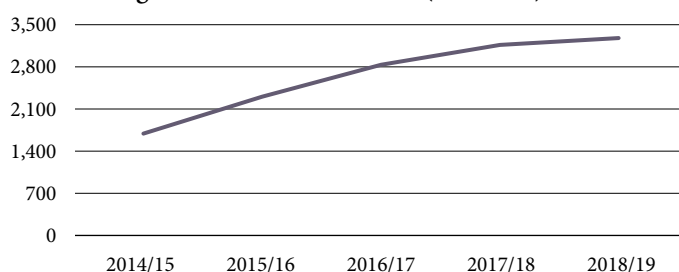
Capital structure

Debt to equity ratio has stood at 2.13 times. Compared to last year it has recorded a slight increment over the previous years ratio of 1.86. The long-term borrowings of the Group increased by 19% due to the borrowings for the specialist centre, the returns for which will come in the long term.

Value generated and distributed

Group	2018/19 LKR	2017/18 LKR	2016/17 LKR	2015/16 LKR	2014/15 LKR
Value added					
Revenue	8,755,718,461	7,955,278,613	6,299,910,436	5,860,218,161	4,602,433,640
Less: Cost of materials and services obtained	(5,634,975,669)	(4,971,304,767)	(3,526,074,553)	(3,646,563,430)	(2,983,613,751)
Add: Other income	244,851,729	198,816,074	129,152,153	94,495,240	65,199,571
	3,365,594,521	3,182,789,920	2,902,988,036	2,308,149,971	1,684,019,460
Distribution value added					
To employees					
Salaries, wages, incentive and other benefits	1,707,541,111	1,583,472,211	1,299,957,507	1,151,309,690	968,758,629
Total employees	1,707,541,111	1,583,472,211	1,299,957,507	1,151,309,690	968,758,629
To lenders					
Interest on loans and leases	1,190,971,483	617,006,241	392,868,166	372,317,361	285,092,829
Total interest on loans and leases	1,190,971,483	617,006,242	392,868,166	372,317,361	285,092,829
To Government					
Taxation	176,481,994	377,238,343	61,280,520	109,218,200	9,176,683
Total Government	176,481,994	377,238,343	61,280,520	109,218,200	9,176,683
To provision					
Results of associate companies	-	-	-	-	-
Impairment profit/loss	-	-	-	-	-
Revaluation deficit	-	-	-	-	-
Total provision	-	-	-	-	-
To expansion and growth					
Depreciation	869,972,453	640,223,167	537,296,651	469,423,205	351,695,092
Retained profit/(loss)	(579,372,523)	(35,150,043)	552,808,820	205,881,515	69,296,227
Total expansion and growth	290,599,930	644,330,521	1,090,105,472	675,304,720	420,991,319
Total value generated and distributed	3,365,594,521	3,182,789,920	2,844,211,667	2,308,149,971	1,684,019,460

Total value generated and distributed (LKR Mn.)



Financial assistance received from Government

A tax exemption was granted to Nawaloka Medicare (Pvt) Ltd., for six years commencing either from two years of commencing business or the first year in which profit is reported. A tax exemption was granted to the New Nawaloka Medicare Centre for 10 years commencing from 2009.

Intellectual Capital



Our industry is, by nature, extremely knowledge intensive. Our store of knowledge consists of what is possessed by our professionals as well as what is captured in organisation data bases. Through experience and learning, our knowledge base is continuously growing and this reinforces our competitive advantage.

Brand value

2018/19

LKR 1,311 Mn.

Brand Finance rating

2018/19

AA

Nurses with over 10 years of experience

2018/19

223

>>

Intellectual capital consists of intangibles such as knowledge, skills, ethics, values, corporate culture, systems and procedures, brand value, and reputation in the community. It is an indispensable input into the value creation process; the knowledge generated and experience gained in the value creation process in turn leads to enhancement of intellectual capital. This process leads to competitive advantage, future stability and ability to meet stakeholder expectations.

Knowledge and skills

Medicine, by nature, is a highly knowledge intensive field. The capabilities of highly skilled professionals and other staff are the backbone of our service provision. Individual knowledge, skills, experience, know-how as well as knowledge stored in data bases combine to become the organisational knowledge of the Hospital. Our continued collaboration with employees through our 34 years of existence have contributed to build our intellectual capital.

We have been in the forefront of introducing new medical technologies to Sri Lanka. Some of our achievements have been pioneering in state-of-the-art equipment such as the latest 640-slice CT scanner, 4D ultra-sound scanner, and the Fibro scanner.

We have a good record in employee retention and have in our ranks a high percentage of staff with long years of service.

Staff with over 10 years of service

	2018/19	2017/18	2016/17	2015/16
Nurses	223	187	165	267
Other employees*	335	497	418	528

*All staff members in different focus areas

The level of experience of our Senior Management is shown below:

Senior Management designations	Years of experience in the field
Medical Superintendent	17
Chief Nursing Officer	41
Senior Manager – Operations	31
Head of Finance and Corporate Planning	12
Senior Coordinate Officer and Maintenance Manager	34
Senior Coordinating Officer	34
Head of Information Technology	21
Head of Human Resources	15
Head of Marketing	13
Senior Coordinating Officer 02	38
Electrical and Medical Engineer	14

The high rate of retention and large numbers of experienced staff contributes to building our organisation knowledge.

Systems and processes

Through our long history we have developed and fine-tuned our systems and processes.

The Hospital has a customised, user friendly ERP system which consolidates all processes effectively. The system has been designed to reduce the impact of any errors and has made employees more productive.

The ERP system tracks all patient details. Patient records are stored in the system under a unique code which makes them easily retrievable. The laboratory system identifies patients who need extra medical support and gives timely alerts. We constantly strive to achieve continuous improvement through IT systems and provide excellent customer service. All systems and processes are crafted to be aligned with the value chain. This ensures the Company's continued competitiveness in a globalised and rapidly changing environment.

Some of the initiatives taken during the year are:

- **New server update** – Implementation of HIS cluster solution to minimise the down time
- **Tab system** – Introduction of new tab system for nurses to request for nursing care
- **OPD Doctor diagnosis card** – Facilitates our Doctors with the ability to remotely access the digitalised medical records
- **Replacement of SAS Technology with SSD technology** – Implementation of SSD hard disk technology, which is 100% faster than the previous

Policies

The Companies' operations are guided by a large number of policies and procedures which enable smooth functioning with minimum defects and errors. The following are some of the key policies:

• Procurement policy

Our procurement policy is transparent, grounded on experience, and focussed on delivering business objectives including quality and cost effectiveness. The policy and supporting procedures ensure timely availability of all materials, equipment, and services. It also follows the regulatory requirements and practices.

The following measures have been incorporated into our procurement practices to add value to patient care and streamline processes:

- Maintain an updated vendor master file and implement supplier selection criteria
- Assess and continuously monitor supplier agreements to ensure they are properly authorised to operate
- Clearly demarcate procurement staff's roles and responsibilities and ensure they are adequately trained
- Assess suppliers according to defined performance criteria and perform regular audits to keep their standing updated
- Give priority to suppliers with sound environment and labour practices
- Review at least three quotations prior to making a purchase decision
- Give performance goals and objectives for all procurement staff for which they are held accountable through their personal development evaluations and assessments

- **Credit policy**
- **ISO policy**
- **Human Resource policies**
- **Risk Management policies**

Our risk management strategy is based on the "three lines of defence model" described below:

- The first is the functions that own and manage risk
- The second is the functions that play a supervisory and oversight role over the first
- The third is the functions that provide independent assurance.

- **Database management and information security policies**

Corporate culture

Corporate culture reflects the values, ethics, and policies of the Company and determines how the Company Management and employees interact and handle the changing factors in the environment. We believe that an employee-friendly culture in the Company will result in a customer-friendly service. Our Corporate culture enables us to be more innovative and stand out against our rivals.

Brand value and brand reputation

Nawaloka Hospitals has established itself as the most trusted health brand in the country. We have enhanced our brand equity in numerous ways.

Nawaloka Hospitals has once again been rated the leading Hospital amongst LMD's top 100 companies with a brand rating of AA, as compiled by Brand Finance, with a brand value of LKR 1,311 Mn. It has maintained its rating as the most valued brand in the healthcare sector. Our brand has become recognised as signifying innovation and excellence in the healthcare sector. It is constantly being enhanced by our marketing and promoting strategies.

Awards



- **CA Sri Lanka Annual Report Award 2018**
Nawaloka Hospitals won the "Gold Award" in the healthcare category at the 54th Annual Report Awards, organised by the Institute of Chartered Accountants of Sri Lanka marking it the eighth consecutive Gold Award won by Nawaloka Hospitals.
- **National Business Excellence Award 2018**
Nawaloka Hospitals won the "Gold Award" in the healthcare category at the National Business Excellence awards, organised by the National Chamber of Commerce of Sri Lanka (NCCSL).

Investor Capital



It is our investors who have made our existence and operations possible by their initial provision of financial capital. It is financial capital that has made the generation of all other capitals possible. Throughout our history, we have maintained seamless and transparent relations with our investors.

Highest price per share

2018/19

LKR 4.80

Number of share transactions

2018/19

1,169

Shares held by the public

2018/19

32%

Net assets per share

2018/19

LKR 2.56

>>

It is our investors who have made our existence and operations possible. It is therefore imperative that we maintain seamless and transparent relationships with them and throughout our history we have maintained such relationships. The interaction between different forms of capitals has been a major factor in our success and through this we have been successful in creating value.

Ordinary share information

Market Price per Share (LKR)	31 March 2019	31 March 2018	30 September 2018	30 June 2018	31 March 2018
High	4.70	4.70	4.70	4.80	4.80
Low	4.10	4.30	4.10	4.30	4.50
Closing	4.20	4.70	4.50	4.30	4.60

Composition of shareholders

The range of shareholders by size brackets of shareholding is shown below:

As at 31 March 2019	Number of shareholders	Number of shares	Percentage of shareholders
1 – 500	2,202	324,757	0.02
501 – 5,000	2,328	5,070,113	0.36
5,001 – 10,000	668	5,063,168	0.36
10,001 – 20,000	511	7,750,087	0.55
20,001 – 30,000	265	6,990,225	0.49
30,001 – 40,000	122	4,325,529	0.31
40,001 – 50,000	74	3,523,245	0.25
50,001 – 100,000	125	9,521,265	0.68
100,001 – 1,000,000	122	30,761,734	2.18
1,000,001 and above	18	1,336,175,473	94.80
Total	6,435	1,409,505,596	100

The shareholder information by category as at end March 2018 and end March 2019 is shown below:

	Number of shareholders as at 31 March 2019	Total holding	Percentage	Number of shareholders as at 31 March 2018	Total holding	Percentage
Category						
Institutional shareholders	40	449,486,350	31.89	40	454,628,407	32.25
Individual shareholders	6,395	960,019,246	68.11	6,466	954,877,189	67.75
Total	6,435	1,409,505,596	100	6,506	1,409,505,596	100

As shown above, 31.89% of the total shareholding is owned by institutional shareholders as at 31 March 2019.

Resident and non-resident shareholders

	Number of shareholders as at 31 March 2019	Total holding	Percentage	Number of shareholders as at 31 March 2018	Total holding	Percentage
Non-resident shareholders	13	1,946,788	0.14	12	1,836,554	0.13
Resident shareholders	6,422	1,407,558,808	99.86	6,494	1,407,669,042	99.87
Total	6,435	1,409,505,596	100	6,506	1,409,505,596	100

As the above table shows practically all shareholders are resident.

Major shareholders

The details of the largest 20 shareholders are given below:

Names	Number of shares	Percentage
1. Dr H K J Dharmadasa	462,736,182	32.83
2. Nawaloka Construction Company (Private) Limited	441,778,880	31.34
3. Mr K D D Perera	389,676,904	27.64
4. Employees Provident Fund	6,186,379	0.44
5. Ms A G Dharmadasa	5,066,686	0.36
6. Mrs P Nanayakkara	5,066,666	0.36
8. Mr L Hettiarachchi	3,440,321	0.24
7. Mr V R Ramanan	3,400,000	0.24
9. Mr A G Dharmadasa	3,004,026	0.21
10. Nawaloka Developments (Pvt) Ltd.	2,814,932	0.2
11. Mr U H Palihakkara	2,598,641	0.18
12. Mrs C S Dharmadasa	2,581,866	0.18
13. Mr K S Warusavitarana	2,500,066	0.18
14. Tranz Dominion, LLC.	1,719,990	0.12
15. Ranatunga Motors (Pvt) Ltd.	1,337,598	0.09
16. Mr G C Goonetilleke	1,166,338	0.08
17. Mr V K L Sugumar	1,099,998	0.08
18. Cocoshell Activated Carbon Company Limited	922,398	0.06
19. Dr S Salgado	799,998	0.06
20. Mr K C Vignarajah	722,801	0.05
Total shares	1,338,620,670	94.94
Balance	70,884,926	5.06
Total number of shares	1,409,505,596	100

The details of the shareholding of Directors is shown below:

Name	Number of shares
Dr H K J Dharmadasa	462,736,182
Mr R T Wijetilleke	33,332
Deshabandu Tilak de Zoysa	218,000
Vidya Jyothi Prof Lal Chandrasena	601,198
Mr U H Dharmadasa	3,360
Mr A G Dharmadasa	3,004,026
Ms A G Dharmadasa	5,066,686
Mr Damian Sunil AbeyRatna	NIL
Mr T K Bandaranayake	NIL
Mr Victor Rajamanner Ramanan	3,400,000
Mr Palitha Mendis Kumarasinghe, P.C.	NIL

Name of the shareholder (other than by the public)	Number of shares
Dr H K J Dharmadasa	462,736,182
Mr R T Wijetilleke	33,332
Deshabandu Tilak de Zoysa	218,000
Vidya Jyothi Prof Lal Chandrasena	601,198
Mr U H Dharmadasa	3,360
Mr A G Dharmadasa	3,004,026
Ms A G Dharmadasa	5,066,686
Mrs C S Dharmadasa	2,581,866
Mrs Prithiva Nanayakkara	5,066,666
Chandula Lasith Perera	13,332
Nawaloka Construction Company (Pvt) Ltd.	441,778,880
Nawaloka Developments (Pvt) Ltd.	2,814,932
Mr H K U Dharmadasa	532
Mrs S D Chandrasena	48,000
Mr Victor R Ramanan	3,400,000
Total number of shares held – other than by the Public	927,366,992
Percentage	65.79
Shares held by the Public	482,138,604
Percentage	34.21
	1,409,505,596
Number of public shareholders	6,435

Market Price per Share (LKR)	31 March 2019	31 December 2018	30 September 2018	30 June 2018	31 March 2018
High	4.70	4.70	4.70	4.80	4.80
Low	4.10	4.30	4.10	4.30	4.50
Closing	4.20	4.70	4.50	4.30	4.60

Shares held by the public as at 31 March 2019

In calculating the shares held by the public as at 31 March 2019, the shares held by the Directors, their Spouses, shares held by Nawaloka Construction Company (Private) Ltd., Nawaloka Developments (Private) Limited, shares held jointly by Mr H K J Dharmadasa/ Seylan Bank PLC and shares held by Mr Victor R Ramanan and the holders of 10% and more than 10% shares wherever applicable have been excluded considering the level of influence over the reporting entity.

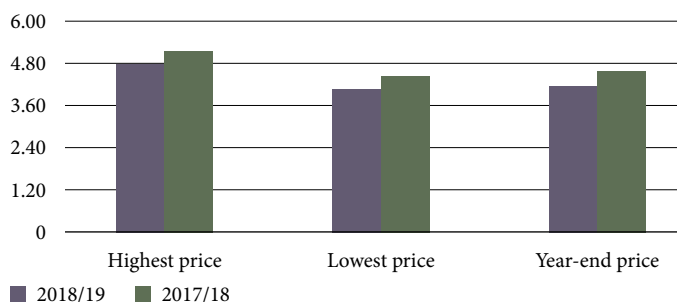
Share price and market information

The daily share price fluctuation at quarterly intervals are shown in the table below:

Market activity

	2018/19	2017/18
Highest price (LKR)	4.80	5.20
Lowest price (LKR)	4.10	4.50
Year-end price (LKR)	4.20	4.60
Number of share transactions	1,169	1,794
Number of shares traded	4,689,873	24,125,215
Share turnover	20,916,666.20	111,711,724
Shares held by the public (%)	34.21	34.21
Compliant under option 5 – float adjusted market capitalisation	2,025,205,830	2,218,082,576

Share transactions information (LKR)



Earnings per share for the past five years

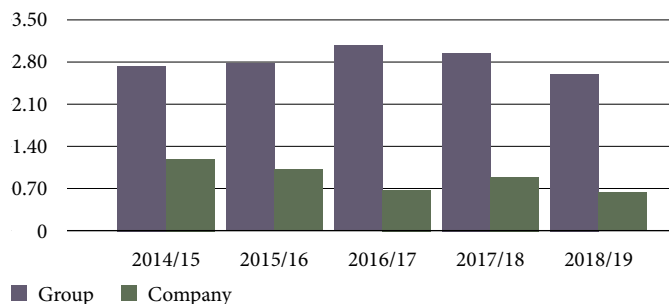
	2018/19 LKR	2017/18 LKR	2016/17 LKR	2015/16 LKR	2014/15 LKR
Group	(0.40)	0.13	0.17	0.15	0.06
Company	(0.18)	0.32	(0.31)	0.09	0.06

Net assets per share

As at 31 March 2019

	2018/19 LKR	2017/18 LKR	2016/17 LKR	2015/16 LKR	2014/15 LKR
Group	2.56	3.02	3.15	2.84	2.76
Company	0.66	0.90	0.69	1.04	1.20

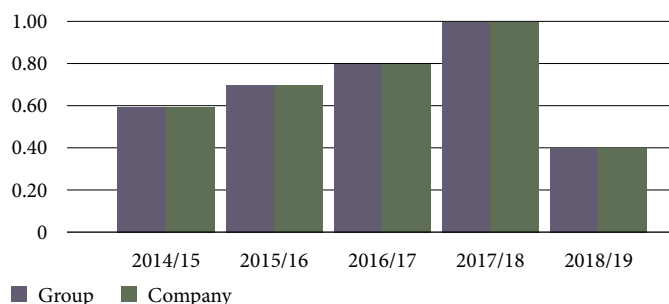
Net assets per share (LKR)



Dividend per share

	2018/19 LKR	2017/18 LKR	2016/17 LKR	2015/16 LKR	2014/15 LKR
Group	0.05	0.10	0.08	0.08	0.06
Company	0.05	0.10	0.08	0.08	0.06

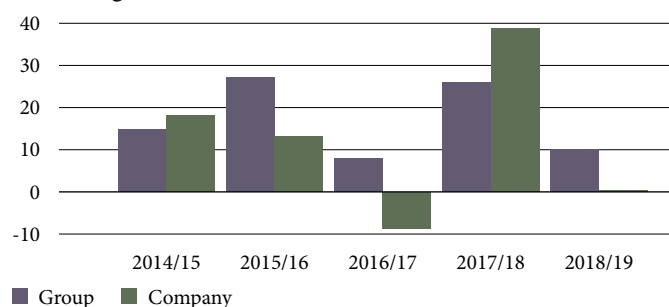
Dividends per share (LKR)



Revenue growth

	2018/19 %	2017/18 %	2016/17 %	2015/16 %	2014/15 %
Group	10.00	26.00	8.00	27.00	15.00
Company	0.02	39.00	-9.00	13.00	18.00

Revenue growth (%)

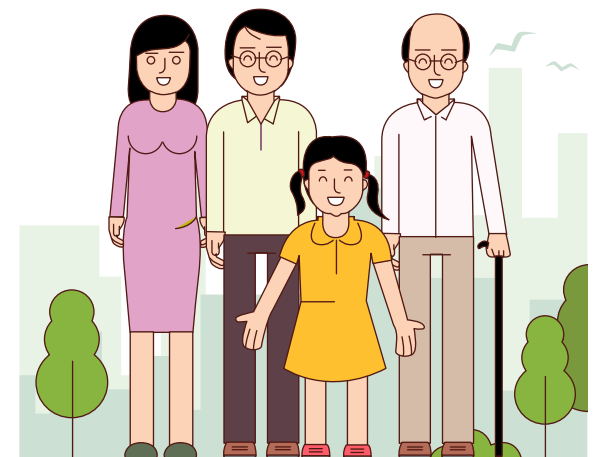




>> Nawaloka staff brings a **warm and caring heart** to patient wellbeing and healing

Our medical and non-medical staff are the best in the island. Their warm heartedness, skill and passionate approach to healing are honed through extensive in-house training at Nawaloka's own facility making them a highly professional and empathetic team.

Customer Capital



While Nawaloka uses state-of-the-art medical technology, still the human element remains crucial. All our professionals and other staff provide their services in a caring and empathetic environment. This demonstrates our commitment to our founding mission of “healing and feeling”. We also monitor the level of customer satisfaction by way of a large number of feedback channels using social media.

Total number of Admissions

2018/19

28,885

Total number of Channel appointments

2018/19

550,593

Customer satisfaction level

2018/19

86%

Surgeries conducted during the year

2018/19

16,993

Number of foreign patients admitted

2018/19

1,025

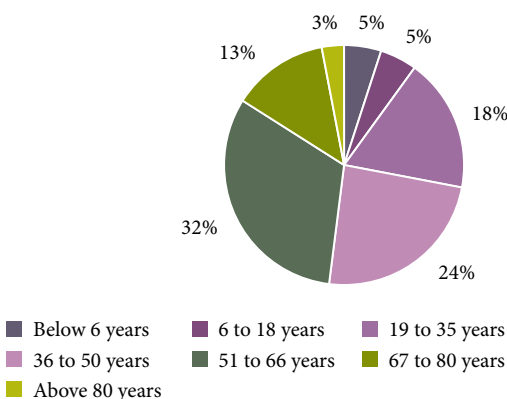
In serving our customers we use the most advanced medical know-how and equipment. Yet in our ethos, the human element still remains paramount. This is exemplified by our founding mission of “healing and feeling”. The trust and confidence we inspire in patients has been the cornerstone of our success.

The care of a patient is a sacred responsibility. It is through the devotion we have shown over the years to preserving the lives of our patients and safeguarding their well-being that we have built our reputation. Our concern for patients is demonstrated by all who interact with them from receptionists to specialist physicians and surgeons. Professionalism has been inculcated at all levels. We have always been at the forefront of medical technology, and have endeavoured to give our customers the benefits of the latest developments. We were the pioneers in introducing several new medical technologies to Sri Lanka.

Our customers come from all areas of the country and are from diverse social backgrounds. Our professionals at all levels, who are well-qualified, highly trained, and committed, cater to the diverse and changing needs. Understanding and empathising with each patient is the heart of healthcare.

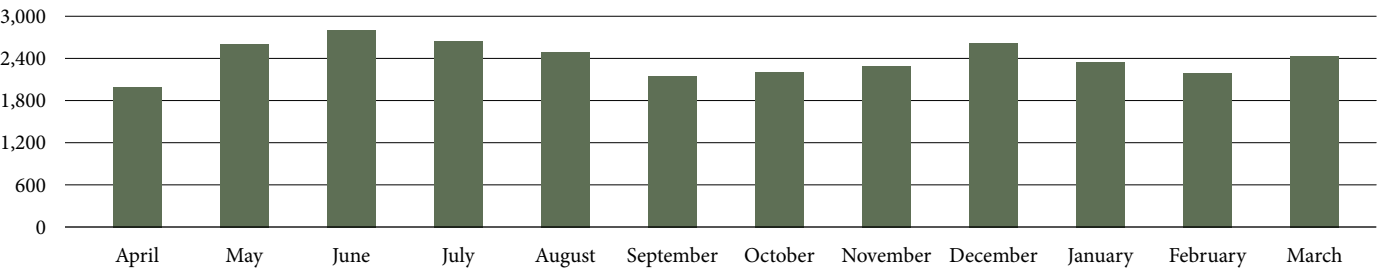
Customer analysis

Age analysis of patients admitted 2018/19

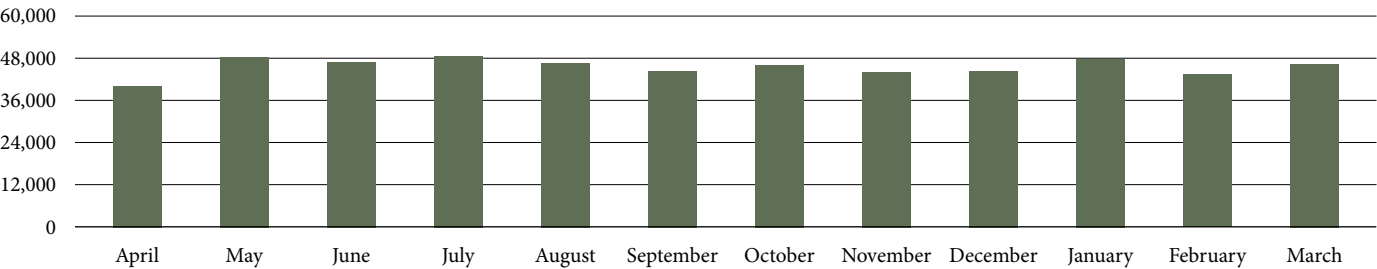


Age	Number	Percentage (%)
Below 6 years	1,355	5
6 to 18 years	1,551	5
19 to 35 years	5,650	20
36 to 50 years	7,292	25
51 to 66 years	9,557	28
67 to 80 years	3,890	13
Above 80 years	946	3

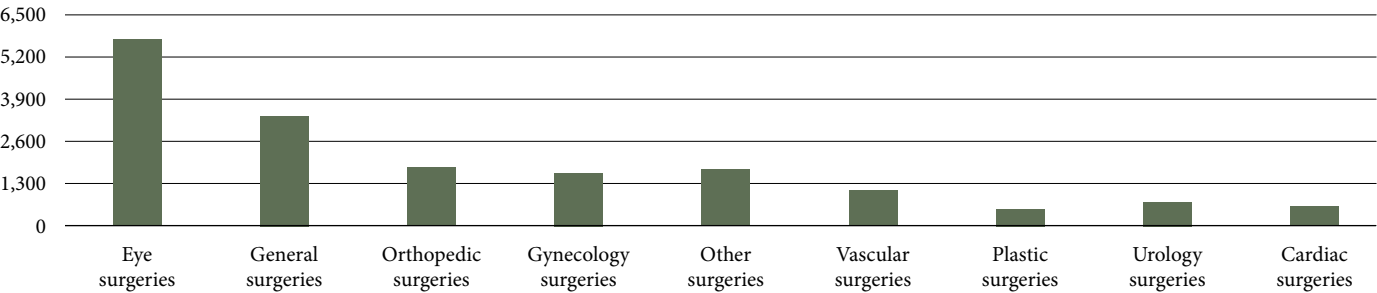
Monthly analysis of patient admissions in 2018/19 (Nos.)



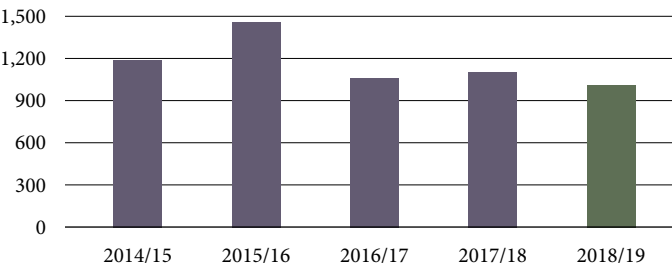
Monthly analysis of channel appointments in 2018/19 (Nos.)



Number of surgeries performed in 2018/19 (Nos.)



Foreign patient admissions in 2018/19 (Nos.)





This rice is beneficial in health conditions involving inflammation, diabetes, cancer, neurological diseases, elevated cholesterol levels and oxidative stress.



Core business lines

We have identified six main business lines which generates higher revenue.

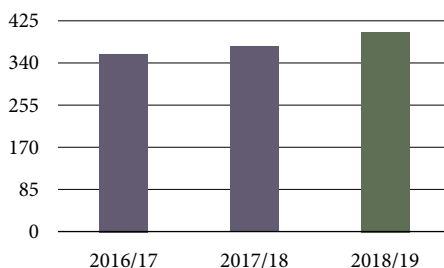
Channelling services



Our expert consultants, who span extremely diverse fields of medicine, provide channelling services to patients on request. They will perform diagnosis, prescribe treatment and recommend hospitalisation if necessary.

We have introduced a new patient-friendly system (based on module concept) which will give patients a wider choice of consultants in every field. Modern infrastructure has given maximum convenience to all patients, with the location planning of each floor being done according to module concept. Nawaloka Hospital's revenue from channelling services was LKR 401.3 Mn.

Revenue generation through channelling services (LKR Mn.)

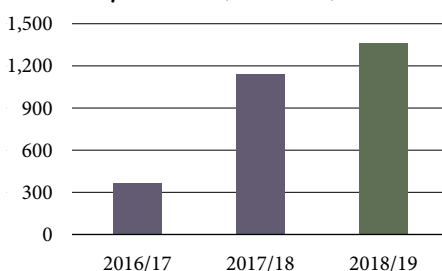


Laboratory services



Our laboratory services perform a vital link in the medical services process, by providing diagnostic and pathological services. This is an invaluable support service in the diagnosis and treatment of patients. We continuously modernise our equipment and techniques to give patients accurate and speedy results. Nawaloka Hospital's revenue from laboratory services was LKR 689.6 Mn. During 2018/19, the Hospital has revamped its laboratory entirely at a cost of LKR 250 Mn. The Cobas6000 Laboratory Automation System has also been introduced, which has reduced turnaround time from 12 hours to five hours. We also expanded our outside laboratory network by establishing laboratories in Matara and Wennappuwa.

Revenue generation through laboratory services (LKR Mn.)

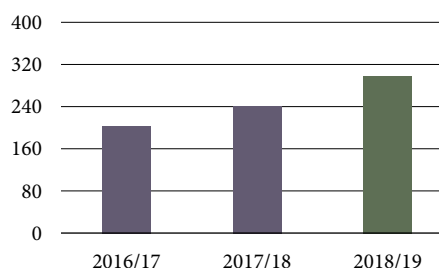


Theatres



Nawaloka has 12 fully-equipped operating theatres with dedicated theatres for advanced surgeries. All the theatres have been renovated according to international standards and are equipped with the latest technology to meet user requirements. Our theatre staff has also been trained to handle the technology, and meet any demands placed on them during surgeries. The total revenue from the surgeries in 2018/19 was LKR 302.3 Mn.

Revenue generation through theatres (LKR Mn.)

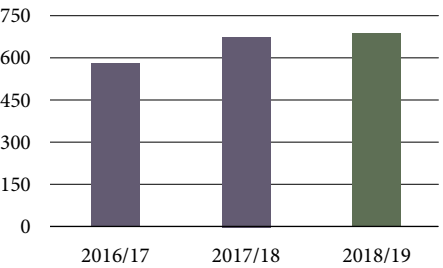


Radiology



Radiology is one of the key support units in the Hospital, providing diagnostic medical imaging services. The Radiology Unit is equipped with state-of-the-art facilities and has highly skilled staff. Our staff has been trained to be caring and make patients feel comfortable. The equipment of the Radiology Unit includes 640-slice CT scanners and 3 TESLA and 1.5 TESLA MRI scanners. Nawaloka is the only Hospital which possesses two MRI machines, which has reduced waiting time. The total revenue earned by the Radiology Unit in 2018/19 was LKR 692.8 Mn.

Revenue generation through radiology unit (LKR Mn.)

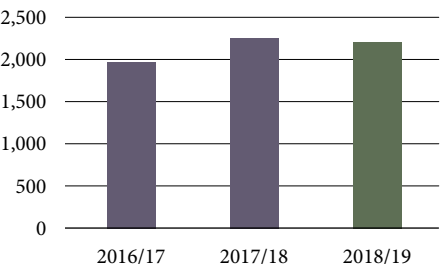


Pharmaceuticals



The Hospital has five pharmacies which have been located considering convenience to both inpatients and outpatients that operate 24x7. The drugs stocked have been expanded to meet patients' expectations. Our pharmaceutical staff work in collaboration with the medical team and they provide information on drugs and dosages to patients. Pharmaceutical services notched an income of LKR 2,301 Mn. in 2018/19.

Revenue generation through pharmaceuticals (LKR Mn.)



Emergency treatment unit (ETU)



Our ETU has 11 beds well-equipped for patient care and is staffed by very experienced Doctors and nurses. Currently our ambulance service is equipped with eight ambulances.

Nawaloka Medicare Gampaha

To broaden the access to quality healthcare, which hitherto had been somewhat limited to the Colombo District, we established Nawaloka Medicare Gampaha. It is a well-equipped institution providing quality diagnostic and healthcare services. It has taken the best which Nawaloka can provide, to the Gampaha region.

Nawaloka Medicare in Gampaha is equipped with a 24x7 Emergency Treatment Unit, 24-hour pharmacy, 24-hour lab services, 24x7 ambulance service, OPD services, channelling services, ECG, echo, EX ECG, X-ray, Dental, Unit, Eye Care Unit, and a fully-fledged Maternity Care Unit.

We are in confident that in the future Nawaloka Medicare Gampaha will further develop, becoming a leading hospital in the Gampaha District.

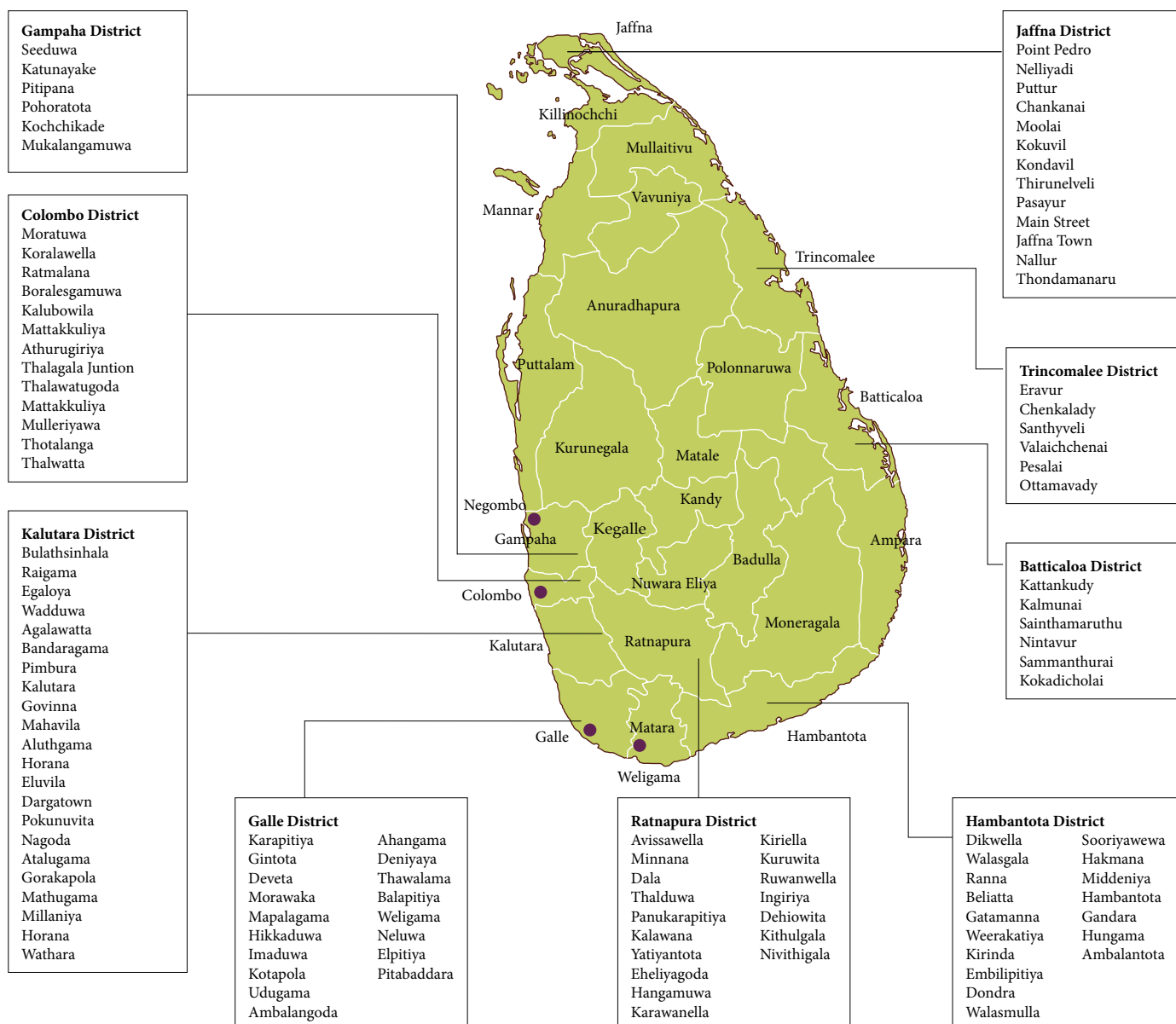
Nawaloka Medicare Negombo

Nawaloka Medicare Hospital, Negombo has successfully completed five years of operation since the inception. This hospital too, has a large number of practicing consultants. During the year under review

the hospital has served considerable amount of customers, including both in-patients and out-patients. The Hospital has demonstrated its adherence to international quality standards by being awarded the OHSAS 18001 Occupational Health and Safety Assessment.



Customer touch points



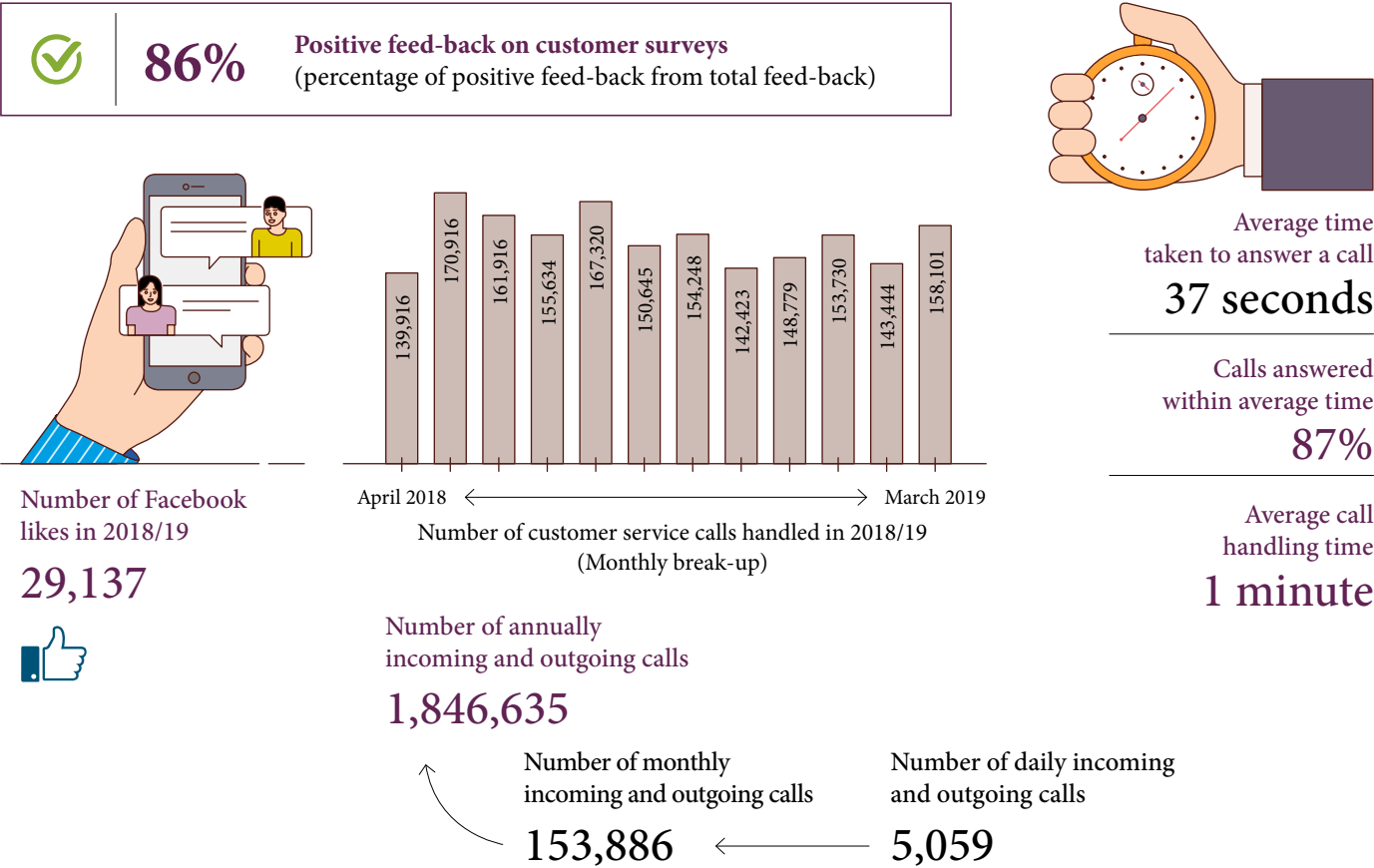
Customer surveys and satisfaction

Nawaloka is very cognisant of the impact customer care has on patient satisfaction, our image and our reputation. Patients and their families are very often in vulnerable and stressful situations, and the members of our team by can make a great difference by the way they communicate and handle patient relations.

We consider feeling the pulse of the customer to be paramount, and we therefore need mechanisms to receive feedback, to be able to quantify, evaluate, and measure our performance against customer expectations, to take corrective action where necessary.

We have in place several channels to obtain customer feedback. SMILE customer feedback application forms are available at cashiers, channel counters etc. Customers can also send their feedback through social media (Facebook). Regular visits are also conducted to the inward patients’ rooms by a Public Relations Officer (PRO).

Customer satisfaction and relationship information



Quality assurance

At Nawaloka we have an on-going process of improving the quality of customer service. Quality-related data is reviewed regularly by the Quality Improvement and Patient Safety Committee. The large number of accolades we have received relating to quality, listed below, are a testament to our commitment to quality:

- The first Hospital in Sri Lanka to be awarded the ISO9001: 2008 Sri Lanka Quality Award and the National Business Excellence Award
- ISO9001: 2015 Certification (Awarded 2016)
- National Productivity Award for 2015
- National Business Excellence Gold Award in Healthcare Sector for 2018
- The Nawaloka laboratory is accredited and certified for PHSR certificate for 2019



Product and service information and labelling

Nawaloka takes all possible steps to assure its customers about the quality and standards of products and services we offer. We provide explanations to our customers regarding use of products and services to the maximum extent possible. The Hospital ensures that all third party products, such as pharmaceuticals, are sourced from reputed and reliable suppliers, who adhere to quality and information standards. We also conform to all safety features and legislation relating to product safety and labelling.

Marketing communications

Our marketing communication strategy is designed to project the true identity of Nawaloka Hospitals PLC to the general public. The strategy and its implementation are geared to inform customers of our product and service options in the most effective manner. In all our communications we comply with the regulatory requirements. All our communications such as medical camps for the public, TV and radio advertising, printed media, PR activities and sponsorships are subject to careful scrutiny by our Marketing Department and other relevant departments. This is not only for regulatory compliance, but also to ensure that they are bound by ethics and good taste. During the year under review there were no incidents of non-compliance with regulations and voluntary codes concerning advertising, promotions, and sponsorships.

Some of the campaigns conducted during the year are;

- Medicare exhibition
- Offer special packages for services on significant days of the year

Sale of banned and disrupted products

When providing products and services we scrupulously adhere to the relevant laws and regulations. There were no incidents relating to the sale of banned or disputed products during the year under review.

Digital Improvements

- During the year under review, we revamped our corporate website, to provide more updated information to our customers and to provide more accessibility at all times.
- System generated SMS will be sent to the customers to collect their reports from Laboratory and Radiology Unit
- Customer Feedback can be given through a finger touch KIOSK system which has been placed at the each Cashier Point
- Lab Reports can be collected from a KIOSK machine rather waiting in the queue and can be sent through an email to the customer upon request
- Patients can save time by sending their drugs prescriptions to the Pharmacy, directly through WhatsApp
- The PACS (Picture Archiving and Communication System) is fully operational and has greatly improved diagnostic capabilities: short and long-term storage, retrieval, management, distribution and presentation of all radiological images and information management
- PACS enables consultants to view the history of CT and MRI reports of the patients from their mobile devices
- Customers will be informed by a SMS regarding the arrival time of the doctors and changes in sessions when channeling consultants

- History of each patient will be stored in a system through a magnetic card (UPIN) which avoids the inconvenience of getting the information from regular customers



Standards used for patients' health and safety

At Nawaloka we maintain the highest standards of patient safety. All our patient care teams have the knowledge and adequate training to adhere to evidence-based safe practices and use of clinical performance indicators to ensure patient safety. The areas which our health and safety procedures cover include not only clinical treatment, but also food and hygiene. All relevant voluntary codes to prevent harm to our patients are part of the procedural framework. Any new services undergo a stringent audit and assessment before they are introduced to the market.

Maintaining customer privacy

We realise the highly personal nature of medical information and the need to protect customer privacy. Any information obtained when a customer uses our services therefore needs to be safeguarded from unauthorised access. All our systems, in particular the IT systems, have been designed to protect customer privacy at all times. We are pleased to state that there were no breaches of customer privacy or loss of data during 2018/19.

Our clinical staff, nurses, and other employees receive continuous training on privacy-related issues and ethical behaviour to ensure confidentiality. Electronic medical records and electronic diagnosis cards are used to store information. There is strict enforcement of access controls on passwords and biometrics.

Anti-corruption/Anti-competitive behaviour/Compliance

We are very conscious of the consequences of corruption in the healthcare sector and the damage it can do to a hospital's image and reputation. The Risk Management Committee of Nawaloka Hospitals has instituted a range of controls to prevent corruption and unethical behaviour. We therefore have a robust framework to prevent unethical practices.

During the year under review, there were no incidents related to the non-compliance and Anti-competitive behaviour of regulations and voluntary codes concerning and anti-compliance and corruption.



>> One of many key differentiators... our portfolio of **high tech, state of the art medical equipment**

Cutting edge medical equipment and machinery allow Nawaloka Hospital to offer premium interventions, from diagnostics to surgery and targeted treatment protocols that have patient wellness at their core... as befits one of Sri Lanka's premier healthcare institutions.



*Mae Vee is low in carbohydrates and rich in proteins and fibre
With a Glycaemic Index 25 to 30% lower than other varieties, this rice is
recommended in dealing with diabetes, constipation, haemorrhoids and
cardiovascular diseases. It is also efficacious in diarrhoea and controlling
corpulence and is a recommended dietary addition for tuberculosis patients.*





>> State-of-the art, in-house infrastructure facilitates Nawaloka's **unique healthcare eco-system**

The "right" infrastructural processes, equipment and ancillaries allow us to bring healing and well-being to our patients, with ease and convenience..

Business Partner Capital



Our visiting consultants spearhead our medical services. Nawaloka has the largest pool of consultants of any private hospital. They align with the hospital’s mission of “healing with feeling”, by providing the highest standard of patient care in a compassionate manner. We also have long standing relationships with other partners, including suppliers of medical equipment from reputed global brands.

Number of Consultants

2018/19

575

Number of Suppliers

2018/19

696



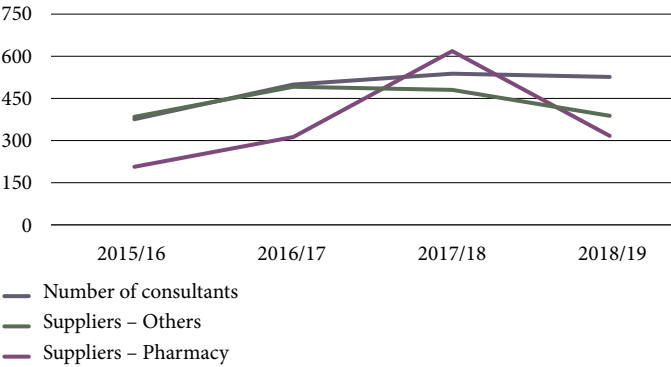
The success of our enterprise is dependent on the links we have with, and the cooperation we receive from a large number of partner individuals and organisations. Our partners understand and contribute to achieving our Vision.

Our visiting consultants are at the forefront of our medical services. In numbers, our pool of consultants is the highest of any private hospital. They share our commitment to provide the highest standard of patient care, and work in alignment with the Hospital’s mission. We also have close links with general and pharmaceutical suppliers both here and overseas.

Business partner profile

Aspect	2018/19	2017/18	2016/17	2015/16
Number of consultants	575	547	503	369
Suppliers – Pharmacy	313	628	310	199
Suppliers – Others	383	487	500	376

Number of business partners (Nos.)



Technological knowledge and excellence

Healthcare is in a constant state of evolution due to the expansion of knowledge and technological changes. New products, services, equipment, and techniques are constantly being introduced. Nawaloka Hospital keeps pace with all new developments in medical knowledge, pharmacy, and technology. We also integrate new developments in all aspects of medical care to provide the best possible service to our patients. We leverage our partnerships with organisations which are at the cutting edge of technology such as Green Cross laboratories, South Korea to improve our services.

Relationships with partners

Clear communication and management of expectations is essential to build long term and mutually beneficial relationships. We have in place channels and mechanisms whereby regular feedback is given to us, especially by our consultants. Through a “Weekly Feedback Form Process” our consultants communicate any issues they have directly to the senior management, and this process has contributed to better relationships between the parties.

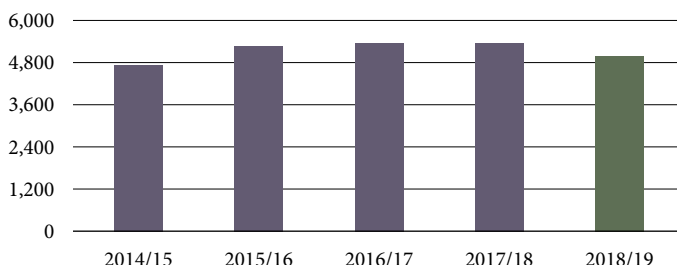
To ensure smooth continuance of our service provision we need to have uninterrupted supply of quality goods and services. We procure our medical equipment from reputed global brands to ensure high quality. We have built long standing relationships with many of these suppliers, which has guaranteed reliability and improved efficiency. Nawaloka Hospital gives attention to identifying and addressing supplier grievances. Our procurement management strategy includes a feedback process. This includes regular and productive communication with suppliers; it also ensures timely identification and addressing of any grievances.

Local suppliers

As a socially responsible Sri Lankan Company we accept that we have a role to play in developing the local economy and the business community. In our procurement we try to purchase from local suppliers as far as possible, provided they can meet quality standards. While supporting local entrepreneurs this leads to lower logistics and labour costs.

Payments to suppliers

Payments to suppliers (LKR Mn.)



External initiatives

We have established links with a number of other healthcare organisations and other bodies. We have memberships and affiliations with the organisations mentioned below; these provide an opportunity for fruitful interactions and dialogues with others who are stakeholders of the healthcare industry.

- The Institute of Chartered Accountants of Sri Lanka (Accredited Training Partner)
- The Association of Accounting Technicians of Sri Lanka (Accredited Training Partner)
- Employees Federation of Ceylon
- Certified Management Accountants of Sri Lanka
- Institute of Certified Professional Managers of Sri Lanka

Nawaloka Elder Care

The Nawaloka Elder Care unit was incorporated two years ago to address the challenges of our ageing population. Sri Lanka's senior citizen population is expected to double within the next three decades. This will put a great pressure on the social welfare and health systems of the country. This initiative Nawaloka Elder Care unit has taken, aims to provide our elders with access to high quality healthcare facilities.

It is a modern elders' home which has borrowed concepts from the hospitality industry, to combine luxurious facilities and amenities with world class healthcare. Thereby we hope to keep the elders happy and contented.

This facility was developed with assistance from Japan, a country renowned for its expertise in healthcare. The caregivers at the unit have imbibed Japanese principles of care and hospitality. The staff use their expertise to prepare customised daily schedules for residents, taking into account their individual preferences and health conditions. The unit has a dedicated panel of consultants trained for elder care.



Interior view of the elder care room.

Nawaloka Premier Centre

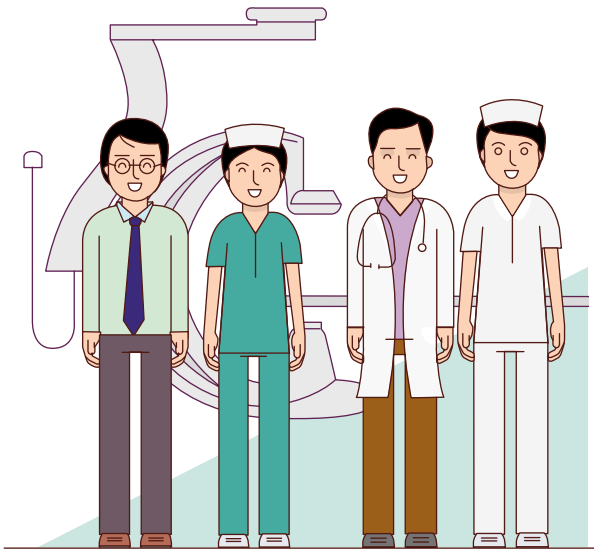
The Nawaloka Premier Wellness Centre, Colombo 7 was set up to provide personalised healthcare of a very high standard at a location in the heart of the metropolis. The quality of service provided and the convenient location, is greatly appreciated by the customers.

There are highly specialised facilities to administer different types of treatments and tests. The services include, medical check-ups and other screening tests like USS, ECG, ECHO in addition to other modern treatments like physiotherapy, 3D LIPO surgeries etc. Paramedical services such as weight loss programmes and exercise scheduling are also provided. The services are provided by a team of consultants and other healthcare professionals covering all medical specialities, supported by a fully automated laboratory and a pharmacy of the highest standard.



Premier centre in Colombo 7.

Human Capital



We have an extremely diverse employee profile. However, the different functions, skills, and competencies come together to create a whole that is more than the sum of its parts. In common with the rest of the industry we face the challenge of high turnover, despite being competitive in salaries and benefits. We strive to overcome this with a recruitment policy focussed on recruiting the best available talent.

Number of Employees

2018/19

2,765

New Recruits

2018/19

953

Hours of Training

2018/19

15,723


The service we provide is indeed a challenging one having to cope with rapidly evolving medical knowledge, changing technology, and a diverse profile. Our highly skilled team of professionals, of many different disciplines are well-positioned to cope with this onerous task.

Our employees are a close knit team which coordinates well to provide exemplary service. It is not only professional and technical skills that are needed but also empathy with the patient in line with our ethos of “healing with feeling”.

Over the years we have developed effective strategies of engagement with our employees. This covers the entire spectrum of interactions from recruitment, training, and task performance, to long-term retention.

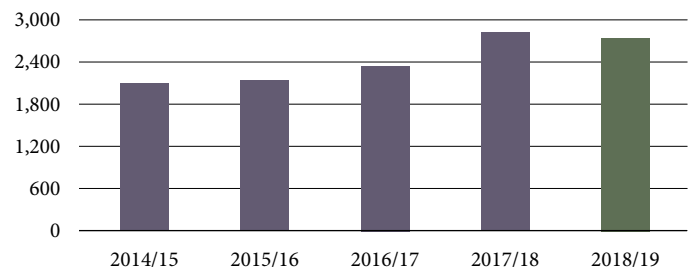
Furthermore, Nawaloka has the reputation of being an equal opportunity employer which does not discriminate on gender, race, ethnicity, religion, or disability.

Workforce profile

Our team has a diverse composition. However, these diverse elements and their skills come together to create a cohesive whole that is more than the sum of its parts. Our total work force as at 31 March 2019 was 2,765 which was a drop of 2.5% from the year before. Our total workforce comprises of staff in Regional hospitals Labs, Diagnostic centres and wellness centre.

Our total staff numbers over the past five years are shown below.

Number of employees (Nos.)

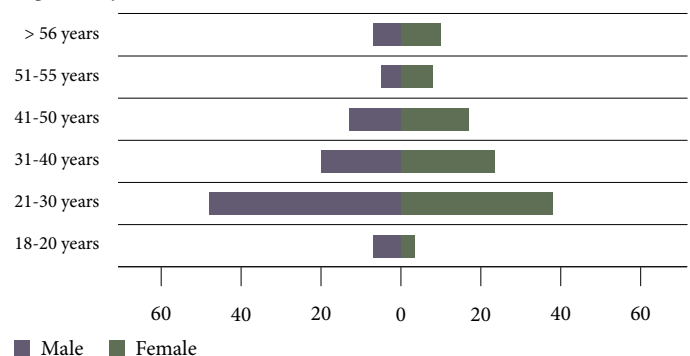


Out of our total staff 27% are male whereas 73% are female.

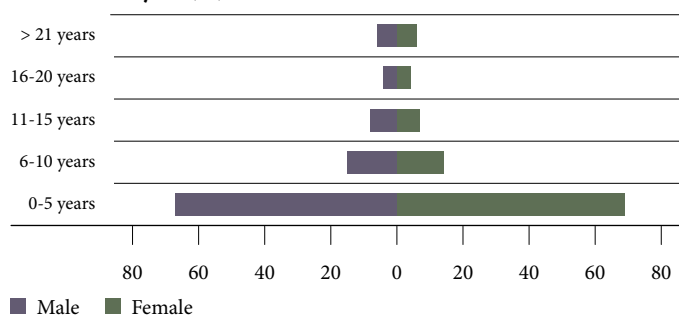
Analysis by age

When the age distribution of our staff is considered the largest numbers are in the age bracket 21-30. They constitute 45% of our total staff.

Age analysis (%)



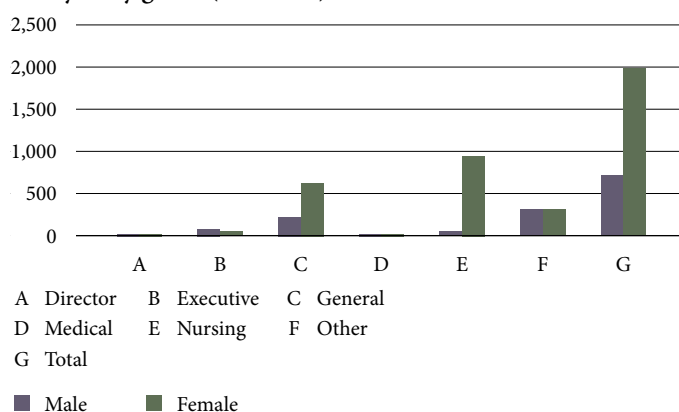
Service analysis (%)



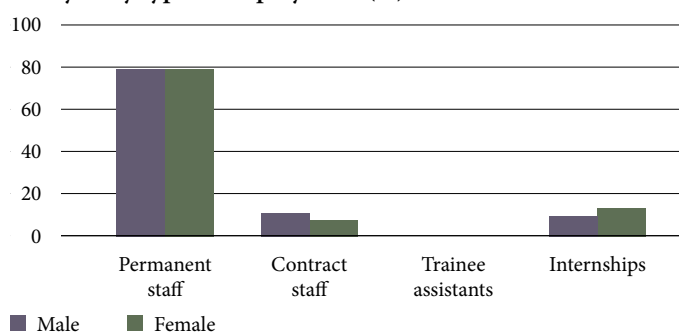
Analysis by grade

We have a commendable number of women in managerial and professional grades.

Analysis by grade (LKR Mn.)



Analysis by type of employment (%)



Employee recruitment

A common feature in the healthcare sector, worldwide, is the high rate of staff turnover. Skilled persons are in high demand and as a result turnover is high. Although Nawaloka Hospital has a high reputation in the industry, and is competitive in salaries and benefits we are still faced with the problem. Our recruitment strategy has to be focussed on sourcing the best available talent, in a field where there are many players. Our HR Department has developed an HR policy taking into account the challenges in the environment.

The Nawaloka Hospital's HR team periodically reviews the staffing of all departments to ascertain any vacancies and skill gaps that need to be filled. Vacancies are advertised and the merits of the candidates are ascertained through interviews. The entire process is fully transparent and a final decision is made by the Interview Board. During the year a total of 953 new staff were recruited.

Recruitment by grade

Grade	Female	Male	Total
Director	–	–	–
Executive	24	17	41
General	182	67	249
Medical	9	16	25
Nursing	313	32	345
Other	176	117	293
Total	704	249	953

Recruitment by age

As in the case of the total staff, the bulk of the new recruits have been in the 21-30 age group.

Age	Total number	%	Male	%	Female
18-20 years	128	2	19	11	109
21-30 year	510	13	122	41	388
31-40 year	108	4	36	8	72
41-50 years	41	2	18	2	23
51-55 years	38	1	9	3	29
56 years and above	128	5	45	9	83
Total new hires	953	26	249	74	704

Recruitment by region

Location/region	Total	%
Central	142	15
Western	470	49
Eastern	41	4
North Central	32	3
North Western	26	3
Sabaragamuwa	27	3
Southern	130	14
Uva	29	3
Northern	56	6
Total	953	100

Training and development

Healthcare is a highly knowledge intensive and fast changing industry. Continued professional development and training is therefore imperative to keep pace in this highly competitive industry. Employee training also helps to keep the staff motivated and promotes retention. Our training programmes cover a wide spectrum of specialities from

patient care, healthcare trends, treatments, and techniques to fields such as radiology. Our appraisal system provides feedback on areas we need to focus on more. Since we are continuously modernising our equipment we need to train our employees on the use of the equipment. Work-based learning also occurs at individual and departmental level.

Investment on training



Year	2018/19	2017/18	2016/17	2015/16	2014/15	2013/14	2012/13
Cost (LKR)	2,095,518	1,718,232	1,183,190	23,926,176	21,465,321	19,210,425	14,100,221
Hours	15,723	15,176	12,466	2,499	2,141	1,785	1,582

Training cost

LKR 2,095,518

Training hours

15,723

Training programme	Sessions	Total number of participants	Total number of hours
BLS CPR (Basic Life Support/Cardio Pulmonary Resuscitation)	28	326	1,805
Customer relations	33	3,458	3,619
Fire and safety	25	959	2,285
Hand hygiene	22	2,239	2,320
Hazardous material	11	1,625	1,625
Knowledge sharing	10	655	655
JCIA trainings (Joint Commission International Accreditation)	32	1,184	1,156
Outside training	3	130	207
Orientation	9	293	2,051
	173	10,869	15,723

Employee retention and turnover

Globally, out of all sectors, the healthcare industry has the second highest rate of turnover. A study by Compdata, based on a survey of 11,000 healthcare employers, having a total of 11 million employees, found that the turnover has increased from 15.6% in 2010 to 20.6% in 2017. Employee morale is crucial in our industry as it has a direct impact on providing empathetic care to patients.

Employee training is costly, both in terms of time and money and so is recruitment. To ensure that the process is cost effective it is imperative that we minimise turnover. At Nawaloka Hospital we have taken a number of steps to address the problem.

At the point of recruitment itself retention is a consideration. Nawaloka Hospital studies the profiles of potential recruits carefully by evaluating experience, qualifications, references etc. During the probation period we get a further opportunity to verify the capabilities of the recruit and the fit with the culture.

We provide our employees with competitive remuneration, numerous benefits, and opportunities for career growth all of which contribute to retention. We also have several employee engagement programmes in place to foster healthy employee relations and motivate our employees. They include employee satisfaction surveys and feedback, bonus schemes, and employee reward schemes.

Promotions by grade

Grade	Number promoted
Director	–
Executive	7
General	111
Medical	–
Nursing	117
Other	87

Health and safety

Nawaloka Hospital is concerned not only about the health and safety of patients; it is also concerned about the health and safety of its employees. Given the nature of our industry, employees are exposed to much higher risks than those in most other industries. To prevent and mitigate such occupational risks, we have developed a comprehensive multi-faceted process, including the following:

- Hazard identification
- Mitigation framework to identify risks
- Risk management
- Priorities and manage risks

Whenever a new process is introduced it is screened through the above process to identify any hazards it may pose. Our employees also receive comprehensive training on risk avoidance and mitigation. We have introduced the following safeguards to reduce health and safety risks in the workplace:

- Provision of surgical gloves and masks to staff members
- Providing training on handling medical instruments
- Training nurses on hygiene factors
- Setting up triage counters manned by qualified and experienced nurses to make an initial determination about the nature and severity of a patient's illness/injury
- Adopting special surgical prevention policies
- Regular supervision by senior medical personnel
- Overall supervision by Medical Superintendent
- Regular monitoring by the Medical Risk Management Committee

The details of health and safety incidents during the past four years is shown below:

Injuries/diseases/fatalities/lost day/absenteeism	2018/19	
	Total number	Rate (%)
Injuries	5	17
Occupational diseases	0	0
Lost working days	25	83
Work-related fatalities	0	0

Benefits and rewards

As we are very conscious of the need to motivate our human capital, we provide additional incentives and benefits for our staff. These include cash benefits, recreation and entertainment benefits, social and development activities, all of which go to improve the well-being of our employees and improve their morale. Staff of all grades are entitled to these benefits.

The following are the cash benefits staff are entitled to:

- Fixed monthly salary, annual bonuses on the overall performance of the Company, Performance-based incentives, and festival advances.
- Travelling allowances, fuel allowances, vehicle allowances, staff loans at concessionary interest rates and reimbursement of membership fees.
- Employee-defined benefit plans.
- Marriage allowance.
- Hostel benefit.
- Scholarships for children of employees who passed GCE O/L, GCE A/L and entered university.

Recreation and entertainment benefits:

- Annual trip
- Staff meals at cost and dry ration packs
- Foreign training
- Weekly refreshment

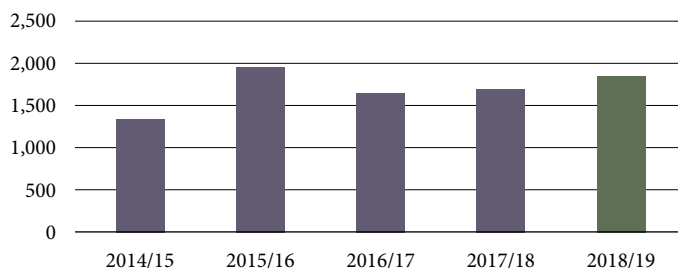
Social development activities:

- Book donations
- Dry rations distribution
- Free medical camps
- Free surgeries

Subsidised medical entitlement:

We want to make the best of our medical services available to our employees too. To this end, a medical card is issued to all Hospital employees who complete three months of service. We also have a General Insurance Scheme and a Death Donation Scheme for our staff.

Medical entitlement



Year	Number of staff who used medicine cards
2018/19	1,343
2017/18	1,968
2016/17	1,657
2015/16	1,689
2014/15	1,856

Number of employees admitted under the General Insurance Scheme

Year	Number of employees admitted
2018/19	393
2017/18	537
2016/17	541
2015/16	622
2014/15	622
2013/14	498

Number of death donations (Welfare Fund)

Year	Number of employees used
2018/19	43
2017/18	38
2016/17	27
2015/16	12

Sports and recreation

Nawaloka hospital won the championship of Mercantile Cricket Tournament held this year.



Winners of Mercantile Cricket.

Parental leave

All female employees of Nawaloka Hospital are entitled to parental (maternity) leave when necessary, in accordance with the Shop and Office Act. We facilitate their return to work without any constraints.

In 2018/19, out of 2,019 female employees 73 availed themselves of maternity leave. Out of them 68 returned to work at the end of the period.

Return to work and retention rates after parental leave, by gender	
	Total female
The number of employees that were entitled to parental leave	2,019
The number of employees that took parental leave	73
The number of employees who returned to work after parental leave ended	68
The number of employees who returned to work after parental leave ended who were still employed twelve months after their return to work	44
The return to work and retention rate of employees who returned to work after leave ended	Return to work 93%

Employee engagement

Research studies have established a significant correlation between employee engagement and patient experience, patient safety, reduction of patient mortality.

Employees performance evaluation

Nawaloka Hospital conducts a quarterly performance evaluation for employees. Evaluation is conducted under a number of criteria which are shown below:

Category	Percentage of employee Evaluated	
	Male	Female
Job-related knowledge and skills	82	81
Quality of work (Neatness, accuracy, creativeness and timely action)	78	84
Reliability (Dependability on him/her)	74	80
Work attitude (Co-operation, sense of responsibility etc.)	83	84
Leadership (Ability to get a job done)	88	89
Inter-personal relationship (Ability to get on with the staff)	82	82
Public relations (Positive relationship with customer)	88	90
General conduct (Observation of rules and regulations)	80	83
Career development (Learning through experience)	81	80
Punctuality (Unauthorised leave and absenteeism records)	80	81

Employee suggestion scheme

We have a mechanism for staff to put forward their suggestions to improve the Organisation and work procedures. This gives employees a sense of contributing and enhances their self-esteem. Suggestions from staff are entertained quarterly, and if found appropriate are implemented by Management. As shown below, a majority of the suggestions have been implemented.

Quarterly	Number of ideas	Number of ideas implemented	Remarks
1st Quarter	–	–	–
2nd Quarter	6	6	OSHAS meeting/health and safety related
3rd Quarter	12	8	Satisfaction survey
4th Quarter	40	25	One to one interview and self-evaluation of employees

Employee grievance handling

While we always strive to maintain a happy, engaging and conducive working environment for all our employees, we are aware that grievances will arise from time to time. Nawaloka Hospital has therefore put in place mechanisms through which employees can put forward their grievances in a methodical and systematic manner. We ensure that any staff who have grievances are given a fair hearing at an appropriate level, and issues do not unnecessarily get escalated. The following are some of the grievances that were raised during the year:

Identified and filed grievances	Priority	Addressed	Remarks
Employee accommodation	233	224	All these basic needs already addressed
Employee vehicle parking	4	4	
Staff meals	147	121	
Long shifts	3	3	

Whistle-blowing policy

We have introduced a whistle-blowing procedure where employees can come forward to report any suspected or possible incidents of fraud, malpractices or other illegal activities. The procedure covers prevention, early detection, reporting, monitoring, recovery and follow-up actions. Employees can report their concerns in confidence and without fear of reprisals.

Equal opportunity employer

Nawaloka Hospital has an extremely diverse workforce which is a tribute to our recruitment policies. We do not discriminate on the grounds of sex, marital status, race, colour, religion, physical disability, age, or sexual orientation. We maintain the equal opportunity policy across all disciplines and work areas.

General equity in remuneration

Our non-discrimination policy is also carried out in our remuneration procedures. We do not discriminate on the basis of gender when deciding on the remuneration of our employees. This policy is inherent on our vision, mission, and values. It is part of our performance driven culture where all rewards are based on merit. Our staff and Management abhor discrimination and any related grievances can be addressed through our Grievance Management Committee.

Collective bargaining and freedom of association

Freedom of association, which is a fundamental human right, is the right of people to join formal or informal groups for the purpose of collective action. We recognise that it is also an aspect of employee engagement. Nawaloka Hospital recognises and respect our employees' right to collective bargaining.

There were no incidents of violation of freedom of association of employees and collective bargaining during the year.

Minimum notice period regarding changes in operations

According to our procedures there are minimum notice periods for changes in operations which directly affect employees.

The applicable notice period areas shown below:

Type of change	Minimum notice period
Transfer	Immediate or two weeks
Retirements	3 Months
Dismissal	Immediate
Resignation	1 Month

Complying with human rights principles

All the systems and processes of Nawaloka Hospitals are in conformance with the principles of human rights, outlined by the International Labour Organisation (ILO) and the United Nation's Universal Declaration of Human Rights. Many of the principles enunciated in these documents are relevant to Nawaloka Hospital's working environment.

These include freedom of association, right to collective bargaining, elimination of child labour, and sexual harassment. We also follow best practices on other human rights-related issues such as working hours, minimum working age limit, and health and safety measures at the workplace. No grievances pertaining to human rights were recorded during the year under review.

Child labour

Nawaloka Hospital eschews any use of child labour in the workplace. We have stringent measures in place to prevent even any inadvertent occurrence of the same. Our HR Department follows stringent procedures to prevent under-age recruitment. Documents such as Grama Niladari Certificates, police reports, referees reports, Character Certificates, and Educational certificates are scrutinised prior to recruitment. There were no reported cases of child labour reported during the year 2018/19.



***Kaarthuwa** is used to measure grain in the threshing floor as well as to refer to the extent of land over which a particular amount of grain could be sown. This is made of wood and take the shape of a box with an open top. This can contain approximately 5.5kg of paddy.*



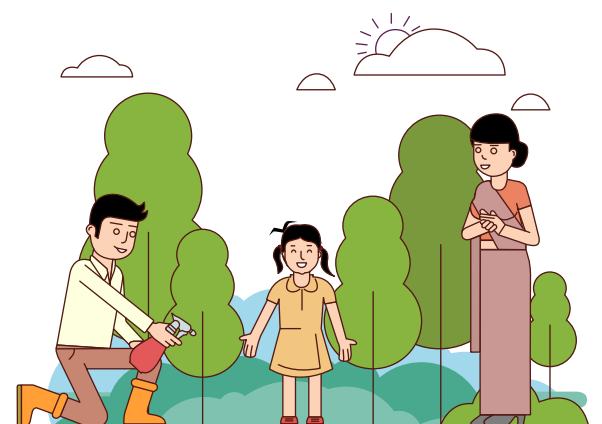
කළු හිනට්

Kalu Heenati

Rich in fibre, this rice variety keeps intestines healthy and is beneficial in the control of diabetes. Its properties also benefit lactating mothers and in the management of hepatitis. Folklore claims it also mitigates the toxic effect of snakebite.



Social and Environmental Capital



We are not single-mindedly focussed on the bottom line; serving society and preserving the environment is part of our ethos. Through our “Nawaloka Sathkara” programme we reach out to the disadvantaged in society and try to alleviate their hardships. The Nawaloka Nurses Training School opens the door for students from diverse backgrounds to join the healthcare position. This initiative also contributes to meeting the demand for nursing skills in the country.

Investment in School Development projects

2018/19

LKR 2.6 Mn.

Investment in Community

2018/19

LKR 5.7 Mn.

Number of Medical Camps

2018/19

42

Number of awareness programmes

2018/19

52

Social capital

With 34 years of experience as the leading private healthcare institution in the country, it has become ingrained in our ethos that our corporate objective is not only to generate profits for ourselves but to deliver value to society. This extends far beyond the healthcare services we provide to our customers.

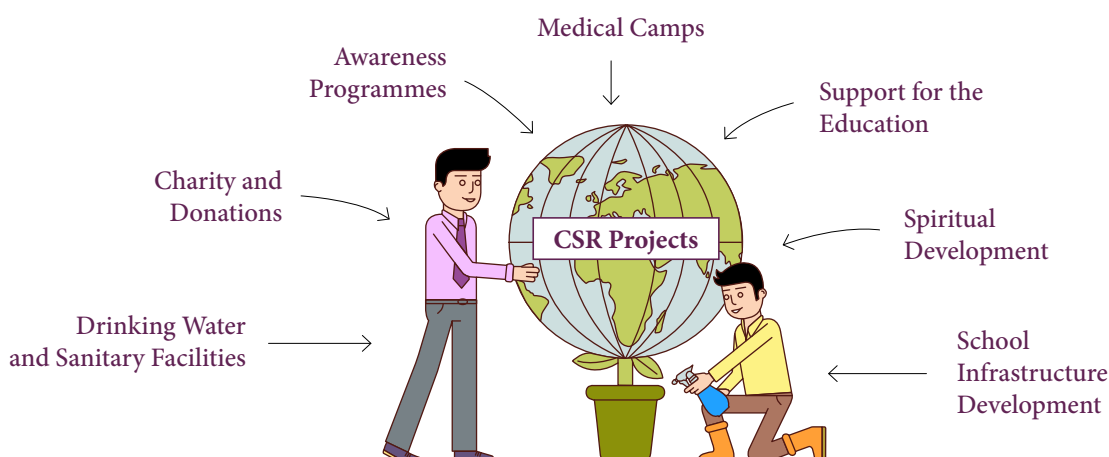
Corporate social responsibility

Corporate Social Responsibility (CSR) is a business model where a company considers its economic, social, and environmental impact in addition to its financial performance. This is aligned with the triple bottom line concept. Nawaloka therefore strives to enhance its positive economic, social, and environmental impact on society while minimising any negative aspects.

In addition to incorporating CSR considerations into our normal activities, we conduct a large number of social programmes in the following areas:

- Awareness programmes
- Supporting education
- Drinking water and Sanitary facilities
- Spiritual development
- School infrastructure development
- Charity and Donations





Corporate ethics and risk management

As the leading private healthcare institution in the country, we have a role in uplifting the society economically, physically and spiritually. While we contribute to the first two through our normal activities we also make additional contributions through our CSR projects. As described below we contribute to the spiritual development of society through religious projects.

Given the nature of our business a high degree of risk is inherent in our operations. The most significant risk is clinical risk which relates to the degree of patient care. This has the associate risks of customer dissatisfaction as well as legal risk. To minimise this risk, we maintain the highest medical and safety standards and have streamlined our systems and procedures. (Described in further detail under Risk Management on page 34).

Many of our CSR activities are conducted under the umbrella of the “Nawaloka Sathkara” project which was inaugurated in 2013. This project aims to help the underprivileged and the needy, uplift the community and preserve the environment.

Quality assurance in the supply chain

As a healthcare organisation we are very conscious of the impact that the quality of goods that were procured has on the service we provide to our end customer, the patient. Our JCIA (Joint Commission International Accreditation Team) has drawn up policies and procedures to follow regarding procurement of pharmaceutical products and medical equipment.

We have made it mandatory that all suppliers of pharmaceutical products should provide their registrations and other important documents. We also purchase only pharmaceutical products that are approved by the National Medicines Regulatory Authority.

Nawaloka only uses high quality medical equipment, which is imported mainly through reputed agents. Equipment is procured only from SLAS-certified organisations. Suppliers are engaged when conducting after-sales service and exercising warranties. Supplier audits are also conducted on a regular basis to ensure our suppliers include social and environmental considerations in the product quality and manufacturing process.

Providing rewarding employment opportunities

- Nawaloka Hospitals Management has taken a measures to enhance the Graduate Employment Rate in relation to their area of study through Internship Trainees. It is aligned with the modern world's view on the purpose of higher education as to play a direct role to support hospital growth as well as the economic development.
- Conducting motivation, positive attitude and good work habits programmes for the workplace to minimise the employee turnover.

Nawaloka Nursing Training School

The Nawaloka Nursing Training School (NTS) was established to give Sri Lankan students from all parts of Sri Lanka and diverse social backgrounds an opportunity to join the healthcare profession. It also provides an additional revenue for tertiary education in an environment where such opportunities are limited. The NTS uses the latest teaching methodologies and has a modern and well-equipped training centre. The trainees are exposed to the latest advances in medicine and are made capable of using state-of-the-art medical equipment. Many of the recruits to the NTS are motivated to join after attending the special medical camps conducted in rural areas under the CSR programme. After graduation the nurses, have job opportunities throughout the country open to them.

Helping the underprivileged



“Nawaloka Sathkara” is the programme whereby we reach out to under privileged groups in society and give them a helping hand and also help to preserve the environment.

	Purpose	Impact	Expectations
“Nawaloka Sathkara” as a value creation	Innovative and promotes sustainable business model	Fundamental strategic and operational impact	<ul style="list-style-type: none"> • Positive impact on society • Promote competitiveness and innovation • Promote sustainable business model • Integrates business into community • Develop human capital (key in developing country)
“Nawaloka Sathkara” as a risk management	Compliance	Medium to high strategic and operational impact	<ul style="list-style-type: none"> • Supports of external relationship
“Nawaloka Sathkara” as a corporate philosophy	Providing funding and skills	Medium to high strategic and operational impact	<ul style="list-style-type: none"> • Enhancing inbound relationships (suppliers, employees etc.) • Positive business reputation • Better brand recognition • Increase customer loyalty and public image • Boost employee engagement

The impact of our CSR projects is measured by a framework of KPIs.

Measure	2018/19	2017/18	2016/17
Number of school development projects	5	5	5
Investment in school development project (LKR)	2.6 Mn.	11.34 Mn.	2.1 Mn.
Number of medical camps	42	12	12
Number of awareness programmes	52	43	26
Charity and donations (LKR)	5.7 Mn.	8.9 Mn.	3.9 Mn.
Number of job opportunities created	953	651	206

Spiritual development

For the holistic development of a country, it is necessary to inculcate spiritual values especially in the younger generation. These are the related projects we carried out over the last three years.

2016	2017	2018
Constructed 02 “Budu Medura” at A/Thambiyawa Dharmapala Viduhala, Thanthirimalaya and A/Ashoka Vidyalaya, Elayapaththuwa	Renovated 02 Buddha Shrines at B/Horadoruwwa Sri Jinarathana College and B/Karagahawela Sri Premananda College	Constructed a “Budu Medura” at Bissobandara School, Polonnaruwa

School infrastructure development

One of the key CSR programmes is to uplift backward schools. These schools are generally located in remote rural areas and lack basic facilities. The following are the activities carried out under this project in the 2018/19:

Mirishena Primary School

Nawaloka Constructed two sink basins, donated a 5,000 litre plastic cell double layer water tank, constructed an amano plate roof and a concrete floor to shelter the tank and replaced the filter.



Gurugodalla Primary School

Donated a Ceramic wash basin with a tap and pipe water connection. Repaired the water treatment plant at the school and fixed a plastic door.



Bisso Bandara School

Constructed the "Budu Medura" and fixed drinking water basins.



Thalakolawewa Pririwena

Constructed a library and toilets.



Ashoka School

Constructed a outdoor stage for the ground.

Indirect economic impact

We have contributed to local economic development by generating direct and indirect employment and income for other local businesses. By providing our patients with world-class medical care using cutting-edge technology, we help eliminate the need for Sri Lankans to travel abroad for medical treatment. This results in saving of valuable foreign exchange.

An emerging trend is that Sri Lanka is becoming a hub for medical tourism. Nawaloka has been successful in attracting a substantial number of medical tourists and the numbers should increase in the years to come. This will be a source of foreign exchange earnings to the country. Our Nursing School also gives broad benefits to national healthcare by providing much-needed nursing expertise.

Compliance

Nawaloka was awarded ISO 9001:2015 for the administration of the Hospital's healthcare services covering outpatients, in-house patient care, nutrition, surgical and intensive care, paramedical services, and pharmacy.



ISO 9001:2015 Certificate.

Support for education

Each year, under "Nawaloka Sathkara" programme, we donate books and study materials for children in the rural areas of the country. During the year under review, we built a library at Thalakolawewa Pririwena and donated books for the library.

We also donated relevant education books for the Mirishena Primary School, Gurugodella Primary School and Ashoka College.

Medical camps and awareness programmes

Following medical camps and social awareness programmes were conducted during the year under review:

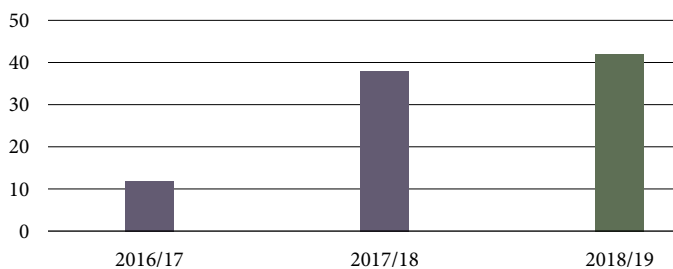
- Conducted a free Weight Management centre programme
- Conducted a free NCD awareness programme
- Conducted a free First Aid program
- Free medical camp held at the Nawaloka Medical Centre – Gampaha

- Free medical camp and awareness programme held at the Nawaloka hospitals PLC
- Free medical camp at Nawaloka Hospital, Negombo

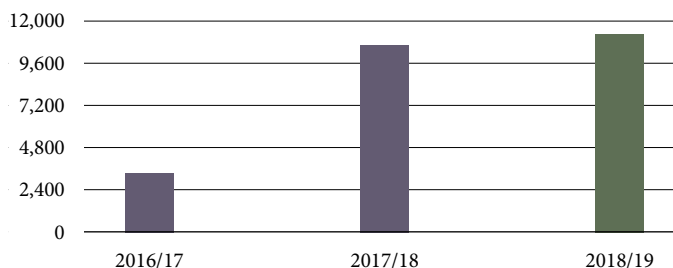


Medical camp at Nawaloka Hospital Negombo.

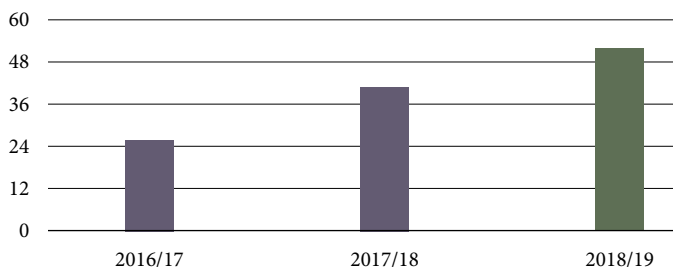
Number of medical camps (Nos.)



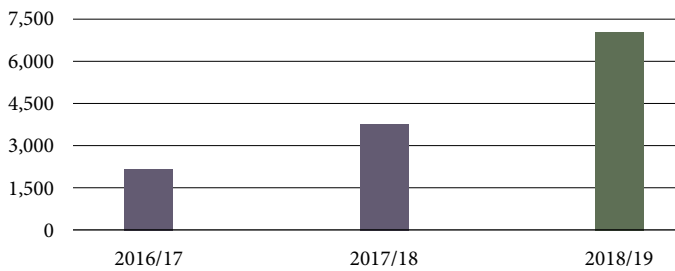
Number of participants (Nos.)



Number of awareness programmes (Nos.)



Number of participants (Nos.)



Charity and donations

The following charity and donations were one during the year:

- Monthly financial contribution for the Crippled Children's Aid Association of Sri Lanka
- Donation for social service activities of the Dozen Group – Event
- Donation for International White Cane festival day
- Donation for Poson Perahera in Rakwana
- Financial contribution for Sankapitthi Viharaya



Contribution for Sankapitthi Viharaya.

Drinking water and sanitary facilities

Each year we provide drinking water and sanitary facilities for schools in rural areas. This year too we provided the same for the following schools:

- **Mirishena Primary School**
Replaced a water filter and fixed two sinks basins.
- **Gurugodalla Primary School**
Repaired the water treatment plant and fixed a ceramic wash basin and a tap.
- **Bisso Bandara School**
Fixed drinking water basins at the school.

Nawaloka hospitals selfless act of kindness during a National emergency

On Easter Sunday, 21 April Sri Lanka suffered a devastating bombing attack. Approximately 250 people lost their lives, including at least 45 foreign nationals and three police officers. Another 500 people suffered injuries.

Nawaloka, as the leading private healthcare organisation in Sri Lanka, took on the onus to render the maximum possible assistance in this grave situation. We utilised all our resources, using the latest medical technology, to lend a helping hand to the affected citizens in their hour of need. Treatment at our Colombo and Negombo hospitals were provided to victims free of hospital charges until they recover.

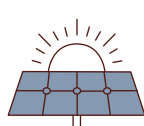
The Sri Lanka Tourism Promotion Bureau expressed its gratitude for the assistance provided on the occasion of the Easter Sunday attack, and recognised the contribution made thereby to the tourist industry.



Appreciation by Chairman – Ceylon Tourist Board

Environmental Capital

In today's economic, social and political milieu, global warming and climate change have become global issues. In this context, we cannot be a socially responsible Organisation without addressing the environmental impact of our operations and other measures we can take to safeguard the natural environment. Nawaloka continuously strives to minimise the negative impacts that its operations are having on the natural environment. We monitor our impact on a regular and random basis to identify any corrective action needed. The key areas we focus on are conservation of electricity, water, systematic disposal of hazardous materials, and emissions.



Energy management

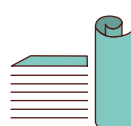
Total energy consumption



Total consumption

Total water consumption

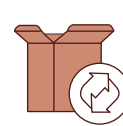
Water consumption per employee



Materials management

Total linen order quantity

Total linen expense per patient



Waste management

Total wastage/ Kg

Total incinerator disposal/ltr

	Energy management	Total consumption		Materials management		Waste management	
	Total energy consumption	Total water consumption	Water consumption per employee	Total linen order quantity	Total linen expense per patient	Total wastage/ Kg	Total incinerator disposal/ltr
2018/19	12,173,744.00	197,353.00	71.38	3,871	108.71	271,350.00	2.50
2017/18	9,774,537.00	219,147.00	77.25	2,100	217.31	175,000.00	2.50
2016/17	7,988,953.00	216,776.00	91.74	1,460	481.27	102,735.00	2.58

From the point when employees are recruited, we inculcate them with the importance of preserving the natural environment.

Materials and waste management

Despite being a service providing Company, Nawaloka Hospitals consumes a considerable quantity of materials, both in the clinical and non-clinical category. We have an efficient and effective process to manage usage of all materials through the life cycle. Purchasing of materials is well under control to eliminate both under-stock and over-stock situations and maintain optimum stock levels. The inventory management system has also enabled identifying excess and unwanted materials in wards and other locations in the Hospital. Reusable materials are then identified, repaired and reused.

We have adopted the following procedures to dispose of used and waste materials safely and with minimum environmental damage.

- Needles, injections and scissors are disposed of in the incinerator according to standard guidelines.
- Materials such as cans and bottles are handed over to a plastic scrap vendor for disposal, eliminating polluting the natural environment.
- Wooden and steel items etc., are stored in a mesh room and systematically sold as scrap periodically.
- General garbage is sorted by category and handed to the municipal garbage collectors.

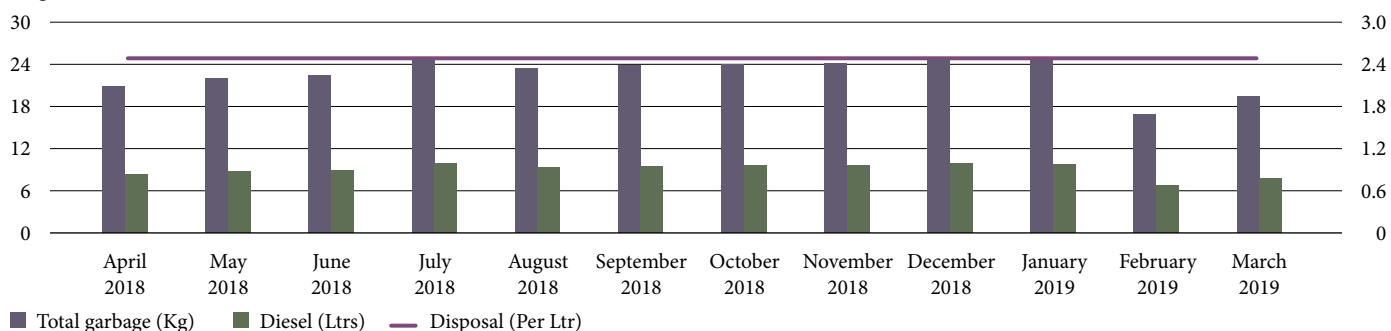
We have also successfully applied the 5S concept to improve efficiency in the management of materials and reduce waste. Application of the 3R concept (reduce, reuse and recycle) has also contributed to reduce waste and cost. Introduction of the lean management system also contributes to the same objectives.

Month	Total garbage kg	Diesel litres	Disposal per litre
2018 April	20,900.00	8,360.00	2.5
2018 May	22,000.00	8,800.00	2.5
2018 June	22,500.00	9,000.00	2.5
2018 July	24,700.00	9,880.00	2.5
2018 August	23,500.00	9,400.00	2.5
2018 September	23,800.00	9,520.00	2.5
2018 October	24,000.00	9,600.00	2.5
2018 November	24,200.00	9,680.00	2.5
2018 December	24,800.00	9,920.00	2.5
2019 January	24,550.00	9,820.00	2.5
2019 February	16,900.00	6,760.00	2.5
2019 March	19,500.00	7,800.00	2.5
	271,350.00	108,540.00	2.5

Waste management

(Kg '000/Ltr '000)

(Per Ltr)



Power and energy management

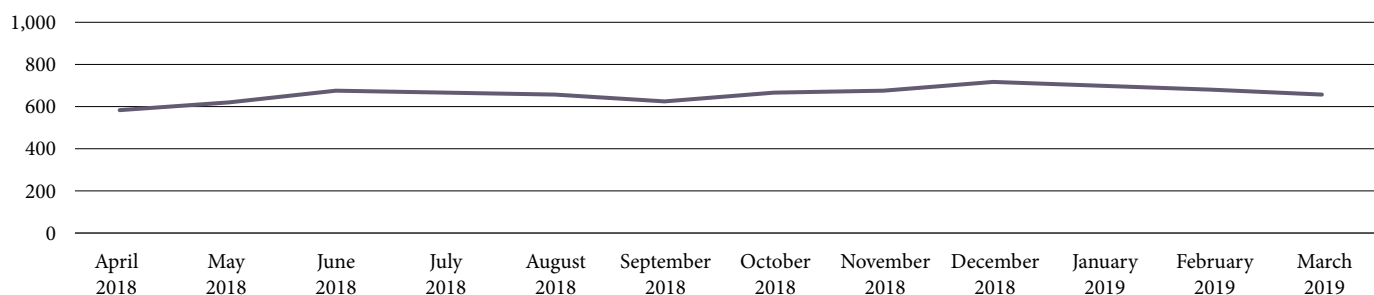
The Hospital's energy requirements are generally sourced from the national grid but we have our own generators for use in case of a power interruption. Nawaloka strives to stick in to the own guide lines that we have setup in relation to the power and energy conservation.

In the year under review, consumption of electricity has increased by 24%, due to expansion in operations especially the opening of a new car park building. But the Hospital strives for continuous improvement and has started some new conservation initiatives.

- Random and timely visits are done during office hours to ensure minimum use of fans and lights
- Replacing high energy consuming bulbs and lights throughout the hospital by new sensor lights
- Replacing less efficient AC chillers with new high performing ones



Revenue per electricity unit (LKR)



Month	Revenue per electricity unit LKR
2018 April	569.47
2018 May	617.00
2018 June	677.60
2018 July	667.28
2018 August	659.11
2018 September	620.38
2018 October	665.87
2018 November	678.56
2018 December	726.78
2019 January	706.65
2019 February	686.90
2019 March	656.63

Water management

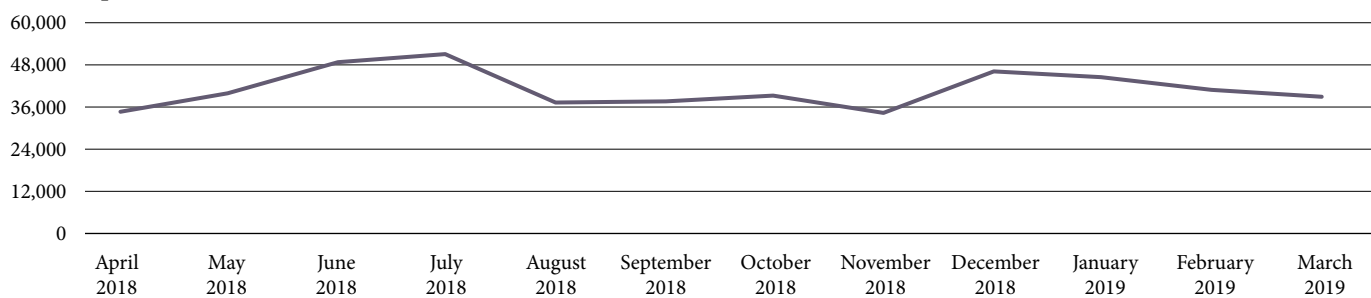
The national water supply is used as the main source of water to the Hospital.

Nawaloka has implemented the following water conservation measures:

- Replacing normal taps by sensor taps
- Conducting random visits to identify wastages of water or water leaks
- Conducting awareness programmes to inculcate the importance of water conservation

Month	Revenue per water unit LKR
2018 April	34,378.23
2018 May	39,854.71
2018 June	49,006.57
2018 July	51,556.24
2018 August	37,049.08
2018 September	37,452.22
2018 October	39,014.83
2018 November	34,123.37
2018 December	46,446.95
2019 January	44,737.32
2019 February	41,052.03
2019 March	38,947.24

Revenue per water unit (LKR)



Emission management


Since the inception, Nawaloka has been greatly concerned with control of emissions which may pollute the atmosphere. In the course of its operations a great deal of clinical waste is produced and has to be disposed. This is done systematically minimising environmental pollution. A tall incinerator tower is used to release the clinical waste emissions at a high elevation, preventing it being inhaled by people.

Contribution to the sustainable development goals

The 17 United Nations Sustainable Development Goals (SDGs), adopted by member states in 2015, were a call to action for nations to sustainably ensure eliminating poverty, improving health and education, reducing inequality, and spurring economic growth while preserving the environment. Increasingly Organisations round the globe are incorporating these goals into their strategies.

The details of the goals Nawaloka contributes to are given below:





මධනවල Madathawalu

Madathawalu contains more protein, mineral and fat than other heirloom varieties of rice. It helps in blood purification and the proper functioning of sweat glands and has properties that remove toxic agents from the body, especially carcinogenic elements. It is a good aid in the digestion of nutrients.



Governance

Board of Directors



Dr Jayantha Dharmadasa
Chairman and CEO
Executive Director

Dr Jayantha Dharmadasa has been the Chairman of the Company since 2011 and is a businessman by profession. He counts over 41 years of experience in Executive Management and 32 years in the healthcare industry. He is a Fellow Member of the Institute of Certified Professional Managers (FCPM) is the Chairman of Nawaloka Hospitals PLC, Nawaloka Aviation Private Ltd., Nawaloka Polysacks, Sharjah, Sasiri Polysacks Private Ltd., Nawaloka Construction Company Private Ltd., Nawaloka Petroleum Private Ltd., Koala Private Ltd., New Ashford International Private Ltd., Nawaloka Medical Centre Private Ltd., Nawaloka Green Cross Laboratories Private Ltd., Nawaloka Engineering Co. Private Ltd., Nawaloka Agri Private Ltd., Ceyoka Private Ltd., Nawaloka College of Higher Studies Private Ltd., East West Marketing Private Ltd., Nawaloka Steel Industries Private Ltd., Alcobronz Private Ltd. and JDC Graphic Systems Private Ltd.

Dr Dharmadasa holds an Honorary Doctorate from Swinburne University of Technology, Australia. He is the Honorary Consul-General of the Republic of Singapore in Sri Lanka. He was also a Director of Sri Lanka Telecom PLC, former President and also Vice-President of Sri Lanka Cricket and a Past President of the Asian Cricket Council. He was the Former Chairman of the National Film Corporation.



Mr Rienzie Theobald Wijetilleke
FCIB (UK), FIB (Sri Lanka) CCMi (UK)
Independent Non-Executive Director
and Vice-Chairman

Mr Rienzie T Wijetilleke has been a Director of the Company since 2003 and appointed as Vice-Chairman in August 2011. He is a Fellow of the Chartered Institute of Bankers, United Kingdom and also Fellow of the Institute of Bankers Sri Lanka and Companion of the Chartered Management Institute UK.

In late 2010 Mr Wijetilleke completed 50 years as a Banker and in 2011 retired from the position of Chairman, HNB. He is a past Chairman and Director of the Colombo Stock Exchange. He is also the settler and the Main Trustee of "The Rehabilitation of Buddhist Temples Foundation" (Incorporation Act No. 17 of 2014).



Vidya Jyothi Professor Lal Gotabhaya Chandrasena
Director/General Manager, Executive
Director

Professor Chandrasena has been a Director of the Company since 2003. He is a clinical biochemist by profession and counts 24 years of University Academic Service and 31 years experience in hospital and healthcare administration and laboratory sciences. He is the Emeritus Professor of Biochemistry and Clinical Chemistry, Faculty of Medicine, University of Kelaniya.

Professor Chandrasena has a Doctorate in Philosophy from the University of Liverpool (UK) and a Bachelor of Science (Hons) from the University of Liverpool (UK). He is a Fellow of the Institute of Chemistry, Ceylon and is a Chartered Chemist, Fellow of the Royal Society of Chemistry (UK), Fellow of the National Academy of Sciences of Sri Lanka and Post- Doctoral Fellow, Colorado State University, U.S.A. He is also a Fellow member of the Institute of Certified Professional Managers and holds a certificate in Hospital Administration from the Indian Institute of Management, Ahamadabad.

He is also a Director of Nawaloka Hospitals International (Pvt) Ltd., International Medical Institute (Pvt) Ltd., Nawaloka College of Higher Studies (Pvt) Ltd., Nawaloka Guardian International (Pvt) Ltd., Nawaloka Hospitals Research and Education Foundation, and Nawaloka Green Cross Laboratories (Pvt) Ltd.

He is the immediate past President of the Association of Private Hospitals and Nursing Homes, Member of the Private Health Services Regulatory Council – Ministry of Health and a Board Member of Sri Lanka Atomic Energy Regulatory Council. He is also the Vice President of National Stroke Association of Sri Lanka.

He is also the President of the Association for Clinical Biochemistry, Sri Lanka. He was conferred the National honour of "Vidya Jyothi" by His Excellency The President of Sri Lanka in 2017.


Deshabandu Tilak de Zoysa

FCMI (UK), FPRI (SL)

Senior Independent, Non-Executive Director

A well-known figure in the Sri Lankan business community, Tilak de Zoysa, FCMI (UK) FPRI (SL), Honorary Consul for Croatia and Global Ambassador for HelpAge International was conferred the title of “*Deshabandu*” by His Excellency the President of Sri Lanka in recognition of his services to the country and was the recipient of “The Order of the Rising Sun. Gold Rays with Neck Ribbon” conferred by His Majesty the Emperor of Japan. He is also a recipient of the LMD lifetime achievers’ Award 2017.

In addition to being the Chairman of the Supervisory Board (AMW) and Advisor to the Al-Futtaim Group of Companies in Sri Lanka, he Chairs Carson Cumberbatch PLC, Associated CEAT (Pvt) Ltd., Amaya Hotels and Resorts USA (Radisson), Jetwing Zinc Journey Lanka (Pvt) Ltd, Trinity Steel (Pvt) Ltd., CG Corp Global Sri Lanka, HelpAge Sri Lanka and YMBA Colombo.

He is also the Vice-Chairman of CEAT Kelani Holdings (Pvt) Ltd., Orient Insurance Ltd., and serves on the Boards of several listed and private companies which include TAL Lanka Hotels PLC (Taj), TAL Hotels and Resorts Ltd., Nawaloka Hospitals PLC, Associated Electrical Corporation Ltd., Dutch Lanka Trailer Manufacturers (TATA Group), INOAC Polymer Lanka (Pvt) Ltd., Cinnovation INC, GVR Lanka (Pvt) Ltd. and Varun Beverages Lanka (Pvt) Ltd. (Pepsi).

Mr Tilak de Zoysa is a past Chairman of the Ceylon Chamber of Commerce, the National Chamber of Commerce of Sri Lanka, HelpAge International (UK) and served as a Member of the Monetary Board of Sri Lanka (2003-2009).


Mr Tissa K Bandaranayake

FCA, BSc

Senior Independent Non-Executive Director

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

He has more than 45 years of commercial and professional experience. He was with Ernst & Young, Sri Lanka for 27 years until retirement as a Senior Partner in April 2009, managing a large portfolio of clients including both local and multi-national companies in various industries. He is a Director of Brown and Co. PLC., Samson International PLC, Laugfs Gas PLC, Harischandra Mills PLC, Renuka Foods PLC, Renuka Holdings PLC, Overseas Realty (Ceylon) PLC and Micro Holdings (Pvt) Ltd. He also serves as an Advisor/Consultant to the Board of Directors of Noritake Lanka Porcelain (Pvt) Ltd.

Mr Bandaranayake was a past Chairman of the Audit Faculty of The Institute of Chartered Accountants of Sri Lanka and a past president of the practicing Chartered Accountants’ Forum. He is the President of National Stroke Association of Sri Lanka, Technical Coordinator of the Rotary Foundation cadre of Technical Advisers – Financial Audit for the period 2018-2021. He was the Rotary International District Governor for Sri Lanka 1999-2000.

He currently serves as the Chairman of the Quality Assurance Board of Sri Lanka comprising representatives of the private sector and regulatory agencies.


Mr D Sunil AbeyRatna

PhD (UH-USA), FCA (SL), FCMA (SL), FCMA (UK), CMA (Aust.)

Independent Non-Executive Director

Mr D Sunil AbeyRatna counts over 46 years of experience in the fields of Finance, Audit and Tax. He is a fellow of The Institute of Chartered Accountants of Sri Lanka, the Institute of Management Accountants of UK and Certified Management Accountants of Sri Lanka. He is also a member of the Certified Management Accountants of Australia and has a Doctorate in Philosophy from the University of Honolulu USA.

He is the Sole Proprietor of AbeyRatna and Co. – Chartered Accountants and a Director of AGN International Limited – EMEA Region which is the 4th Largest independent accounting association in the world based in over 108 countries and 478 office locations.

He is also a Director of KBSL Limited, East West Properties PLC, Roswell Investments (Private) Limited and Colombo Traders Limited.



Mr Ugitha Harshith Dharmadasa
Executive Director

Mr Harshith Dharmadasa has obtained his International Master's in Business Administration from Birmingham City University. He has been a Director of the Company since 2000. He has 24 years of experience in Executive Management.

He is the Chairman of Millenium Housing Developers PLC. He is also the Managing Director of Ceyoka (Pvt) Ltd., Nawaloka Trading (Pvt) Ltd., Nawaloka Agri (Pvt) Ltd., Ceyoka Engineering (Pvt) Ltd., Nawaloka MEP Concepts (Pvt) Ltd., Koala (Pvt) Ltd., East West Marketing (Pvt) Ltd., Nawaloka Steel Industries (Pvt) Ltd., Ceylon Nutrinut Holding (Pvt) Ltd. and Nawaloka Construction Company (Pvt) Ltd.

Mr H Dharmadasa is also a Director of Nawaloka Holdings (Pvt) Ltd., Nawaloka Hospitals PLC, Nawaloka College of Higher Studies (Pvt) Ltd., Nawaloka Medicare (Pvt) Ltd., Nation Lanka Finance PLC, and JDC Printing Technologies (Pvt) Ltd.



Mr Anisha Dharmadasa
Executive Director

Mr Anisha Dharmadasa has been a Director of the Company since 2000. He has 22 years of experience in Executive Management.

Mr Dharmadasa is a Director of Nawaloka Medical Centre (Pvt) Ltd., Waves Destinations (Pvt) Ltd., Nawaloka Holdings (Pvt) Ltd., Nawaloka Hospitals PLC, New Ashford International (Pvt) Ltd., Nawaloka Engineering (Pvt) Ltd., International Medical Institute (Pvt) Ltd., Nawaloka Petroleum (Pvt) Ltd., Nawaloka Guardian International (Pvt) Ltd., Nawaloka Medicare (Pvt) Ltd., Nawaloka Construction Company (Pvt) Ltd., Quincy (Pvt) Ltd., Sasiri Polysacks (Pvt) Ltd., Nawaloka Green Cross Laboratories (Pvt) Ltd., JDC Printing Technologies (Pvt) Ltd., JDC Graphics Systems (Pvt) Ltd., Unifold (Pvt) Ltd., JDC Inks & Chemicals (Pvt) Ltd., and Nawaloka Institute of Healthcare (Pvt) Ltd. Mr Anisha Dharmadasa is also the Chairman of Sikure Security Services (Pvt) Ltd. and Nixon Distribution Services (Pvt) Ltd.



Ms Ashani Givanthi Dharmadasa
Executive Directress

Ms Givanthi Dharmadasa has been a Directress of the Company since 2003 and has 18 years of experience in Executive Management. She is a Directress of Nawaloka Holdings Private Ltd., Nawaloka Hospitals PLC, Nawaloka Medicare Private Ltd., Nawaloka Air Services Private Ltd., Nawaloka Aviation Private Ltd., Redline Services Private Ltd., Redline Design & Printing Private Ltd., Redline International Private Ltd., Alcobronz Private Ltd., Nawaloka Green Cross Laboratories Private Ltd., Nawaloka Hospital Research & Education Foundation, JDC Printing Technologies Private Ltd., JDC Graphics Systems Private Ltd., Unifold Private Ltd., JDC Inks & Chemicals Private Ltd., Nawaloka Professional Academy Private Ltd., and Nawaloka Institute of Healthcare Private Ltd.



Mr Palitha Kumarasinghe PC
Independent Non-Executive Director

Mr P Kumarasinghe is a leading President's Counsel specialised in civil commercial litigations. He had his education at Mahinda College, Galle and thereafter entered Sri Lanka Law College in 1979. He was enrolled as an Attorney-at-Law in 1982.

Having dwelled into the Chambers of Mr Romesh de Silva, President's Counsel, Mr Kumarasinghe is in active practice in the District Court of Colombo, Commercial High Court of the Western Province and the Superior Courts. He has an extensive commercial law practice and he is the Counsel for a large number of banks and finance houses. He was made a President's Counsel in 2006 by the President.

He was a Vice-President and Executive Committee Member of the Bar Association and Chairman of various committees inclusive of National Law Conference, Ethics and Professional Conduct and Continuing Legal Education.

He was once the President of Colombo Law Society. He served in the Public Service Commission for a period of six years and was a member of the Council Legal Education (2010-2015) and its Board of Studies, Chairman of Environment Council (2010-2013) and a Member of Advisory Commission on Intellectual Property (2001-2004).

He also served as the Chairman of the Disciplinary Committee of Sri Lanka Cricket, from 2012 to 2016, the Chairman of Legal Advisory Committee 2012-2015 and the Chairman of the Governance Committee (2012).

He was an Independent Non-Executive Director of Laugfs Gas PLC, from 2012 till end 2017. He is presently a Trustee of Kalutara Bodhi Trust.



Mr Victor R Ramanan
Non-Executive Director

Mr Victor Ramanan is a Sri Lankan born British National residing in London. Being educated in Sri Lanka and the UK, Victor is a BSc Graduate and holds a Diploma in Software Engineering, Business Admin and Sales Techniques (UK).

He is a versatile marketer and administrator with more than 30 years of hands on experience working in many countries including United Kingdom, Kuwait, Dubai, Bahrain, Germany, France, USA and Sri Lanka. He has worked in areas such as IT, HR, Marketing and Business Development of which more than 17 years has been in the fields of Oil, Gas, Logistics and Real Estate sectors.

Presently holds positions as a Chairman, Deputy Chairman and Director in the under-mentioned companies:

- Nation Lanka Finance PLC – Chairman
- Nawaloka College of Higher Studies (NCHS) – Deputy Chairman
- Millennium Housing Developers PLC – Deputy Chairman
- Nawaloka Hospitals PLC – Director
- Ideal Getaways (Pvt) Ltd. – Director
- Jilani Group (Dubai) – Director

Management Team



Dr Tissa Indrasiri Perera
Medical Superintendent

Dr Tissa Indrasiri Perera graduated with MBBS from Faculty of Medicine, University of Colombo, Sri Lanka in 1984. He holds a MSc in Medical Administration awarded by the Postgraduate Institute of Medicine Sri Lanka, Postgraduate Diploma in Toxicology from the Faculty of Medicine – University of Colombo, Certificate in Cardio Vascular Health from University of Monash, Australia, and Certificate in Health Programme Management from University of Colombo.



Mrs S R M Jayarathne
Chief Nursing Officer

Mrs R M Jayarathne graduated as a staff nurse from the Nursing Training School Colombo, Certified in intensive care, cardiothoracic, coronary care, organ transplant management, dialysis, endoscopy and ward administration. Has over 40 years experience in the National Hospital Colombo, Ministry of Health Oman, and University Hospital of Wales, Cardiff.



Mr Nalaka Niroshana
Head of Finance and Corporate Planning

Mr Niroshana holds an MBA from Birmingham City University UK, an Associate Member of the Chartered Institute of Management Accountants – UK, an Associate Member of Chartered Global Management Accountants and a Member of Certified Professional Managers. He is also a graduate from the University of Sri Jayewardenepura. Joined Nawaloka Hospitals in 2011 and has over 15 years of executive experience in diversified conglomerates in Sri Lanka.



Mr Indika Prasath Balasuriya
Head of Information Technology

Mr I P Balasuriya has obtained an MSc in IT from the University of KEELE (UK) in 2005, and is a Member of BCS, CSSL, and the Institute of Certified Professional Managers (CPM). He has also followed the NIBM Diploma in IT. He has over 21 years of experience in the fields of Project Management, ERP Project Consulting, Application Development, Implementation, and User Training. He has experience with multinational companies as well. He joined Nawaloka Hospitals in 2008.



Mr Chaminda Rupasena
Head of Human Resources

Mr C Rupasena is a holder of BSc in Business Administration (Human Resources Management) Special Degree from the University of Sri Jayewardenepura. He is an Attorney-at-Law, Notary Public, Commissioner for Oaths and is a Registered Company Secretary. He holds a Diploma in Psychological Counselling. He also holds a National Diploma in Occupational Health and Safety. He has over 14 years of experience in Human Resources Management.



Mr Thenuka Dissanayaka
Finance Manager

Mr Dissanayaka is a member of the Institute of Chartered Accountants of Sri Lanka (ACA), an Associate member of Certified Management Accountants (ACMA), a member of Certified Professional Managers (ACPM) and a Senior Accounts Technician (SAT). He graduated from the University of Jayewardenepura and joined Nawaloka Hospitals in 2013.



Mr Kanishka Warusavitarana
Senior Manager – Operations

Mr Warusavitarana is a Member of the Association of Accounting Technicians, Sri Lanka. He joined Nawaloka Hospitals in 1988. He has eight-years of experience in a reputed firm of Chartered Accountants and has 31 years experience in the healthcare industry.



Mr Upatissa Mannapperuma
Senior Coordinating Officer and
Maintenance Manager

Mr U Mannapperuma obtained his National Certificate of Technology from the University of Moratuwa in 1980. In 1983 he joined the Maintenance Division of Nawaloka Hospitals. He is certified in Hospital Management from Japan Overseas Health Administration Centre, Yokohama in 1995. He has 34 years of experience in the healthcare industry.



Mr M D Ariyawansa
Senior Coordinating Officer

Mr M D Ariyawansa obtained his Diploma in Business Management from the National Institute of Business Management in 1983. He joined Nawaloka Hospitals in 1985 as an Executive Officer and worked in several business units at the Hospital. He has obtained a Certificate in Hospital Management from Japan Overseas Health Administration Centre, Yokohama in 1999. He is presently the Senior Coordinating Officer responsible for coordinating public relations functions of the strategic business units. He has 34 years of experience in the healthcare industry.



Mr Gayan Wanniarachchi
Manager Finance and Operations –
Nawaloka Hospitals, Negombo and Gampaha

Mr Wanniarachchi is a member of Chartered Accountants of Sri Lanka (ACA), a member of the Institute of Certified Professional Managers (CPM), a member of the Institute of Certified Management Accountants (CMA) and a Senior member of the Association of Accounting Technicians of Sri Lanka (AAT). He joined Nawaloka Hospitals in 2012 and is now heading the Finance and Operations of Nawaloka Hospitals, Negombo and Nawaloka Medicare Gampaha.



Mr K S B Ekanayake
Electrical and Mechanical Engineer

Mr K S B Ekanayake holds a Diploma in Electrical Engineering from the University of Moratuwa. He has work experience of over 14 years as an Electrical Engineer. He joined Nawaloka Hospitals in 2016 as an Electrical and Mechanical Engineer.



Ms Arosha Koggala Wellala
Legal Officer

Ms Wellala holds a Master's Degree (LLM) from the University of Wales and a Bachelor's Degree (LLB) from University of Colombo. She is a Registered Company Secretary, Notary Public and Commissioner for Oaths. She is an Attorney-at-Law of the Supreme Court for nearly 15 years. She joined Nawaloka Hospitals in 2009.



Deshabandu Dr M Allan Gerreyn
Food and Beverage Manager/Executive Chef

Dr Allan Gerreyn joined Nawaloka Hospitals PLC in 2003 and has 36 years of experience in the hotel industry. He received his Deshabandu title in 2014 from *Nanaguna* Foundation. He has won Five Crown Awards in Food Hygiene for five consecutive years from 2012.



Mr G A Varghese
Biomedical Engineer

Mr Varghese obtained a Diploma in Biomedical Engineering, Computer Science, Network Technology, and Computer SW/HW. He was employed in the Middle East as a Biomedical Engineer since 1988 and has 26 years of experience in the field. He Joined Nawaloka Hospital in 2014 as a Biomedical Engineer.



Mrs R V N Rupasinghe
Lobby Manager

Mrs Rupasinghe joined Nawaloka Hospitals in 1991. She has obtained Certificates in Customer Service, Contact Centre Management, Public Relation and Interpersonal Skills by the Graduate School of Management. She is presently the Lobby Manager of Nawaloka with 28 years of experience in the healthcare industry.

Executive Clinical Management Team



Dr Maiya Gunasekara

MBBS, FRCS (Eng.), FICS, FRCS (Ed.), MS (Surgery), FIAGES, FCS (Sri Lanka) FMAS

Consultant Surgeon/General Surgery/
Gastronteroscopy/Laparoscopy and
Endoscopy Consultant-in-Charge of
Surgical Service



Dr Vajira Tennekoon

MBBS, MD, FRCP, FRACP, FCCP

Consultant Chest Specialist/Physician and
Physician-in-Charge Medical Intensive
Care Unit



Dr W A M Gunasekara

MB, MRCP (UK), FRCP (Lon), FCCP

Consultant Physician and Physician-in-
Charge Ward Medical Services



Dr Duminda Pathirana

MBBS (Col), DCH (Col), MD (Col), MRCP (UK), MRCP, CH (UK), FCCP

Consultant Pediatrician



Dr Harindu Wijesinghe

MBBS, MD, MRCP (UK)

Consultant Rheumatologist Specialist in
Sports Medicine



Dr Chandima De Mel

MD FRCP (Lond), FCCP, M Phil (Lond), D Path

Consultant Physician



Dr Sandeep K Sharma

MD (Anesthesiology)

Consultant Cardiac
Anesthetist and Intensivist



Dr Hemant Digambar Waikar

MBBS, MD, DA, (ANAE), PDCC
(Cardiac and Neuro Anesthesia)

Consultant Cardiac Anesthetist



Dr A G Jayakrishnan
MS, FRCSI, FRCS, (CTH)

Chief Cardiothoracic, Vascular and
Transplant Surgeon



Dr Punsith Gunawardene
MBBS (Colombo), MS (Colombo)

Consultant Neurosurgeon



Dr Chandana Kanakarathna
MBBS (SL), MD (SL), FRCP (Lond),
MSC Geriatric Medicine (UK), *Diploma in
Geri, Med (London), Board Certification in
General Medicine (SL), CCT General Medicine
(UK), CCT Geriatric
Medicine (UK)

Consultant Physician, Consultant
Geriatrician (Geriatric Physician)



Dr P Prakash Priyadharshan
MBBS MD MRCP (UK) MRCPs (GLASGOW)

Consultant Cardiologist Special
Interest – Cardiac Imaging



Dr M T D Lakshan
MBBS MS DOHNS FEB ORL –
HNS FRCSEd ORL – HNS

Consultant ENT and Head and
Neck Surgeon

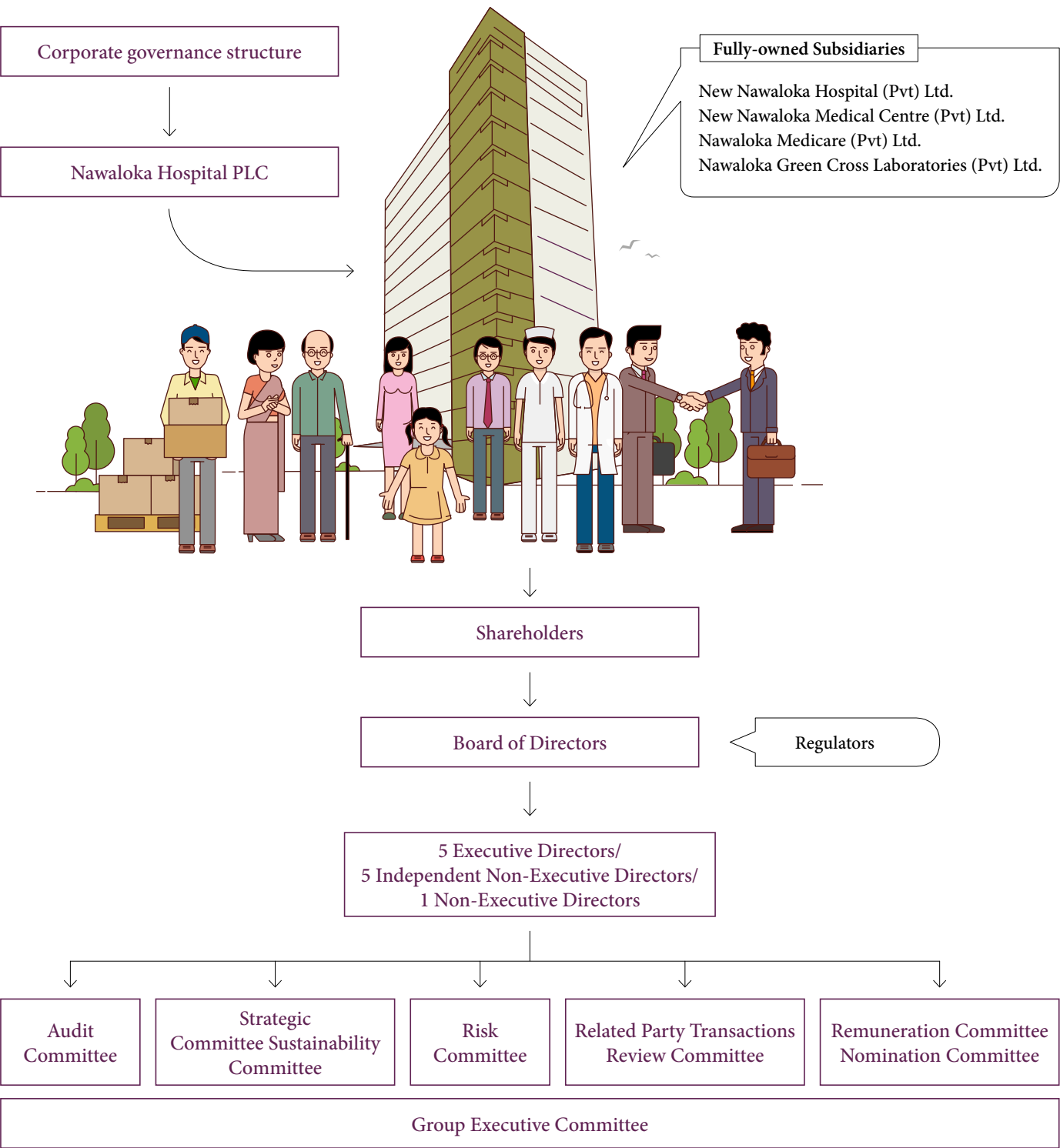
Corporate Governance

Governance in healthcare embraces both financial and non-financial elements as there is a societal aspect associated with providing healthcare. Nawaloka Hospital advocates well-structured corporate governance which has been implemented in all business units to maintain and enhance the shareholder value in addition to ensuring the compliance with mandatory requirements. The Company emphasizes the need for full transparency and accountability in all the transactions in order to protect the interest of all its stakeholders. Our Director Board and Management team are committed to uphold the

highest standards of corporate governance to create an environment where excellence in clinical care will flourish to deliver consistent shareholder value.

Governance Structure of Nawaloka Hospitals PLC

Corporate governance broadly refers to mechanisms, relations, and processes by which a corporation is controlled and is directed; involves balancing the many interests of the stakeholders of a corporation. Framework ensures accountability, fairness, and transparency in a company's relationship with all its stakeholders (financiers, customers, management, employees, Government and the community).

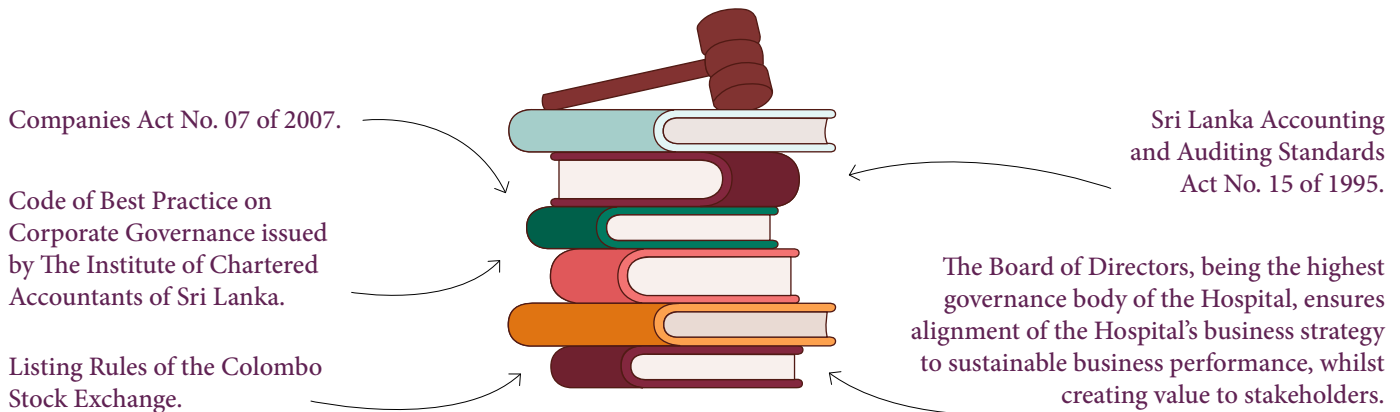


The Corporate Governance framework consists of:

- (1) Explicit and implicit contracts between the Company and the stakeholders for allocation of responsibilities, definition of rights, and determination of rewards.
- (2) Procedures for reconciling the sometimes conflicting interests of stakeholders in accordance with their duties, privileges and roles.
- (3) Procedures for proper supervision, control and information flows to serve as a system of checks-and-balances.

The purpose of Good corporate governance is to facilitate effective, entrepreneurial and prudent management that can deliver long term success of the Company. Corporate governance is generally a matter of powerful business ethics, sound policies and procedures, effective and efficient monitoring system.

Nawaloka Hospitals takes pride in adhering to its highest standards and values in compliance to all laws and regulations. The major external steering instruments on governance could be identified as follows:



Nawaloka Hospital's governance structure is an attempt to align the interest of our stakeholders. The illustrated governance structure (refer page 97) signifies the linkage mechanism that ensures alignment of business strategy and direction through effective engagement and communication with its stakeholders, Board of Directors, Board Subcommittees and Management. It ensures that all our shareholders fully exercise their rights.

The Board comprises five Executive Directors including the Chairman, five Independent Non-Executive Directors and one Non-Executive Director, as shown below, who are professional experts in business and administrative matters in multiple industrial fields in which they have achieved excellence. Their contribution is the main driving force in guiding the Hospital to achieve excellence.

- Dr H K Jayantha Dharmadasa
(Chairman/CEO) Executive Director
- Mr Rienzie T Wijetilleke
(Non-Executive Vice-Chairman)
Independent Non-Executive Director
- Deshabandu Tilak De Zoysa
Senior Independent Non-Executive Director
- Professor Lal Chandrasena
(General Manager) Executive Director
- Mr Tissa K Bandaranayake
Senior Independent Non-Executive Director
- Mr Ugitha Harshith Dharmadasa
Executive Director
- Mr Anisha Dharmadasa
Executive Director

- Ms Ashani Dharmadasa
Executive Director
- Mr D Sunil AbeyRatna
Independent Non-Executive Director
- Mr Palitha Kumarasinghe PC
Independent Non-Executive Director
- Mr Victor Rajamanner Ramanan
Non-Executive Director

We, at Nawaloka Hospital exercise good governance and fulfil compliance requirements through number of mandatory and voluntary subcommittees. These Committees meet regularly to consider and discuss matters falling within their respective Charters and their recommendations are duly communicated to the Main Board. These Committees consist of Executive Directors and Non-Executive Directors in varying proportions as set out above.

The main responsibilities of the Board are as follows:

- Formulate the mission, overall business policy and strategy, provide directions and establish goals for the Management, set priorities and standards for the Management and the conduct of the business.
- Appoint the Chief Executive Officer, determine the remuneration of senior executives and report to the shareholders on their stewardship.
- Ensure that adequate internal controls and the highest ethical standards are maintained.
- Report to the shareholders quarterly on the performance of the Hospital.
- Be conscious of the commitment for the Hospital to be environmentally friendly by placing emphasis on complying with relevant regulations.

- Establish clinical governance procedures and continue to improve the same.
- Approve/review the Hospital's annual, quarterly and monthly programmes for the patient safety, quality and care.
- Establish a mechanism to monitor the Hospital's programmes for the patient safety, quality and care.
- Review on a monthly basis and act on reports of the patient safety, quality and care.

Given below are the ways and means of the Board engaging with the shareholders and employees in order to communicate relevant information to them:

Shareholders

- Annual General Meeting and Extraordinary General Meetings to deliberate on matters which are relevant and are of concern to the general membership.
- Access to the Board and the Company Secretaries.
- The Hospital's website which is accessible to all stakeholders and the general public.
- Interim reports on financial performance.

Employees

- The Board of Directors includes one employee Director namely Vidya Jyothi Professor Lal Gotabhaya Chandrasena the Director/General Manager who bridges the communication gap between the rest of the employees and the Board.
- The Hospital's Board of Directors and Board Subcommittees conduct effective dialogue with the members of the Corporate Management on matters pertaining to the overall strategic direction of the Hospital.
- Staff is subjected to performance appraisal which is conducted quarterly. This is a well-established process and has become an ideal forum for employees to engage in aligning with strategic objectives of the Hospital.

The Board meets on a monthly basis and ad hoc meetings are held as and when required. At these meetings, the Board reviews the exposure to key business risk, the strategic direction of the Hospital, targets and budgets, progress made towards achieving those budgets, capital expenditure programmes, reports on patient safety, quality and care, Sentinel Events Monitoring Report and Customer/Patient Satisfaction Report

The Board has delegated the primary authority to implement policies and achieve the strategic objectives of the Hospital to the Chairman/Chief Executive Officer (CEO) and the Director/General Manager. The responsibilities of the Director/General Manager are as follows:

- Recommend policies, strategic plans, and budgets to the Board of Directors
- The Hospital's overall, day-to-day operations.
- Financial Management
- Quality Management
- Compliance with applicable laws and regulations
- Respond to any reports from inspection and regulatory agencies
- Systems to manage and to control human, financial and other resources

The Chairman/CEO and the Director/General Manager exercise this authority within the policy framework established by the Board and the ethical framework and business practices inherent to the Hospital, in accordance with best practices in dealing with employees, customers, suppliers, consultants and the community at large.

The Chairman/CEO and the Director/General Manager review in detail the monthly performance, budgets, capital expenditure proposals and business strategies prior to recommending them to the Board.

In addition, monthly presentations and review of operations are conducted by the Senior Management team including the Chairman/CEO and the Director/General Manager. This review covers the operations for the current month and the year to date, clinical audit and review reports, clinical indicator reports, clinical incident monitoring report as well as future projections and the liquidity position of the Company.

Conflicts of Interest

The Governance Structure of the Hospital ensures that the Directors take all necessary steps to avoid conflicts of interest, in their activities with and commitments to, other organisations or related parties. In pursuance of the requirements under the Sections 192 and 193 of the Companies Act No. 07 of 2007, the Directors duly disclose the financial accommodation made. We, as pioneers in Modern Healthcare Industry, strictly adhere to the relevant regulatory benchmarks and confirm compliance with the following during the year:

- (1) Companies Act No. 07 of 2007
- (2) The Code of Best Practice on Corporate Governance issued by The Institute of Chartered Accountants of Sri Lanka
- (3) Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995
- (4) Listing Rules of the Colombo Stock Exchange
- (5) Recommendations of the UK Corporate Governance Code as practicable in the context of the nature of business risks and profiles

Clinical governance standards

Clinical governance is a powerful, new and comprehensive mechanism, for ensuring that high standards of clinical care is maintained and the quality of services is continuously improved.

Nawaloka Hospital advocates a transparent, democratic, and participatory governance standards that improve our organisational performance leading to better service, improving healthcare and patient safety, and securing stakeholder and public trust.

We keep the controls and processes up-to-date with clinical standards in order to ensure employees are responsible for continuously improving the quality of services thereby creating an environment which fosters excellence in clinical care.

The standards followed at Nawaloka Hospitals ensure that our staff, clinicians, health professionals, and users of health services are provided with the following assistance:

- Develop and implement clinical governance processes and systems within the Hospital.
- Increase organisational awareness of clinical governance and contribute to the development and implementation of clinical governance systems and processes.

- Assist clinicians and Management to embed clinical governance within the organisational culture.
- Assist Nawaloka Hospitals PLC to demonstrate improved accountability for the delivery of safe, high quality healthcare services through the implementation of clinical governance systems and processes.

Clinical governance is defined as:

A framework through which the Hospital is accountable for continuous improvement of the quality of its services and safeguarding high standards of care by creating an environment in which excellence in clinical care will flourish.

The seven key elements of Clinical Governance are discussed below:

Education and training

This entails providing appropriate support to enable staff to be competent in doing their jobs and to develop their skills. This ensures that practitioners remain up-to-date with the latest skills and knowledge. The employees at Nawaloka Hospital undergo various training programmes every year, and they continue to undertake continuous professional development which improves the delivery or care and skill sets. Our Human Resources Department follows strict measures to ensure that the high standards of Nawaloka is maintained through robust recruitment and selection policies, guidelines, and procedures.

This validation process is in place to justify that the competencies, standards or qualifications are authentic or evidence-based. Validation processes at individual levels include (but are not limited to) the following elements:

- Verifying that the individual is registered with or accredited by the relevant bodies.
- Verifying that the individual has evidence of Continuing Professional Development (CPD).
- Continuing Professional Development: This includes the ongoing and regular education and research activities linked to the responsibilities and needs of the clinicians employed by the Hospital.

Clinical audit

Audit process ensures that clinical practice is continuously monitored and that deficiencies in relation to set standards of care are remedied. Ultimate aim is to improve the quality of care we provide.

The following processes are used in auditing, monitoring and evaluation:

- The application of the results of independent international and local audits to our patient population and the identification of areas of improvement.
- The use of case studies to highlight specific issues that are then generalised within our patient population.

The clinical meetings held every month, with the presence of all Medical Officers and nurses, is a forum where the results of the audits are discussed. The forum facilitates the exchanging of information and opinions which will improve clinical practice. Every forum is chaired by a clinician, who is responsible for raising awareness about the proceedings of the meetings and its outcome. The Medical Superintendent (MS) or other senior administrative

staff attends meetings when required. They will provide the necessary administrative support to carry out the measures finalised in the meetings. The following key criteria are covered in the local audits:

- Respond to newly-published local pathways.
- Respond to newly-published national evidence.
- Respond to newly-available drug or other therapy (if recommended by the relevant Authority).
- Respond to a clinically significant event or substantiated complaint.
- Provide a balance across a range of specialties (i.e., clinicians should not at all focus on a narrow range of conditions).
- Provide a general update in an area of the clinician's own expertise. The Medical Superintendent is designated to:
 - Manage the agenda of clinical meetings.
 - To ensure that the areas selected at clinical meetings meet the criteria of knowledge transfer.
 - To arrange for a clinical evaluation to be presented on any topic that is causing particular concern either locally or more widely.

The papers presented at the monthly meetings are readily available to the participants through email.

The responsibility usually falls on to the clinician who presents the paper.

Clinical effectiveness

This is ensuring that we use the best available evidence and research to provide the best possible outcome for patients. Clinical effectiveness involves three aspects: obtaining evidence, implementing treatment based on the evidence, and evaluating the change of practice. Nawaloka Hospital always works in the best interests of the patients and this aspect ensures we provide the best care.

With respect to obtaining evidence, health providers may use evidence-based practice, such as current research, patient preference, and clinical experience. The clinicians at Nawaloka are expected to work within formalities and protocols that have been developed for specific conditions:

- Clinical standards incorporate clinical guidelines, pathways and local practice protocols. These standards may be set by bodies such as the Sri Lanka Medical Council, which is the authoritative body of the Ministry of Health in setting clinical standards and the Sri Lanka Medical Association.
- Clinical indicators are measures or benchmarks that enable the Hospital to compare them against similar health services. To facilitate health system improvement clinical indicators must be meaningful and reflect clinical practice standards.

Our clinicians are expected to be aware of the latest trends in healthcare by referring to healthcare literature. This ensures that they are aware of global best practices which help them to provide better care to our patients.

Patient and public involvement – Openness

This ensures that the services provided suit patients, that patient and public feedback is used to improve services to increased level of quality and sustainability. Nawaloka Hospital practices an open communication strategy in place for where information can be exchanged regarding our governance strategy and structure or other information pertinent to healthcare professionals, our stakeholders, and any interested parties.

We value the opinion of all our stakeholders, as well as committed to co-operate and engage with other healthcare institutions, local authority organisations, and any organisation which has an interest in our operations. Hospital uses various mechanisms in identifying needs and improvements.

- The Hospital website – promotes regular and ad hoc services, along with information about the staff, the complaints procedure and a comment facility.
- Patient Reference Group – Group representatives of the Hospital's demographic make-up conducts annual patient survey and scrutinises the Hospital's response to the views expressed by patients.
- Complaints – all patient complaints are analysed regularly for learning points and for patterns. Complaints about clinical care are shared immediately with the clinician concerned and those that give rise to clinical learning points are shared more widely at a clinical meeting.
- Suggestions – a suggestion box with forms to complete available at the waiting area. The Hospital aims to co-operate at all times in a spirit of openness with other healthcare providers, local authority organisations, and any organisation which has an interest in our operations.

Risk management

This involves methods to understand, monitor and mitigate risk to patients and staff. Risk management is a process to identify potential faults due to human error in order to reduce inefficiency, to improve cost effectiveness, and to consider patient safety.

Nawaloka Hospital's risk management includes: incident management, monitoring of adverse events, clinical investigations, analysis, and clinical audits to ensure quality improvement of health service delivery. All staff is encouraged to discuss any incident that has or could pose a risk. The experience gained through incidents is shared across the Hospital and actions are reviewed and followed-up until fully-implemented. Clinical incidents are referred to a clinical meeting, to facilitate a detailed discussion in a confidential environment.

To maximise learning opportunities lessons should be shared within the Hospital. Some aspects of clinical risk management are:

- Reporting, monitoring, and trend analysis of incidents and adverse events: This incorporates activities such as learning from local incidents or patterns of incidents, including near hits and management of serious adverse events and maintaining a risk register and monitoring medico-legal cases.
- Sentinel event reporting, monitoring, and clinical investigation: Defines the process for identification, reporting and investigating sentinel events in line with Quality and Patient Safety Committee.

- Analysis of risk profile: including the identification, investigation, analysis and evaluation of clinical risks and the selection of the most appropriate method of correcting, eliminating or reducing identifiable risks. The key policies relating to minimising risk for patients are:

- Patients' Bill of Rights
- Consent Policy
- Infection Control Policy
- Identification of Patients
- Verbal Policy
- High Alert Medication Policy
- Correct Site, Correct Procedure, Correct Patient
- Surgery
- Patient Falls Policy

Information management

Nawaloka Hospitals ensure data protection and confidentiality for patients as well as appropriate storage and management of patient data. Information management is of paramount importance to delivering high-quality healthcare, especially with the digitalisation of the sector. We will use patient data for purposes that are outlined in the Data Protection Policy. Patient records are often scrutinised by internal audits and case studies. It is the responsibility of every clinician to ensure that the details of their consultations are recorded in a way that:

- is easily understood by colleagues and by the patient, if requested
- reflects exactly what takes place in the consultation, including any discussion relating to risk, e.g. consent, offer of a chaperone
- provides clear information about the agreed care plan
- uses codes and templates as agreed within the Hospital to enable effective searching of patient data
- EMR (Electronic Medical Records) with UPIN. This helps us retrieve patient information on the system with no hassle of paper documents

Human Resources

This ensures correct staff is employed for the correct jobs and encourages staff to actively participate in the environment. Effective human resource management practices positively influence outcomes related to organisational loyalty, service delivery, and patient care.

Our highly-qualified team of consultants, nursing staff, medical staff, and other administrative staff is committed to delivering world-class medical care. There are regular reviews conducted to ensure that the standard of care offered is of high standard. In the recruitment process, we thoroughly examine the capabilities of potential MOs or nurses. We also adhere to the best practices and accepted policies and protocols in the management of human resources to ensure all our employees are oriented towards providing outstanding care to our patients.

Additionally, it requires the employer to provide an open attitude with good working conditions and appropriate management of staff members.

Corporate Governance Principle	SEC and CA Sri Lanka Code Reference	Adoption status	Level of compliance by the Nawaloka Hospitals PLC																																				
A. Directors																																							
A.1 The Board																																							
Presence of an effective Board to Direct, Lead and Control the Company.																																							
Meeting	A.1.1	Adopted	<p>During the financial year 2018/19, there were 11 Board meetings held towards reviewing the contemporary organisational strategy.</p> <p>Decisions in relevance to the Organisation’s strategy were made as and when required.</p> <p>All meetings are called well in advance and Directors are expected to participate at the meetings.</p> <p>Attendance of the Board of Directors:</p> <table><tr><th>Name of Director</th><th>Number of Meetings Attended</th><th>Attendance %</th></tr><tr><td>Dr H K J Dharmadasa</td><td>10</td><td>91</td></tr><tr><td>Mr Rienzie T Wijetilleke</td><td>9</td><td>82</td></tr><tr><td>Deshabandu Tilak de Zoysa</td><td>6</td><td>55</td></tr><tr><td>Vidya Jyothi Prof. Lal Chandrasena</td><td>8</td><td>73</td></tr><tr><td>Mr Tissa K Bandaranayake</td><td>9</td><td>82</td></tr><tr><td>Mr U H Dharmadasa</td><td>11</td><td>100</td></tr><tr><td>Mr A G Dharmadasa</td><td>10</td><td>91</td></tr><tr><td>Ms A G Dharmadasa</td><td>9</td><td>82</td></tr><tr><td>Mr D Sunil AbeyRatna</td><td>10</td><td>91</td></tr><tr><td>Mr Palitha Kumarasinghe, PC</td><td>11</td><td>100</td></tr><tr><td>Mr Victor R Ramanan</td><td>9</td><td>82</td></tr></table>	Name of Director	Number of Meetings Attended	Attendance %	Dr H K J Dharmadasa	10	91	Mr Rienzie T Wijetilleke	9	82	Deshabandu Tilak de Zoysa	6	55	Vidya Jyothi Prof. Lal Chandrasena	8	73	Mr Tissa K Bandaranayake	9	82	Mr U H Dharmadasa	11	100	Mr A G Dharmadasa	10	91	Ms A G Dharmadasa	9	82	Mr D Sunil AbeyRatna	10	91	Mr Palitha Kumarasinghe, PC	11	100	Mr Victor R Ramanan	9	82
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Mr Victor R Ramanan	9	82																																					
Board Responsibilities	A.1.2	Adopted	<p>The Board possesses the required skills and qualifications in the following:</p> <ul style="list-style-type: none">• Setting strategic direction and monitoring its effective implementation.• The Non-Executive Directors collaborating with the Executive Directors to evaluate the systems of risk management, internal control and compliance.• The Management appoints the External Auditors of the Company.• The Non-Executive Directors are provided with the opportunity to criticise and question the actions of the Board especially related to the integrity of the financial reporting process.• The Non-Executive Directors ensure that the strategies fall under the scope of ethical standards.																																				
Rules and Regulations	A.1.3	Adopted	<p>The Board collectively acted in accordance with the rules and regulations of the country which are applicable to the Company.</p> <p>The following rules and regulations are adhered to in relevance to Corporate Governance by the Company:</p> <ul style="list-style-type: none">• Companies Act No. 07 of 2007.• Listing Rules of CSE (Colombo Stock Exchange).• The Code of Best Practice on Corporate Governance as published by the SEC (Securities and Exchange Commission of Sri Lanka) and The Institute of Chartered Accountants of Sri Lanka the CA Sri Lanka.• Recommendations of the UK Corporate Governance Code as practicable in the context of the nature of business risks and profiles.																																				

Corporate Governance Principle	SEC and CA Sri Lanka Code Reference	Adoption status	Level of compliance by the Nawaloka Hospitals PLC
Company Secretaries	A.1.4	Adopted	<p>All Directors have direct access to the Company Secretaries which is a firm consisting of members of the Legal Profession and qualified Company Secretaries comprising a Senior Attorney-at-Law and several Associates who are also Attorneys-at-Law.</p> <p>The Company Secretaries ensure the effective circulation of information among Executive and Non-Executive Directors.</p> <p>The Company Secretaries facilitate the Board meetings and the Annual General Meeting.</p>
Independent Judgement	A.1.5	Adopted	<p>The Directors are welcome to bring their independent professional judgements towards the decision-making process.</p> <p>The Board will create a forum to discuss the suggestions and select the best solution for the Company.</p>
Adequate time and Effort	A.1.6	Adopted	<p>The Chairman and the members dedicate adequate time for their duties.</p> <p>All Board meetings are organised well in advance. The Company Secretaries ensure that all requested information is delivered to the Directors for their independent judgement.</p> <p>In addition to the Board meetings, the Directors attend to the following Subcommittee meetings:</p> <ul style="list-style-type: none"> • Audit Committee • Remuneration Committee • Nomination Committee • Related Party Transaction Review Committee • Risk Management Committee • Strategic Planning Committee • Sustainability Committee
Training	A.1.7	Adopted	<p>New Directors are provided with adequate inductions and grooming for their Director roles. All Directors have well recognised the need for continuous training and expansion of knowledge and skills required to effectively perform their duties.</p>
A.2 The Chairman and Chief Executive Officer			
The code requires clear division of responsibilities of the Chairman and Chief Executive Officer.			
Division of responsibilities of the Chairman and Chief Executive Officer	A.2.1	Adopted	<p>Role of the Chairman and Chief Executive Officer is held by one and the same person. The Chief Executive Officer's role includes developing and implementing high-level strategies and implementing major corporate decisions.</p> <p>The Board unanimously agrees to the role of the Chairman and CEO being handled by one person, due to:</p> <ol style="list-style-type: none"> 1. Exposure he has in the operations of the relevant Company which makes him the ideal CEO. 2. The superior skills he possesses in mediating communication between the Management and the Shareholders. <p>The Chairman will act as the main pivot of communication between the Board of Directors and the Shareholders.</p> <p>As the role of the Chairman and Chief Executive Officer is not separated, Deshabandu Tilak De Zoysa has been appointed as Senior Independent Director (SID) in compliance with A.2.1.</p>

Corporate Governance Principle	SEC and CA Sri Lanka Code Reference	Adoption status	Level of compliance by the Nawaloka Hospitals PLC
A.3 Chairman's Role			
The Chairman's role for good Corporate Governance.			
The Chairman is responsible for an effective Board. The Chairman should ensure effective discharge of Board functions.	A.3.1	Adopted	<p>The Chairman is responsible for leadership of the Board. The Chairman facilitates the effective contribution and performance of all Board members whilst identifying any development needs of the Board.</p> <p>He plays the role as a mediator of communication among the Shareholders and the Management towards resolving issues of concern.</p> <p>Further, the Chairman ensures that the balance of power between Executive Directors and Non-Executive Directors is adequate.</p>
A.4 Financial Acumen			
The Board to ensure the availability within it of those with sufficient financial acumen and knowledge to offer guidance on matters of finance.			
Availability of sufficient financial acumen	A.4	Adopted	The Board is consistently endowed with sufficient financial acumen as three of the Board members have sound financial knowledge and hold fellowships of respective professional accounting bodies.
A.5 Board Balance			
It is preferred that the Board has a balance of Executive Directors and Non-Executive Directors such that no individual or small group of individuals can dominate the Board's decision-making.			
Adequate number of Non-Executive Directors	A.5.1	Adopted	The Board consists of eleven Directors out of which six Directors are Non-Executive Directors. This has ensured that no additional powers are vested by an individual or small group of individuals to dominate the Board. Furthermore, the composition of Non-Executive Directors exceeds the required 1/3 proportion of the Board.
Adequate number of Independent Non-Executive Directors	A.5.2	Adopted	The Board consists of five Independent Non-Executive Directors out of six Non-Executive Directors.
Independency of Directors	A.5.3	Adopted	All five Independent Non-Executive Directors are free from any material relationship with the Company which ensures their independence is not compromised.
Signed declaration of independence by the Non-Executive Directors	A.5.4	Adopted	All Non-Executive Directors have made written submissions to declare their level of independence.
Declaration in the Annual Report	A.5.5	Adopted	<p>The Board has determined the Independence and Non-Independence of the Non-Executive Directors based on the declaration and all other available information.</p> <p>No circumstances have arisen for the determination of independence by the Board, beyond the criteria set out in the Code.</p> <p>The following Non-Executive Directors have been declared as the Independent Non-Executive Directors:</p> <p>Mr Rienzie T Wijetilleke</p> <p>Deshabandu Tilak De Zoysa</p> <p>Mr Tissa K Bandaranayake</p> <p>Mr D Sunil AbeyRatna</p> <p>Mr Palitha Kumarasinghe PC</p>
Alternate Director	A.5.6	N/A	During the course of the year there had not been any appointments of Alternate Directors.
Senior Independent Director	A.5.7	Adopted	Deshabandu Tilak De Zoysa has been appointed as the Senior Independent Director (SID), as the role of the Chairman, and Chief Executive Officer is not separated.

Corporate Governance Principle	SEC and CA Sri Lanka Code Reference	Adoption status	Level of compliance by the Nawaloka Hospitals PLC
Confidential Discussion with Senior Independent Director	A.5.8	Adopted	The Senior Independent Director has made himself available for any material discussion with any of the Directors.
Meeting with the Chairman and Non-Executive Directors	A.5.9	Adopted	The Chairman meets with the Non-Executive Directors when the need arises.
Recording of concerns in Board minutes	A.5.10	Adopted	All concerns arisen had been resolved unanimously, resulting in the requirement for recording such concerns in minutes being limited.
A.6 Supply of Information The Board should be fully equipped with timely information to discharge their duties.			
Timely Information	A.6.1	Adopted	The Management has provided the Board with the required information to discharge their duties effectively. Additional information is dispersed by the Management as and when required.
Board Papers	A.6.2	Adopted	The Board paper is sent seven days in advance of the Board meeting for initial preparation.
A.7 Appointments to the Board Presence of a formal and transparent procedure for the appointment of new Directors to the Board.			
Nomination Committee	A.7.1	Adopted	The Nomination Committee makes recommendations to the Board for all new appointments. The Nomination Committee will consist of the following: Deshabandu Tilak De Zoysa – Chairman (Senior Independent Non-Executive Director) Mr Tissa K Bandaranayake – Member (Senior Independent Non-Executive Director) Mr D Sunil AbeyRatna – Member (Independent Non-Executive Director)
Assessment of Board Composition	A.7.2	Adopted	The Board as a whole annually assesses the composition of the Board to ascertain whether combined knowledge and experience of the Board match with the strategic demands faced by the Company. New Board Members will be appointed as and when the need arises.
Disclosure to Shareholders	A.7.3	Adopted	The Board has disclosed the appointments of new Directors to the Shareholders with the material information.
A.8 Re-election All Directors should be required to submit themselves for re-election at regular intervals and at least once in every three years.			
Appointment of Non-Executive Directors	A.8.1	Adopted	Re-election procedure of the Board of Directors has been performed as per the Articles of Association of the Company.
Election of the Directors	A. 8.2	Adopted	The Directors are appointed at the Annual General Meeting.
A.9 Appraisal of Board Performance The Board should appraise their own performance in order to ensure that the Board responsibilities are satisfactorily discharged.			
Appraisal of Board Performance	A.9.1	Adopted	The Board's performance is assessed annually against preset targets relating to self-evaluation of individual performance and collective performance of the Board as a whole.
Appraisal of self-performance	A.9.2	Adopted	Please refer above comment. (A.9.1)
Performance criteria	A.9.3	Adopted	Please refer above comment. (A.9.1)

Corporate Governance Principle	SEC and CA Sri Lanka Code Reference	Adoption status	Level of compliance by the Nawaloka Hospitals PLC
A.10 Disclosure of Information in Respect of Directors			
The shareholders are to be kept advised of relevant details in respect of Directors.			
Disclosure in Annual Report	A.10.1	Adopted	Please refer pages 88 to 91 for the profiles of the Directors.
A.11 Appraisal of the Chief Executive Officer			
The Board should be required to evaluate annually the performance of the Chief Executive Officer.			
Targets	A.11.1	Adopted	In each financial year, the Board has set short-term, medium-term and long-term targets with the consultation of the Chief Executive Officer along with its objectives. This includes financial and non-financial targets.
Evaluation of the Targets	A.11.2	Adopted	There is an ongoing process of evaluating the performance of the Chief Executive Officer in achieving the set targets.
B. Directors' Remuneration			
B.1 Remuneration Procedure			
Establish a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual Directors.			
Remuneration Committee	B.1.1	Adopted	The Company has established a Remuneration Committee to make recommendations to the Board within the agreed Terms of Reference for compensating the Executive Directors. Refer page 118.
Composition of the Remuneration Committee	B.1.2	Adopted	The Remuneration Committee comprises the following Non-Executive Directors: Refer page 118
	B.1.3	Adopted	Deshabandu Tilak De Zoysa – Chairman (Senior Independent Non-Executive Director) Mr Tissa K Bandaranayake – Member (Senior Independent Non-Executive Director) Mr D Sunil AbeyRatna – Member (Independent Non-Executive Director)
Remuneration of the Non-Executive Directors	B.1.4	Adopted	The Board collectively decides the remuneration of the Non-Executive Directors. Non-Executive Directors receive a fee for their presence in the Board as well as in the Committees.
Advices to the Chairman and the Chief Executive Officer	B.1.5	Adopted	The Chairman and the Chief Executive Officer obtain advice from the Remuneration Committee in relevance to the procedure in compensating the Executive Directors. The Remuneration Committee consults the Chairman in relevance to the remuneration of other Executive Directors and if required access to professional advice from within and outside the Company.
B.2 The Level and Make-up of Remuneration			
Ensure adequate level of remuneration to retain and motivate the Directors both Executive and Non-Executive to operate the Company effectively. Further, a proportion of the Executive Directors' remuneration should be structured to link rewards to the achievement of corporate objectives.			
Remuneration for Executive Directors	B.2.1	Adopted	The Company is mindful of adequate remuneration to the Executive Directors to retain and motivate them. The Remuneration package has been designed to enhance the value of the shareholders through achieving the Company's short-term, medium-term and the long-term objectives.
Comparison between similar companies	B.2.2	Adopted	The Remuneration Committee decides the remuneration taking into consideration the comparative levels of remuneration paid by other similar companies.
Comparison of remuneration across the Group	B.2.3	Adopted	Consistent reviews are made in relevance to information related to executive remuneration to ensure that the Company is on a par with the market/industry rates as well as it is aligned to the strategic objectives of the Company.

Corporate Governance Principle	SEC and CA Sri Lanka Code Reference	Adoption status	Level of compliance by the Nawaloka Hospitals PLC
Performance-based remuneration to the Executive Directors	B.2.4	Adopted	The Company provides compensation which is variable to the performance of the allocated responsibilities of the Executives.
Executive Share Option Schemes	B.2.5	N/A	The Company has not offered any share option schemes during the financial year under review.
Deciding the performance-related remuneration	B.2.6	Adopted	The Company has taken into consideration the guidelines given in Schedule D in decisions pertaining to performance remuneration related.
Early termination of Director	B.2.7	N/A	Not applicable to the Board except to the CEO whose terms of employment are governed by the contract of service.
Early termination of Director not included in the contract	B.2.8	N/A	Refer above comment.
Remuneration to the Non-Executive Directors	B.2.9	Adopted	Non-Executive Directors receive a fee in line with the market price. No share option scheme has been offered to the Non-Executive Directors.
B.3 Disclosure of Remuneration			
Disclosure of the Remuneration policy in the Annual Report.			
Disclosure of Remuneration	B.3.1	Adopted	The Remuneration Committee is headed by a Non-Executive Director. Please refer to the comment on B.1.3 for further information. Refer page 118. Remuneration policy focuses on the compensation to employees for the services provided and to retain employees with skills required to effectively manage the operations.
C. Relations with Shareholders			
C.1 Constructive Use and Conduct of General Meetings			
The Board to use the Annual General Meeting to communicate with the shareholders and encourage their participation.			
Use of proxy votes	C.1.1	Adopted	The Company has a mechanism to record the proxy votes and proxy votes lodged for each resolution.
Separate Resolutions	C.1.2	Adopted	The Company proposes separate resolutions for each substantial item towards providing shareholders the opportunity to cast their votes separately in relevance to the above items.
Availability of the Chairmen of Audit, Remuneration and Nomination Committees	C.1.3	Adopted	The Chairmen of Audit, Remuneration and Nomination Committees are made available by the Company to clarify any queries, especially at the time of the Annual General Meeting. Refer page 113 – Board Subcommittees.
Notice of Meeting	C.1.4	Adopted	The Annual Report is sent to each shareholder well in advance for their early preparation for the Annual General Meeting. All queries are clarified at the Annual General Meeting.
Procedures of voting at General Meetings	C.1.5	Adopted	Voting procedures at the General Meetings have been communicated to the Shareholders.
C.2 Communications with Shareholders			
The Board should implement effective communication with the Shareholders.			
Communication Channels	C.2.1	Adopted	The Board engages with the Shareholders in the following ways to communicate relevant information.
Communication Methodology	C.2.2	Adopted	Annual General Meetings and Extraordinary General Meetings to address matters which are relevant and of concern to the General Membership.
Implementation	C.2.3	Adopted	<ul style="list-style-type: none"> – Access to the Board and the Company Secretaries. – The Hospital's website which is accessible to all stakeholders and the general public. – Interim Reports – www.cse.lk

Corporate Governance Principle	SEC and CA Sri Lanka Code Reference	Adoption status	Level of compliance by the Nawaloka Hospitals PLC
Responsibility of communication	C.2.4 C.2.5 C.2.6	Adopted	The Board of Directors includes one Employee Director namely, the Director General Manager and the Company Secretaries to bridge the communication gap between the rest of the Shareholders and the Board.
Shareholder Matters	C.2.7	Adopted	Please refer C. 2.4
C.3 Major Transactions			
Disclosure of all material transactions to the shareholders which would materially alter/vary the Company's net assets base or in the case of a Company with subsidiaries, the consolidated Group net assets base.			
Shareholder Matters	C.3.1	Adopted	All material transactions have been disclosed to the shareholders.
D. Accountability and Audit			
D.1 Financial Reporting			
To present a balanced and understandable assessment of the Company's financial position, performance and prospects.			
Statutory Reporting	D.1.1	Adopted	Adhering to the statutory and legal requirements, the Company has published the following reports to disclose relevant information to the stakeholders: <ul style="list-style-type: none"> – Quarterly Financial Statements – Annual Reports <p>The Company has strictly complied with the requirements of the Companies Act No. 07 of 2007 and amended hereto. The Financial Statements are prepared based on the International Financial Reporting Standards (IFRS).</p>
Directors' Report	D.1.2	Adopted	Refer pages 111 to 117.
Auditors' Report	D.1.3	Adopted	Refer pages 127 to 130.
Management Discussion and Analysis	D.1.4	Adopted	Refer pages 42 to 87.
Declaration by the Board that the business is a going concern	D.1.5	Adopted	Refer pages 115 to 122.
Summon an Extraordinary General Meeting to notify loss of capital	D.1.6	Adopted	Likelihood of such circumstances is remote; if such a situation arises an Extraordinary General Meeting would be summoned to inform the shareholders.
D.2 Internal Controls			
The Board should maintain a sound system of internal controls to safeguard the shareholders' investments and the Company assets.			
Review of the Internal Control System	D.2.1	Adopted	The Board continuously evaluates the effectiveness of the internal control system in the Company to safeguard the shareholder investment. <p>The Board of Directors is satisfied with the presence of the level of internal controls in business operations.</p> <p>Refer page 119 – Internal Controls and Internal Audit.</p>
Need for Internal Audit Function	D.2.2	Adopted	An in-house internal audit functions in the Company.
Regular Reviews of Internal Controls	D.2.3	Adopted	Our internal audit function carries out regular reviews, spot audits to identify the effectiveness of the internal controls established.
D.3 Audit Committee			
The Board is required to establish formal and transparent arrangements for considering as to how they should select and apply accounting policies, financial reporting and internal control principles and maintaining appropriate relationship with the Company's Auditors.			

Corporate Governance Principle	SEC and CA Sri Lanka Code Reference	Adoption status	Level of compliance by the Nawaloka Hospitals PLC
Composition of Audit Committee	D.3.1	Adopted	<p>The Audit Committee comprised four Independent Non-Executive Directors:</p> <p>Mr Tissa K Bandaranayake – Chairman (Senior Independent Non-Executive Director)</p> <p>Mr Rienzie T Wijetilleke – Member (Independent Non-Executive Director)</p> <p>Deshabandu Tilak De Zoysa – Member (Senior Independent Non-Executive Director)</p> <p>Mr D Sunil Abeyratna – Member (Independent Non-Executive Director)</p>
Duties of Audit Committee	D.3.2	Adopted	<p>The Audit Committee continuously evaluates the independence, effectiveness and objectivity of the Auditors.</p> <p>Further, the Committee evaluates the nature of the non-audit services carried out by the Auditors.</p>
Terms of Reference of the Audit Committee	D.3.3	Adopted	<p>The Audit Committee is guided by the Committee Charter which is reviewed annually.</p> <p>The Committee assists the Board to oversee the following aspects:</p> <ul style="list-style-type: none"> – Preparation, presentation and adequacy of disclosures in the Financial Statements. – Compliance with financial reporting requirements, information requirements of the Companies Act No. 07 of 2007 and other financial reporting related regulations and requirements. – Ensuring that the Internal Control System of the Company is effective. – Ability to continue as a going concern in the foreseeable future. – Assessing the independence and performance of the Company's External Auditors.
Disclosure	D.3.4	Adopted	Refer pages 119 and 120.
D.4 Code of Business Conduct and Ethics –			
The Company to develop a Code of Ethics for Directors and members of the Senior Management team and promptly disclose if there are any waivers of the Code for Directors and others.			
Code of Business Conduct and Ethics	D.4.1	Adopted	<p>The Company has developed a Code of Business Conduct and Ethics focusing on the following important areas:</p> <ul style="list-style-type: none"> – Integrity – Objectivity – Professional competence and due care – Confidentiality – Fair dealing – Encouraging the reporting of any illegal or unethical behaviour – Conflict of interest – Bribery and corruption – Entertainment and gifts – Integrity of Financial Statements – Corporate opportunities – Protection and proper use of the Company assets – Compliance with rules and regulations <p>All our Directors and Senior Executives have declared their commitment to operate in adherence to these principles.</p>

Corporate Governance Principle	SEC and CA Sri Lanka Code Reference	Adoption status	Level of compliance by the Nawaloka Hospitals PLC
Affirmation of the Code of Business Conduct and Ethics (Report by the Chairman affirming that there were no incidents involving the breach of mentioned ethical policies)	D.4.2	Adopted	Refer the Chairman's Report in pages 14 and 15.
D.5 Corporate Governance Disclosures			
The Directors are required to disclose the extent to which the Company adheres to established principles and practices of Good Corporate Governance.			
Disclosure of Corporate Governance	D.5.1	Adopted	The Report in pages 97 to 110 provides a detailed disclosure on our Corporate Governance practices.
E. Institutional Investors			
E.1 Shareholder Voting			
The institutional Shareholders are required to make considered use of their votes and should be encouraged to ensure that their voting intentions are translated into practice.			
Dialogue with the Shareholders	E.1.1	Adopted	<ul style="list-style-type: none"> - The Annual General Meeting provides a platform for effective communication with the Shareholders. - All concerns of the Shareholders are recorded in the minutes of the meeting and addressed thereafter. - The Board reviews the minutes of the meetings and ensures that the Shareholders' issues are resolved systematically.
E.2 Evaluation of Governance Disclosure			
The Company should encourage institutional investors to provide due diligence to all relevant factors in the Board Structure and Composition.			
F. Other Investors			
F.1 Investing/Divesting Decision			
Individual Shareholders	F.1	Adopted	Individual Shareholders are encouraged to carry out adequate analysis or seek out independent advice for matters related to investing/divesting decisions.
F.2 Shareholder Voting			
Individual Shareholder Voting	F.2	Adopted	Individual Shareholders are encouraged to participate at General Meetings and exercise their voting rights.

Annual Report of the Board of Directors

The Directors have pleasure in presenting to the members, their Report together with the Audited Financial Statements for the year ended 31 March 2019.

The details set out herein provide the pertinent information required under the Companies Act No. 07 of 2007, the Listing Rules of the Colombo Stock Exchange and recommendations, in adherence with best accounting practices.

Legal form

Nawaloka Hospitals PLC is a Public Listed Company with limited liability incorporated in Sri Lanka on 1 July 1982 under the Companies Ordinance No. 51 of 1938 and re-registered on 7 September 2007 under the provisions of the Companies Act No. 07 of 2007, and assigned the Company Re-Registration No. PQ 78. Since 2004 its shares are quoted at the Colombo Stock Exchange. This information is disclosed as required by Section 168 of the Companies Act No. 07 of 2007, which also requires the following information to be disclosed:

Principal business activities

Nature of the business of the Company and the Group are described below as required by Section 168 (1) (a) of the Companies Act No. 07 of 2007. There have been no material changes to the activities of the Company or any of its subsidiaries during the period under review, subject to what is stated below.

Company

The principal activities of the Company is providing of healthcare and hospital services.

Subsidiaries

New Nawaloka Hospitals (Private) Limited (PV 3426)

This is a private company with limited liability incorporated in Sri Lanka under the provisions of the Companies Act No. 17 of 1982 and re-registered under the new Companies Act No. 07 of 2007. It is also domiciled in Sri Lanka and is a wholly owned subsidiary of Nawaloka Hospitals PLC.

New Nawaloka Medical Centre (Private) Limited (PV 14363)

This too is a Private Company with limited liability incorporated in Sri Lanka under the provisions of the Companies Act No. 17 of 1982 and re-registered under the new Companies Act No. 07 of 2007. It is also domiciled in Sri Lanka and is a wholly owned subsidiary of Nawaloka Hospitals PLC.

Nawaloka Green Cross Laboratories (Private) Limited (PV 121462)

A new Private Company with limited liability was incorporated in Sri Lanka in the year 2017 under the provisions of the new Companies Act No. 07 of 2007. It is domiciled in Sri Lanka and is also a wholly owned subsidiary of Nawaloka Hospitals PLC. Green Cross Laboratories of South Korea provide technical advice to Nawaloka Green Cross Laboratories (Private) Limited for Laboratory Services.

Nawaloka Medicare (Private) Limited (PV 93186)

This is a Private Company with limited liability incorporated in Sri Lanka in the year 2014 under the provisions of the Companies Act No. 07 of 2007. It is also domiciled in Sri Lanka and is a wholly owned subsidiary of Nawaloka Hospitals PLC.

Review of business/future development

A review of the business of the Company and the Group and its performance during the year are contained in the Chairman's message/Chief Executive Officer's Performance Review and of the Director/General Manager's Operational and Management review and pages 14, 15, 16 and 17 respectively of this Report. These reviews form an integral part of this Report and together with the Financial Statements described in detail of the state of affairs of the Company and the Group.

Financial statements

The Financial Statements which include the Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, Cash Flow Statements and Notes to the Financial Statements are given at pages 132 to 198 and have been prepared in conformity with the Sri Lanka Accounting Standards and the requirements of Section 168 (1) (b) of the Companies Act No. 07 of 2007 and the Listing Rules of the Colombo Stock Exchange.

Auditor's report

The Financial Statements for the period under review were audited by Messrs KPMG (Chartered Accountants) for the year ended 31 March 2019 and the Independent Auditor's Report issued thereon appears at pages 127 to 129 of this Annual Report as required by Section 168 (1) (c) of the Companies Act No. 07 of 2007.

Financial results

(All figures in Sri Lanka Rupees)	Group		Company	
	2018/19 LKR	2017/18 LKR	2018/19 LKR	2017/18 LKR
(Loss)/Profit before taxation	(388,613,578)	557,196,882	(236,751,320)	457,031,564
Less: Taxation	(176,481,998)	(377,238,343)	(14,880,083)	(3,423,582)
(Loss)/Profit for the year attributable to equity holders of the Company	(565,095,576)	179,958,539	(251,631,403)	453,607,982
Earnings per share	(0.40)	0.13	(0.18)	0.32

Accounting policies and changes during the year

The accounting policies adopted in the preparation of Financial Statements of the Company and the Group are given at pages 137 to 142 of this Annual Report as required by Section 168 (1) (d) of the Companies Act. There have been no changes in the accounting policies adopted by the Company during the period under review other than the impact of adopting Sri Lanka Accounting Standards SLFRS 09 and 15. The depreciation rates of Property, Plant and Equipment has been revised based on assessment of useful lives.

Entries in the interests register

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

Directors' remuneration and other benefits

Directors' remuneration and other benefits of Directors are given at Note 12 to the Financial Statements at page 148 as required by Section 168 (1) (f) of the Companies Act No. 07 of 2007.

Donations

Total donations made by the Group during the year amounted to LKR 9 Mn. and is being disclosed as required by Section 168 (1) (g) of the Companies Act No. 07 of 2007 and this expenditure was incurred upon the mandate conferred upon the Board by the shareholders at the last Annual General Meeting.

Shareholders' funds

After the above-mentioned appropriation, the total Group Shareholders' funds as at 31 March 2019, stood at LKR 3,608,656,995. The total Shareholders' Funds of the Company as at 31 March 2018 stood at LKR 4,258,504,793. The movements are shown in the Statement of Changes in Equity.

Interim dividend

Interim dividend of LKR 0.05 per share was paid in July 2018.

Directorate

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

Name of Director	Executive/Non-Executive status	Status of Independence
Dr H K Jayantha Dharmadasa (Chairman and Chief Executive Officer)	Executive	
Mr Rienzie T Wijetilleke (Non-Executive Vice Chairman)	Non-Executive	Independent
Deshabandu Tilak de Zoysa (Senior Independent Director)	Non-Executive	Independent
Vidya Jyothi Prof Lal Chandrasena (General Manager)	Executive	
Mr Tissa K Bandaranayake (Senior Independent Director)	Non-Executive	Independent
Mr U Harshith Dharmadasa	Executive	
Mr A G Dharmadasa	Executive	
Ms A G Dharmadasa	Executive	
Mr D Sunil AbeyRatna	Non-Executive	Independent
Mr Palitha Kumarasinghe, PC	Non-Executive	Independent
Mr V R Ramanan	Non-Executive	

The qualifications and experience of each of the Directors are given in the individual profiles of the Board of Directors at pages 88 to 91 of this Annual Report.

Appointments and resignations

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

The information of new appointments and resignations to the Board of Directors of the Company are shown as an integral part of the Annual Report of the Board of Directors, in compliance with Section 168 (1) (h) of the Companies Act No. 07 of 2007.

New appointments

There were in fact no new appointments to the Board during the financial year under review.

Recommendations for re-election

In terms of Article 74 of the Articles of Association of the Company, Mr Rienzie T Wijetilleke and Mr D Sunil AbeyRatna who retire from the Board by rotation at the forthcoming Annual General Meeting and being eligible for re-election, offer themselves for re-election.

Further, Dr Hewa Komanage Jayantha Dharmadasa, who has exceeded the age of 70 and being eligible for re-election in terms of Section 211 of the Companies Act No. 07 of 2007 also offers himself to be reappointed as a Director of the Company.

Further, Mr Rienzie T Wijetilleke who has exceeded the age of 70 and being eligible for re-election in terms of Section 211 of the Companies Act No. 07 of 2007 also offers himself to be reappointed as a Director of the Company.

Further, Deshabandu Tilak De Zoysa who has exceeded the age of 70 and being eligible for re-election in terms of Section 211 of the Companies Act No. 07 of 2007 also offers himself to be reappointed as a Director of the Company.

Furthermore, Mr Tissa K Bandaranayake who has exceeded the age of 70 and being eligible for re-election in terms of Section 211 of the Companies Act No. 07 of 2007 also offers himself to be reappointed as a Director of the Company.

Moreover Mr D Sunil AbeyRatna who has exceeded the age of 70 and being eligible for re-election in terms of Section 211 of the Companies Act No. 07 of 2007 also offers himself to be reappointed as a Director of the Company.

Independent Directors

Mr Rienzie T Wijetilleke, Deshabandu Tilak De Zoysa and Mr Tissa K Bandaranayake who were appointed as Independent Directors of the Company had served their respective first term of nine years and thereupon the Board of Directors Resolved that despite having previously served for a term of nine years that they are yet regarded as Independent Directors in terms of Rule 7.10.4 [read with sub-rules (a) to (h)] of the Revised Rules of the Colombo Stock Exchange, and accordingly were reappointed for a second term of nine years.

Mr D Sunil AbeyRatna and Mr Palitha Kumarasinghe, PC were appointed as Independent Directors of the Company on 28 February 2012 and 24 March 2016 respectively.

Board Subcommittees

The three Board subcommittees established by the Board continue to oversee matters relating to policy and governance. A “Related Party Transactions Review Committee” was established to comply with the new directives issued by the Securities and Exchange Commission of Sri Lanka to ensure that the interests of shareholders as a whole are taken into account by a listed entity when entering into related party transactions. The composition of the subcommittees during the financial year under review are as follows:

- **Audit Committee members**
 - Mr Tissa K Bandaranayake – Chairman (INED)
 - Mr Rienzie T Wijetilleke – Member (INED)
 - Deshabandu Tilak De Zoysa – Member (INED)
 - Mr D Sunil AbeyRatna – Member (INED)
- **Remuneration Committee members**
 - Deshabandu Tilak De Zoysa – Chairman (INED)
 - Mr Tissa K Bandaranayake – Member (INED)
 - Mr D Sunil AbeyRatna – Member (INED)
- **Nomination Committee members**
 - Deshabandu Tilak De Zoysa – Chairman (INED)
 - Mr Tissa K Bandaranayake – Member (INED)
 - Mr D Sunil AbeyRatna – Member (INED)
- **Related Party Transactions Review Committee members**
 - Mr Tissa K. Bandaranayake – Chairman (INED)
 - Deshabandu Tilak De Zoysa – Member (INED)
 - Mr D Sunil AbeyRatna – Member (INED)
 - Vidya Jyothi Professor Lal Chandrasena – Member (ED)
 - Mr Palitha Kumarasinghe, PC (INED)

• Members of the Risk Management Committee

Vidya Jyothi Prof Lal Chandrasena – Chairman (DGM/ED)
Mr U Harshith Dharmadasa – Member (ED)
Mr A G Dharmadasa – Member (ED)
Ms A G Dharmadasa – Member (ED)

• Strategic Planning Committee

Dr H K Jayantha Dharmadasa – Chairman/CEO
Vidya Jyothi Prof Lal Chandrasena – Member (ED)
Mr U Harshith Dharmadasa – Member (ED)
Mr A G Dharmadasa – Member (ED)

• Sustainability Committee

Dr H K Jayantha Dharmadasa – Chairman/CEO
Vidya Jyothi Prof Lal Chandrasena – Member (ED)
Mr U Harshith Dharmadasa – Member (ED)
Mr A G Dharmadasa – Member (ED)

DGM – Director/General Manager

ED – Executive Director

INED – Independent Non-Executive Director

Directors' meetings

Details of meetings which comprise Board meetings, the Board's Subcommittee meetings namely the Audit Committee, Remuneration Committee, Strategic Planning Committee, Nomination Committee, Related Party Transactions Review Committee and Risk Management Committee are dealt with at page 101 of this Annual Report.

Directors' shareholding

The aggregate shareholding of the Directors for the year ended 31 March 2019 and the previous year, are as follows:

	2018/19 Ordinary	2017/18 Ordinary
Mr H K J Dharmadasa	462,736,182	462,736,182
Mr Rienzie T Wijetilleke	33,332	33,332
Deshabandu Tilak de Zoysa	218,000	218,000
Vidya Jyothi Prof Lal Chandrasena	601,198	601,198
Mr U H Dharmadasa	3,360	3,360
Mr A G Dharmadasa	3,004,026	3,004,026
Ms A G Dharmadasa	5,066,686	5,066,686
Mr Damian Sunil AbeyRatna	NIL	NIL
Mr Tissa K Bandaranayake	NIL	NIL
Mr V R Ramanan	3,400,000	3,400,000
Mr Palitha Kumarasinghe, PC	NIL	NIL

Related party transactions

The Directors have also disclosed the transactions if any, that could be classified as "Related party transactions" in terms of LKAS 24 – "Related party disclosures" and thus complied with the CSE Listing Rules. Related party transactions are given in Note 41 to the Financial Statements.

Directors' interests

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

Capital expenditure

Details of property, plant and equipment and their movements in the Company and the Group during the year, are listed in Note 19 to the accounts at pages 158 and 163.

Stated capital

The stated capital of the Company is 1,409,505,596 ordinary shares. There were no changes in the stated capital during the year.

	Group		Company	
Stated capital	2018/19 LKR	2017/18 LKR	2018/19 LKR	2017/18 LKR
Issued and fully paid				
At the beginning of the year	1,207,388,876	1,207,388,876	1,207,388,876	1,207,388,876
At the end of the year	1,207,388,876	1,207,388,876	1,207,388,876	1,207,388,876

Share information

The composition of shareholders and the information relating to share trading, net assets and market value per share are given on pages 47 to 51 of this Annual Report.

Major shareholders

The 20 largest shareholders of the Company as at 31 March 2019 are given on page 48 of this Annual Report.

Employment policy

The Company's Employment Policy is totally non-discriminatory and equal opportunities are given to all employees irrespective of ethnic, race, origin, religion, political opinion, gender or marital status.

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

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

The number of persons employed by the Group as at 31 March 2019 was 2,765.

Group revenue

The revenue of the Group was LKR 8,755,718,461 (2018 – LKR 7,955,278,613/-). The analysis thereof is given in Note 10 to the Financial Statements.

Stock exchange listing

The Company was listed on the Main Board of the Colombo Stock Exchange in the year 2004, and continues to be so listed.

Going concern

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

Events occurring after the reporting date

There are no significant events that have occurred after the reporting date which would have any material effect on the Company or on the Group that require adjustments to or disclosure in the Financial Statements, except as qualified by the Auditors.

Appointment of auditors

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

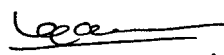
The fees paid to the Auditors are disclosed in Note 12 to the Financial Statements.

As far as the Directors are aware, the Auditors do not have any relationship (other than that of an Auditor) with the Company or any of its subsidiaries other than those disclosed above. The Auditors also do not have any interest in the Company, or its subsidiaries as required by Section 168 (1) (j) of the Companies Act No. 07 of 2007.

For and on behalf of the Board,



Dr Jayantha Dharmadasa
Chairman/Chief Executive Officer



Vidya Jyothi Prof Lal Chandrasena
Director/General Manager

By Order of the Board,

Sgd.
M & A Company Secretaries (Private) Limited
20 August 2019



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Suwandel

It is widely believed that this rice has higher concentrations of glutamic acid and vitamins than other common varieties in Sri Lanka. It also claims to improve the digestive system, vocal clarity, skin tone and complexion and the balanced growth of the body. It is also believed to be efficacious in the control of diabetes.



Remuneration Committee Report

Formation, Composition and Structure

The Remuneration Committee is a Subcommittee, appointed by and responsible to the Board of Directors and consists of three Independent Non-Executive Directors:

Deshabandu Tilak De Zoysa – Chairman
(Senior Independent Non-Executive Director)

Mr Tissa K Bandaranayake – Member
(Senior Independent Non-Executive Director)

Mr D Sunil AbeyRatna – Member
(Independent Non-Executive Director)

Duties and Responsibilities

The Remuneration Committee review and recommend the policy on remuneration of the Executive Staff and the Specific remuneration package for the Executive Directors while considering the following:

- (1) Determining the compensation of the Chairman and the Board of Directors, while ensuring that no Director is involved in setting their own remuneration or any other benefit.
- (2) Establishing transparent procedure to determine remuneration for Executives and Directors. In this context, the Remuneration Committee took into account:
 - (a) Competition;
 - (b) Qualifications and experience;
 - (c) Market information; and
 - (d) Business performance in declaring the overall remuneration policy of the Group.
- (3) Recommending corporate management appointments to the Board.
- (4) Approving remuneration levels at each designation of senior management.
- (5) Maintain competitive and attractive remuneration packages to senior managers and ensure that it is in par with the industry levels.
- (6) Recommend promotion of Key Management Personnel to the Board of Directors.
- (7) Deciding performance based on remuneration, increments, incentive and bonus with the regular evaluation of performance against targets.
- (8) Make direction regarding to the statutory payments made by the Company on behalf of its employees.

Challenges

In a highly competitive environment attracting and retaining high calibre executives is a key challenges faced by the Group.

Evaluation of the Effectiveness of the Committee

The Board reviews and update the Committee Charter annually. The minutes of meetings and other reports from the Remuneration Committee are submitted to the Board of Directors.



Deshabandu Tilak De Zoysa
Chairman

20 August 2019

Audit Committee Report

In keeping with the Code of Best Practice on Corporate Governance and the requirements of the Securities and Exchange Commission for Public Limited Companies, Nawaloka Hospitals PLC has established an Audit Committee whose functions, authority and duties have been clearly identified in the Audit Committee Charter. This Charter integrates all the requirements of the Securities and Exchange Commission and Code of Best Practice on Corporate Governance.

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

Formation and composition of the committee

The Audit Committee was established by the Board with a formal and transparent arrangement and it comprises four Independent Non-Executive Directors.

The Chairman of the Audit Committee is Mr Tissa K Bandaranayake, who is an Independent Non-Executive Director, a Fellow Member of The Institute of Chartered Accountants of Sri Lanka and a former Senior Partner of Messrs Ernst & Young, Chartered Accountants with expert knowledge in Accounting and Finance.

Members of the audit committee

Name of Director	Non-Executive	Independent
Mr Tissa K Bandaranayake – Chairman	✓	✓
Mr Rienzie T Wijetilleke	✓	✓
Deshabandu Tilak De Zoysa	✓	✓
Mr D Sunil AbeyRatna	✓	✓

Broad purpose of the audit committee

The Audit Committee assisted the Board in the following manner:

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

Duties and Responsibilities

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

External audit	<ul style="list-style-type: none"> • Recommending the re-appointment of Messrs KPMG, Chartered Accountants, as Auditors of Nawaloka Hospitals PLC for the financial year ending 31 March 2019. • Examine any non-audit work performed by the Auditors and the fees thereon to ensure that their objectivity and independence is not impaired. • Reviewing the scope and result of the audit and its effectiveness. • Discussing with the External Auditors before commencement of the audit and at the conclusion of the audit, in relation to audit plan, key audit issues and their resolution, Management responses and the remuneration of the Auditors. • Reviewing and discussing the Key Audit matters and the underlying estimates, assumptions and judgements.
Compliance with laws and regulations and Company policies	<ul style="list-style-type: none"> • Reviewing the Quarterly Financial Statements and discussing with the Management. • Reviewing the extent of compliance with the laws of the country, Governmental regulations, listing rules and established policies of the Company.
Internal controls and internal audit	<ul style="list-style-type: none"> • Reviewing the internal audit function and making recommendations. • Ensuring that there are satisfactory arrangements for monitoring internal control in keeping with delegated authorities. • Establishing mechanisms for the confidential receipt and treatment of complaints alleging fraud received from internal/external sources and pertaining to internal control, accounting or other such matters. This is currently in progress. • Monitoring the implementation of strategies, plans, as well as the meaning of organisation for internal auditing in line with the methodologies promulgated as best practices. • Ensuring that if and when employees or former employees of the Auditors are hired, the established regulatory requirements are followed, so that audit independence is not impaired. Also implementing other internal controls related to IT, HR, Finance, Marketing and Administration etc., as required and ensuring that these are soundly conceived and effectively administered to seek assurance that the control systems are in place, and operating efficiently and are regularly monitored.

Risk management	<ul style="list-style-type: none"> Monitoring the policies and practices related to risk management. Obtaining statements of business risks, evaluating the severity, the process in place for the management of these risks and persons responsible for the management of risks within specified time frames.
Financial statements	<ul style="list-style-type: none"> Ensuring proper standardised updated systems for financial reporting. Holding of meetings with the Head of Finance to ensure the proper controls and segregation of duties to minimise risks. Reviewing Company's quarterly unaudited and annually Audited Financial Statements and making recommendations to the Board for their releases. Reviewing the implication on adoption of new accounting standards.

Meetings


The Audit Committee held four (4) meetings during the year under review. The proceedings of the Audit Committee are regularly reported to the Board of Directors. The attendance of members at these meetings is given below:

Name of Director	Number of meetings attended	Attendance percentage
Mr Tissa K Bandaranayake – Chairman	4	100
Mr Rienzie T Wijetilleke	0	0
Deshabandu Tilak De Zoysa	3	75
Mr D Sunil AbeyRatna	4	100

The meetings were also attended by apart from the members of the Audit Committee, key officers responsible from the Management, who are invited to attend regularly including the Head of Finance, Head of Internal Audit and Director/General Manager on invitation.

Evaluation of the effectiveness of the committee

The Board reviews and updates the Committee Charter annually as required according to the changes in the business environment and operations of the Organisation. The minutes of meetings and other reports from the Audit Committee are submitted to the Board of Directors.



Mr Tissa K Bandaranayake
Chairman

20 August 2019

Related Party Transactions Review Committee Report

Composition of the committee

The Board appointed a “Related Party Transactions Review Committee” (RPTRC), comprising one Executive Director and Four Independent Non-Executive Directors, as stipulated by the Code of Best Practices on Related Party Transactions, issued by the Colombo Stock Exchange (CSE). The RPTRC as at the end of the financial year comprised the following members:

Mr Tissa K Bandaranayake – Chairman
(Senior Independent Non-Executive Director)
Deshabandu Tilak De Zoysa – Member
(Senior Independent Non-Executive Director)
Mr D Sunil AbeyRatna – Member
(Independent Non-Executive Director)
Mr Palitha Kumarasinghe, PC – Member
(Independent Non-Executive Director)
Vidya Jyothi Prof Lal Chandrasena – Member
(Executive Director)

Terms of reference of the committee

The RPTRC was formed by the Board at the end of 2014, to assist the Board in reviewing all Related Party Transactions (RPT) carried out by the Group, by adopting the Code of Best Practice on Related Party Transactions, as issued by the CSE, which is mandatory from 1 January 2016.

The mandate of the Committee includes *inter alia* the following:

- Ensuring that the Company has identified and reordered the list of its related parties, consistent with the definition of related parties as detailed in the CSE Regulations.
- Updating the Board of Directors on the deliberation of the committee pertaining to related party transactions entered into each quarter.
- Making immediate market disclosures on applicable RPT, as required by Section 9 of the Continuing Listing requirements of the CSE.
- Making appropriate disclosures on RPT in the Annual Report, as required by Section 9 of the Continuing Listing Requirements of the CSE.

Meetings

The Audit Committee held four (04) meetings during the year under review. The proceedings of the Audit Committee are regularly reported to the Board of Directors. The attendance of members at these meetings is given below.

Name of Director	Number of meetings attended	Attendance percentage
Mr Tissa K Bandaranayake – Chairman	4	100
Deshabandu Tilak De Zoysa	3	75
Mr D Sunil AbeyRatna	4	100
Mr Palitha Kumarasinghe, PC	4	100

Activities in 2018/19

All related party transactions which took place during the financial year 2018/19 were reviewed by the members of the Committee at the Committee meetings held on 7 August 2018, 29 October 2018, 11 February 2019 and 12 June 2019 and the Committee is of the opinion that the transactions are on normal commercial terms, and are not prejudicial to the interests of the entity and its minority shareholders.

Proceedings of the Committee meetings were regularly reported to the Board of Directors. The members of the Committee were of the opinion that, no related party transaction had exceeded the limits prescribed in the Listing Rules Section 9. Thus shareholder approval by way of a Special Resolution was not required.



Mr Tissa K Bandaranayake

Chairman

20 August 2019

Directors' Responsibility in Financial Reporting

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

The Board of Directors of Nawaloka Hospitals PLC are responsible under Section 148 of the Companies Act No. 07 of 2007 for keeping proper accounting records which have been disclosed with reasonable accuracy, at all times, the financial position of the Company and of the Group and to enable them to ensure that the Financial Statements comply with, *inter alia* the Companies Act No. 07 of 2007.

In preparing these Financial Statements, the Directors of the Company have to comply with the requirements specified in Sections 150 (1), 151 (1), 152 (1) and 153 (1) of the Companies Act No. 07 of 2007. In accordance therewith the Directors of the Company and the Group maintain proper Books of Accounts of all the transactions and prepare Financial Statements that give a true and fair view of the state of affairs of the Company at the date of the Statement of Financial Position and the Profit or Loss for the year ending on that date of the Statement of Financial Position.

Accordingly, the Directors are of the view that:

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

The Financial Statements of the Company and the Group have been certified by the Company's Chief Financial Officer, the person responsible for its preparation, as required by the Act. Financial Statements of the Company and the Group have been signed by two Directors on 20 August 2019 as required by Sections 150 (1) (c) and 152 (1) (c) of the Companies Act. Accordingly, the Board of Directors wish to confirm that they have complied with all the requirements of the Companies Act No. 07 of 2007 and have also met all the requirements under Section 7 of the Listing Rules of the Colombo Stock Exchange.

The Directors also have taken reasonable steps to safeguard the assets of the Company and to prevent and detect frauds and other irregularities. In this regard, the Directors have instituted an effective and comprehensive system of internal controls and an effective system of monitoring its effectiveness, internal audit being one of them. The Board has been provided additional assurance on the reliability of the Financial Statements through a process of independent and objective reviews conducted by the Audit Committee. The Report of the Audit Committee is on pages 119 and 120 of this Annual Report.

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

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

Compliance Report

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

Further, all documents required by the Companies Act No. 07 of 2007 to be filed with Registrar-General of Companies have been duly filed and compliance has been made with all the other legal requirements in connection with the said Companies Act and all dividend cheques have been dispatched on the due date.

By order of the Board,

Sgd.

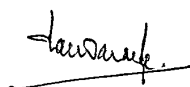
M & A Company Secretaries (Private) Limited

20 August 2019

Senior Independent Director's Statement

The Securities and Exchange Commission of Sri Lanka and The Institute of Chartered Accountants of Sri Lanka have published a Code of Best Practice on Corporate Governance 2013 (the Code) and recommends that a Senior Independent Director (SID) who is a Non-Executive Officer of the Company, be appointed in the event the Chairman and the Chief Executive Officer is the same person on the Board. This has been observed by the Company as the Chairman and the Chief Executive Officer are one and the same person.

As the Chairman of the Audit Committee and the Related Party Transactions and Review Committee, I have also been entrusted with the additional task, as a Senior Independent Non-Executive Director, to make my services available for advice and guidance to the Board including to the Chairman and to the External and Internal Auditors of the Company so that at all times the principles of good Governance, are observed.



Mr Tissa K Bandaranayake

Senior Independent Director
Chairman of the Audit Committee and Related Party
Transactions Review Committee

20 August 2019

Chief Executive Officer's and Head of Finance Statement of Responsibility

The Consolidated Financial Statements of Nawaloka Hospitals PLC (the Company), as at 31 March 2019 are prepared and presented in compliance with the following requirements:

- Sri Lanka Accounting Standards issued by The Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka);
- Companies Act No. 07 of 2007;
- Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995;
- Listing Rules of the Colombo Stock Exchange (CSE); and
- Code of Best Practice on Corporate Governance issued by CA Sri Lanka.

The disclosure and preparation format of the Financial Statements are abide by the rules of CBSL. And those financial outcomes are circulated with the shareholders on a quarterly basis.

Significant accounting policies applied consistently by the Group and the complicate estimates that involve high degree of judgement were discussed among the Internal and External Auditors.

We confirm that to the best of our knowledge, the Financial Statements, Accounting Policies and other financial information functioning as material financial condition, cash flows contain in this Annual Report were acquired legitimately. Also we verify that the Group has mandatory resources to pursue in operation and have claim the going concern basis of formulating these Financial Statements.

We are responsible for establishing, implementing and maintaining internal controls and procedures within the Company and all of its subsidiaries. We ensure that effective internal controls and procedures are in place, collaborating material information relating to the Group are known to us for safeguarding assets, preventing and detecting frauds as well as other irregularities. We have reviewed, evaluated and updated the internal controls and procedures on an ongoing basis by the Company's Internal Audit Department which we are satisfies that there were no significant deficiencies and weaknesses in the design or operation.

The Financial Statements of the Group were audited by Messrs KPMG, Chartered Accountants and their Report is given on page 127 to 129. The BAC pre-approves the audit and non-audit services provided by Messrs KPMG, in order to ensure that the provision of such services does not impair KPMG's independence and objectivity.

The BAC, reviewed the Internal Audit Programmes and External Audit Plan, the efficiency of Internal Control Systems and procedures and also reviewed the quality of Significant Accounting Policies and their adherence to statutory and regulatory requirements, the details of which are given in the "Board Audit Committee Report" appearing on pages 142 to 143. To ensure independence, the External Auditors and the Internal Auditors have full and free access to the members of the BAC to discuss any matter of substance. However, there are inherent limitations that should be recognised in weighing the assurances provided by any system of internal control and accounting.

It is also declared and confirmed that the Group and the Company have complied with and ensured compliance with the guidelines for the audit of listed companies where mandatory compliance is required.

We confirm that to the best of our knowledge the Company and the Group have complied with all applicable laws and regulations and guidelines and there is no material litigation against the Company/Group.



Dr Jayantha Dharmadasa
Chairman/Chief Executive Officer



Mr Nalaka Niroshana
Head of Finance

20 August 2019

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Financial Calendar

Financial Calendar	2018/19
1st Quarter Results	August 2018
2nd Quarter Results	November 2018
3rd Quarter Results	February 2019
4th Quarter Results	May 2019
Annual Report	August 2019
Annual General Meeting	September 2019

Independent Auditors' Report



KPMG
(Chartered Accountants)
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To the Shareholders of Nawaloka Hospitals PLC

Report on the Audit of the Financial Statements

Opinion

We have audited the Financial Statements of Nawaloka Hospitals PLC ("the Company") and the Consolidated Financial Statements of the Company and its subsidiaries ("the Group"), which comprise the Statement of Financial Position as at 31 March 2019, and the Statement of Profit or Loss and Other Comprehensive Income, changes in equity and cash flows for the year then ended, and Notes to the Financial Statements, including a summary of significant accounting policies as set out on pages 130 to 196 of this Annual Report.

In our 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 March 2019, and of their financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Basis for opinion

We conducted our audit in accordance with Sri Lanka Auditing Standards (SLAuSs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Group in accordance with the Code of Ethics issued by CA Sri Lanka (Code of Ethics), and we have fulfilled our other ethical responsibilities in accordance with the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

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

- **Revenue recognition** – Refer to Note 10 to the Financial Statements

The revenue of the Group for the year ended 31 March 2019 was Rs. 8,756 Mn.

Risk description	Our response
Revenue recognised using judgement may not be in accordance with the Group's accounting policies/ accounting standards or in the correct accounting period.	<p>Our audit procedures included;</p> <ul style="list-style-type: none"> • Obtaining an understanding and testing of key controls in respect of the Group's revenue recognition basis and allocation among the Group entities; • Testing of invoices on a sample basis, to ensure revenue is recognised and measured in accordance with the contractual terms of the contracts and the Group's accounting policies; • Assessing the appropriateness of recognition of revenue on a gross or net basis and carrying out substantive testing in respect of revenue cut off around the year end date; and • Assessing the adequacy of Financial Statements disclosures.

- **Carrying value of inventories** – Refer to Note 24 to the Financial Statements.

The Group carried inventories of Rs. 489 Mn. as at 31 March 2019

Risk description	Our response
Valuation of inventory involves judgement and estimates due to the nature of products and stringent quality requirements.	<p>Our audit procedures included;</p> <ul style="list-style-type: none"> • Assessing adequacy and consistency of provisioning for inventories at the reporting date with the Group's inventory provision policy; • On a sample basis, compared the carrying amounts of the Group's inventories with net realisation value of those inventories; and • Testing the existence of inventories through physical verification as at year end and validating the cost allocation within the Group entities
Due to allocation and sale of inventories within Group operations based on the businesses model, both existence and valuation of inventories were key areas of focus.	

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

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Ms. S.M.B. Jayasekara ACA
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R.M.D.B. Rajapakse FCA
M.N.M. Shameel ACA

C.P. Jayatilake FCA
Ms. S. Joseph FCA
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Ms. B.K.D.T.N. Rodrigo FCA
Ms. C.T.K.N. Perera ACA

Principals - S.R.I. Perera FCMA(UK), LLB, Attorney-at-Law, H.S. Goonewardene ACA



• **Recoverability of deferred tax assets** – Refer to Note 33 to the Financial Statements.

The Group carried deferred tax assets of Rs. 445 Mn. as at 31 March 2019

Risk description	Our response
Deferred tax asset has been recognised in respect of the deductible temporary differences arising from accumulated tax losses which the management considered to be utilised or recovered in the future through generation of future taxable profits by the Group entities or set off against deferred tax liabilities. The recognition of deferred tax assets involves significant judgement and estimates made by management in respect of assessing the sufficiency of future taxable profits and the probability of such future taxable profits being generated by the Group.	<p>We assessed the Group's approach for evaluating the likelihood of the recoverability of deferred tax assets.</p> <p>Our audit procedures included;</p> <ul style="list-style-type: none"> • Challenging the key assumptions included in forecasting the future taxable profits for each Group entity after considering accumulated, unutilised tax losses by comparing the key inputs used in the forecasts, including future revenue growth, management of operating costs with historical performance of the entities; • Assessing the appropriateness of the approval for the forecast used by the management; and • Assessing the adequacy of disclosures in the Financial Statements as required by the relevant accounting standards.

• **Completeness of the disclosure of related parties and related party transaction** – Refer to Note 41 to the Financial Statements.

The Group carried related party payable and receivable balance of Rs. 187 Mn. and Rs. 417 Mn. as at 31 March 2019.

Key audit matter	How our audit addressed the key audit matter
<ul style="list-style-type: none"> • As at 31 March 2019, the Group was involved in various types of transactions with many related parties involving significant amounts. <p>As such, there is a risk that all related parties and related party transactions may not be disclosed in the Financial Statements. Accordingly, we focused on the completeness of the disclosure of related parties and related party transactions.</p>	<p>We understood, evaluated and tested the Group's control procedures to identify and disclose related party relationships and transactions.</p> <p>We obtained a list of related parties from management, and performed the following procedures:</p> <ul style="list-style-type: none"> • Reviewing the Board-related party committee meeting minutes; • Reconciling the list of related parties with the disclosures made in the financial statements; • Reviewing a sample of sales, purchases and other agreements that may indicate the existence of related party relationships and obtained management representation for the related party transactions without formal agreement; • Reviewing supporting documents for related party transactions on a sample basis; • Obtaining confirmations for the related party transactions and balance on a sample basis; and • Evaluating the adequacy of the disclosures made in the financial statements.

Other information

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the Financial Statements and our Auditors' Report thereon.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Financial Statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If based on the work we have performed, we conclude that there is material misstatement of other information, we are required to report that fact. We have nothing to report in this regard.

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

Management is responsible for the preparation of Financial Statements that give a true and fair view in accordance with Sri Lanka Accounting Standards, and for such internal control as management determines 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 Company's and the Group's financial reporting process.



Auditors' responsibilities for the audit of the Financial Statements

Our objectives are 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 Auditors' Report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SLAuSs 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 SLAuSs, we exercise professional judgement and maintain professional skepticism throughout the audit. We 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 our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company and the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our Auditors' Report to the related disclosures in the Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our Auditor's Report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the 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. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

We also provide those charged with governance with a statement that we have complied with ethical requirements in accordance with the Code of Ethics regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

Report on Other Legal and Regulatory Requirements

As required by Section 163 (2) of the Companies Act No. 07 of 2007, we have obtained all the information and explanations that were required for the audit and, as far as appears from our examination, proper accounting records have been kept by the Company.

CA Sri Lanka membership number of the engagement partner responsible for signing this independent Auditors' Report is FCA 2294.

KPMG
Colombo, Sri Lanka

20 August 2019

Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 March	Note	Group		Company	
		2019 Rs.	2018 Rs.	2019 Rs.	2018 Rs.
Revenue	10	8,755,718,461	7,955,278,613	3,569,500,917	3,568,770,483
Cost of services		(4,365,301,954)	(3,551,349,412)	(1,903,819,306)	(1,532,151,922)
Gross profit		4,390,416,507	4,403,929,201	1,665,681,611	2,036,618,561
Other income	11	244,851,729	198,816,074	250,304,480	534,238,430
Staff cost	12	(1,707,541,111)	(1,583,472,211)	(704,275,267)	(676,365,402)
Administrative expenses		(2,052,752,836)	(1,761,824,773)	(747,782,717)	(845,736,430)
Other operating expenses		(72,616,384)	(83,245,167)	(40,979,389)	(55,148,173)
Profit from operations	12	802,357,905	1,174,203,124	422,948,718	993,606,986
Net finance expenses	13	(1,190,971,483)	(617,006,242)	(659,700,038)	(536,575,422)
(Loss)/Profit before tax		(388,613,578)	557,196,882	(236,751,320)	457,031,564
Income tax expenses	14	(176,481,998)	(377,238,343)	(14,880,083)	(3,423,582)
(Loss)/Profit for the year, attributable to equity holders of the Company		(565,095,576)	179,958,539	(251,631,403)	453,607,982
Other comprehensive income					
Items that will not be reclassified to profit or loss					
Remeasurment of retirement benefit liability	32	(19,613,483)	(9,863,694)	(23,693,301)	(5,436,979)
Revaluation of property plant and equipment	19	–	(2,451,238)	–	(2,451,238)
Related taxes	14	5,336,536	(202,793,652)	6,634,124	(4,937,085)
Other comprehensive loss for the year, net of tax		(14,276,947)	(215,108,584)	(17,059,177)	(12,825,302)
Total comprehensive income/(loss) for the year		(579,372,523)	(35,150,043)	(268,690,580)	440,782,680
Earnings/(Loss) per share					
Basic earnings/(Loss) per share	15	(0.40)	0.13	(0.18)	0.32
Diluted earnings/(Loss) per share	15	(0.40)	0.13	(0.18)	0.32

Figures in brackets indicate deductions.

The notes to the financial statements on pages 135 and 196 are integral part of these Consolidated Financial Statements.

Statement of Financial Position

As at 31 March		Group		Company	
		2019 Rs.	2018 Rs.	2019 Rs.	2018 Rs.
Note					
Assets					
Non-current assets					
Property, plant and equipment	19	13,710,485,785	13,641,936,088	1,983,544,707	2,144,159,352
Leasehold right over land	20	216,028,835	219,004,788	45,870,889	46,780,317
Investment property	21	–	–	192,417,100	192,417,100
Investment in subsidiaries	22	–	–	2,016,985,386	2,016,985,386
Other investments	23	19,740,000	–	19,740,000	–
Total non-current assets		13,946,254,620	13,860,940,876	4,258,558,082	4,400,342,145
Current assets					
Inventories	24	489,254,828	556,576,847	232,126,124	279,254,062
Trade and other receivables	25	909,353,913	937,596,386	692,928,778	689,305,353
Current tax receivables	37	991,937	–	–	–
Receivable from related parties	26	416,816,784	270,598,111	3,859,010,919	3,960,771,974
Other investments	23	283,881,242	1,344,188,074	36,346,825	1,148,453,310
Cash and cash equivalents	27	157,962,595	177,722,754	106,440,391	65,399,058
Total current assets		2,258,261,299	3,286,682,172	4,926,853,037	6,143,183,757
Assets classified as held for sale	28	136,693,775	136,693,775	2,500,000	2,500,000
Total assets		16,341,209,694	17,284,316,823	9,187,911,119	10,546,025,902
Equity and liabilities					
Capital and reserves					
Stated capital	29	1,207,388,876	1,207,388,876	1,207,388,876	1,207,388,876
Revaluation reserve	30	1,083,455,968	1,083,455,968	38,201,724	38,201,724
Retained earnings		1,317,812,147	1,967,659,950	(310,669,564)	28,496,296
Total equity		3,608,656,991	4,258,504,794	934,921,036	1,274,086,896

As at 31 March	Note	Group		Company	
		2019 Rs.	2018 Rs.	2019 Rs.	2018 Rs.
Non-current liabilities					
Debentures	31	186,165,926	448,334,169	186,165,926	448,334,169
Employee benefits	32	246,273,733	226,814,276	202,174,044	177,345,876
Deferred tax liabilities	33	1,050,981,698	961,346,314	85,383,607	147,660,951
Borrowings	34	6,105,923,111	5,146,678,509	3,683,727,267	2,962,816,497
Finance leases	35	91,285,335	92,000,000	10,064,433	–
Total non-current liabilities		7,680,629,803	6,875,173,268	4,167,515,277	3,736,157,493
Current liabilities					
Debentures	31	269,059,213	1,045,931,717	269,059,213	1,045,931,717
Trade and other payables	36	1,480,094,195	992,870,641	1,257,621,043	825,614,512
Unclaimed dividends		21,706,127	4,265,485	21,706,074	4,265,459
Current tax liabilities	37	–	16,890,277	–	–
Payable to related parties	38	186,777,683	196,954,049	319,616,309	192,248,820
Borrowings	34	1,457,310,675	2,275,560,740	1,075,849,235	2,129,033,676
Finance leases	35	11,803,776	8,000,000	2,414,227	–
Bank overdrafts	27	1,625,171,231	1,610,165,852	1,139,208,705	1,338,687,329
Total current liabilities		5,051,922,900	6,150,638,761	4,018,062,676	5,535,781,513
Total liabilities		12,732,552,703	13,025,812,029	8,252,990,083	9,271,939,006
Total equity and liabilities		16,341,209,694	17,284,316,823	9,187,911,119	10,546,025,902
Net assets per share		2.56	3.02	0.66	0.90

The notes to the financial statements on pages 135 and 196 are integral part of these Consolidated Financial Statements.

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



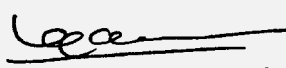
Mr Nalaka Niroshana
Head of Finance

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

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



Dr Jayantha Dharmadasa
Chairman/Chief Executive Officer
Colombo



VidyaJyothi Professor Lal Gotabhaya Chandrasena
Director/General Manager

20 August 2019

Statement of Changes in Equity

	Stated Capital Rs.	Revaluation Reserve Rs.	Retained Earnings Rs.	Total Equity Rs.
Group				
Balance as at 1 April 2017	1,207,388,876	1,291,462,692	1,935,753,870	4,434,605,438
Profit for the year	–	–	179,958,539	179,958,539
Other comprehensive income (net of tax)	–	(208,006,724)	(7,101,860)	(215,108,584)
Transaction with the owners of the Company				
Dividends paid	–	–	(140,950,599)	(140,950,599)
Balance as at 31 March 2018	1,207,388,876	1,083,455,968	1,967,659,950	4,258,504,794
Balance as at 1 April 2018	1,207,388,876	1,083,455,968	1,967,659,950	4,258,504,794
Loss for the year	–	–	(565,095,576)	(565,095,576)
Other comprehensive income (net of tax)	–	–	(14,276,947)	(14,276,947)
Transaction with the owners of the Company				
Dividends paid	–	–	(70,475,280)	(70,475,280)
Balance as at 31 March 2019	1,207,388,876	1,083,455,968	1,317,812,147	3,608,656,991
Company				
Balance as at 1 April 2017	1,207,388,876	47,112,401	(280,246,462)	974,254,815
Profit for the year	–	–	453,607,982	453,607,982
Other comprehensive income (net of tax)	–	(8,910,677)	(3,914,625)	(12,825,302)
Transaction with the owners of the Company				
Dividends paid	–	–	(140,950,599)	(140,950,599)
Balance as at 31 March 2018	1,207,388,876	38,201,724	28,496,296	1,274,086,896
Balance as at 1 April 2018	1,207,388,876	38,201,724	28,496,296	1,274,086,896
Loss for the year	–	–	(251,631,403)	(251,631,403)
Other comprehensive income (net of tax)	–	–	(17,059,177)	(17,059,177)
Transaction with the owners of the Company				
Dividends paid	–	–	(70,475,280)	(70,475,280)
Balance as at 31 March 2019	1,207,388,876	38,201,724	(310,669,564)	934,921,036

Notes form an integral part of these Financial Statements.

Figures in brackets indicate deductions.

Cash Flow Statement

For the year ended 31 March	Note	Group		Company	
		2019 Rs.	2018 Rs.	2019 Rs.	2018 Rs.
Cash flows from operating activities					
Profit/(Loss) before tax		(388,613,578)	557,196,882	(236,751,320)	457,031,564
Adjustments for:					
Depreciation and amortisation	19/20	877,663,401	643,217,539	367,738,590	343,899,211
Finance cost	13/31	1,293,301,642	769,466,865	728,857,922	668,523,522
Interest income	13	(97,770,310)	(147,015,664)	(64,598,034)	(126,503,142)
Profit on disposal of property, plant and equipment	11	(4,291,190)	–	(4,291,190)	–
Provision for employee benefits	32	45,763,014	44,775,883	33,795,282	30,555,005
Provision for bad and doubtful debts	25	–	11,051,702	–	10,540,874
Provision for doubtful related party receivable	26	4,156,285	–	4,156,285	–
Dividend income	11	–	–	(199,999,989)	(424,999,976)
Operating profit before working capital changes		1,730,209,264	1,878,693,207	628,907,546	959,047,060
Changes in working capital					
(Increase)/Decrease in inventories		67,322,019	(164,302,473)	47,127,938	(101,520,136)
Decrease in debtors, deposits and advances		(55,331,716)	(91,561,785)	(68,632,326)	(164,021,087)
Increase/Decrease in related party balances		(160,551,324)	364,471,029	224,972,250	(1,452,113,887)
(Decrease)/Increase in creditors and other payables		480,089,748	188,128,926	432,117,388	97,220,125
		331,528,727	296,735,697	635,585,250	(1,620,434,985)
Cash generated from/(used in) operating activities		2,061,737,991	2,175,428,904	1,264,492,796	(661,387,925)
Interest paid		(1,230,734,542)	(764,021,906)	(667,291,487)	(663,078,563)
Gratuity paid	32	(45,917,040)	(25,028,794)	(32,660,414)	(19,934,308)
Current tax paid	37	(4,059,669)	(12,892,264)	–	–
Net cash generated from/(used in) operating activities		781,026,740	1,373,485,940	564,540,895	(1,344,400,796)
Cash flows from/(used in) investing activities					
Purchase of property, plant and equipment	19	(943,945,953)	(3,328,349,950)	(206,923,325)	(126,139,733)
Proceeds from sale of property, plant and equipment		5,000,000	–	5,000,000	–
Debtenture repayment		(1,043,600,597)	–	(1,043,600,597)	–
Other investment	23	(19,740,000)	–	(19,740,000)	–
Interest received	13	97,770,310	147,015,664	64,598,034	126,503,142
Investment in short-term deposits		1,060,306,832	(349,518,128)	1,112,106,485	(338,025,923)
Dividend received		–	–	199,999,989	424,999,976
Net cash generated from/(used in) investing activities		(844,209,408)	(3,530,852,414)	111,440,586	87,337,462
Cash flows from/(used in) financing activities					
Proceeds from long-term borrowings	34	1,948,509,826	3,487,688,247	1,226,781,004	2,410,000,189
Proceeds from leases	35	14,580,000	–	14,580,000	–
Repayments of long-term borrowings	34	(1,870,147,165)	(1,571,568,865)	(1,621,686,551)	(1,397,590,960)
Repayments of lease principal	35	(11,490,889)	(8,000,000)	(2,101,340)	–
Dividends paid		(53,034,642)	(140,114,236)	(53,034,642)	(140,114,262)
Net cash generated from/(used in) financing activities		28,417,130	1,768,005,144	(435,461,524)	872,294,967
Net increase/(decrease) in cash and cash equivalents during the year					
		(34,765,538)	(389,361,330)	240,519,957	(384,768,367)
Cash and cash equivalents at the beginning of the year		(1,432,443,098)	(1,043,081,768)	(1,273,288,271)	(888,519,904)
Cash and cash equivalents at the end of the year		(1,467,208,636)	(1,432,443,098)	(1,032,768,314)	(1,273,288,271)
Analysis of cash and cash equivalents at the end of the year					
Cash at Bank and in hand		157,962,595	177,722,754	106,440,391	65,399,058
Bank overdraft		(1,625,171,231)	(1,610,165,852)	(1,139,208,705)	(1,338,687,329)
	27	(1,467,208,636)	(1,432,443,098)	(1,032,768,314)	(1,273,288,271)

Notes 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

Nawaloka Hospitals PLC (“Company”) is a quoted public company with limited liability, incorporated in Sri Lanka under the provisions of the Companies Act No. 07 of 2007 and the ordinary shares of the Company are listed on the Colombo Stock Exchange.

The registered office and the principal place of business of the Company is located at No. 23, Deshamanya H K Dharmadasa Mawatha, Colombo 2.

1.2 Consolidated financial statements

The Consolidated Financial Statements as at and for the year ended 31 March 2019, comprise the Company (Parent Company) and its Subsidiaries (together referred to as the “Group” and individually as “Group entities”).

The Company does not have an identifiable parent of its own. The Company is the Ultimate Parent of the Group.

1.3 Principal business activities, nature of operations of the group and ownership by the company in its subsidiaries

The principal business activities of the Company is to provide health and laboratory services.

Entity	Principle business activity	Ownership as at 31 March 2019 %	Ownership as at 31 March 2018 %
New Nawaloka Hospitals (Pvt) Ltd.	Providing health care services	100	100
New Nawaloka Medical Centre (Pvt) Ltd.		100	100
Nawaloka Medicare (Pvt) Ltd.		100	100
Nawaloka Green Cross Laboratories (Pvt) Ltd.	Providing clinical laboratory services	100	100

There were no significant changes in the nature of principal activities of the Company and the Group during the financial year under review.

1.4 Number of employees

Company	543	(2018 – 614)
Group	2,765	(2018 – 2,837)

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 (SLFRSs and LKASs), laid down by The Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) and in compliance with the requirements of the Companies Act No. 07 of 2007 and provide appropriate disclosures as required by the Listing Rules of the CSE.

These Financial Statements, except for information on cash flows have been prepared following the accrual basis of accounting.

Details of the Group’s Significant Accounting Policies followed during the year are given in Notes 6 to 45 on pages 137 to 196.

2.2 Responsibility for Financial Statements

The Board of Directors of the Company is responsible for the preparation and presentation of the Financial Statements of the Group and the Company as per the provisions of the Companies Act No. 07 of 2007 and Sri Lanka Accounting Standards.

The Board of Directors acknowledges their responsibility for Financial Statements as set out in the “Annual Report of the Board of Directors”, “Statement of Directors’ Responsibility” and the certification on the Statement of Financial Position on pages 111, 122 and 124, respectively.

These Financial Statements include the following components:

- (i) a Statement of Profit or Loss and Other Comprehensive Income. Refer pages 130;
- (ii) a Statement of Financial Position. Refer pages 131 and 132;
- (iii) a Statement of Changes in Equity. Refer page 133;
- (iv) a Statement of Cash Flows. Refer page 134;
- (v) Notes to the Financial Statements comprising Significant Accounting Policies and other explanatory information. Refer pages 135 to 196.

2.3 Approval of Financial Statements by the Board of Directors

The Financial Statements of the Group and the Company for the year ended 31 March 2019 (including comparatives for 2018), were approved and authorised for issue by the Board of Directors in accordance with Resolution of the Directors on 20 August 2019.

2.4 Going concern

The management has made an assessment of its ability to continue as a going concern (as set out in Note 48) and is satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Group’s/Company’s ability to continue as a going concern. Therefore, the Financial Statements continue to be prepared on a going concern basis.

2.5 Materiality and aggregation

Each material class of similar item is presented separately in the Financial Statements. Items of dissimilar nature or function are presented separately, unless they are immaterial as permitted by the LKAS 1 on “Presentation of Financial Statements”.

2.6 Comparative information

The Financial Statements for the comparative periods comprise results for the 12 month periods from 1 April 2018 to 31 March 2019. The comparative information for the Statement of Financial Position, Statement of Profit or Loss and other Comprehensive Income, Statement of Changes in Equity and Cash Flow Statement and related notes are comparable with the current period.

The previous year figures and phrases have been rearranged wherever necessary to conform to current year's presentation.

2.7 Offsetting

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position, only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or to realise the assets and settle the liabilities simultaneously. Income and expenses are not offset in the Income Statement, unless required or permitted by an Accounting Standard or Interpretation and as specifically disclosed in the Significant Accounting Policies of the Company.

3. Functional and presentation currency

Items included in the Financial Statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entities operate ("the functional currency"). The Consolidated Financial Statements are presented in Sri Lankan Rupees, which is the Company's functional and presentation currency. All financial information presented in Rupees has been rounded to the nearest Rupee.

4. Use of judgements and estimates

In preparing these Consolidated Financial Statements, management has made judgements, estimates and assumptions that affect the application of the Group's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

4.1 Judgement

Information about judgements made in applying accounting policies that have the most significant effects on the amounts recognised in the Consolidated Financial Statements is included in the following notes:

- Note 20 – leases: whether an arrangement contains a lease and lease classification; and
- Note 6.1 – consolidation: whether the Group has *de facto* control over an investee.

4.2 Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the year ended 31 March 2019 is included in the following notes:

- Note 19 – measurement of the useful lifetime of property, plant and equipment.
- Note 32 – measurement of defined benefit obligations: key actuarial assumptions;
- Note 33 – recognition of deferred tax assets: availability of future taxable profit against which tax losses carried forward can be used;

- Note 44 – recognition and measurement of provisions and contingencies: key assumptions about the likelihood and magnitude of an outflow of resources; and
- Note 19.8 – identification and measurement of property, plant and equipment impairment.

Measurement of fair values

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

The Group has an established control framework with respect to the measurement of fair values.

The management regularly reviews significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or pricing services, is used to measure fair values, then the management assesses the evidence obtained from the third parties to support the conclusion that these valuations meet the requirements of SLFRS, including the level in the fair value hierarchy in which the valuations should be classified.

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 fair value hierarchy based on the inputs used in the valuation techniques as follows:

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

If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. The Group recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

5. Basis of measurement

The Consolidated Financial Statements have been prepared on the historical cost basis except for the following items, which are measured on an alternative basis on each reporting date.

Items	Measurement basis
Building on leasehold land	Fair value
Net defined benefit (asset) liability	Fair value of plan assets less the present value of the defined benefit obligation, limited as explained in Note 32
Investment in unquoted shares	Fair value

6. Significant accounting policies

The Group has consistently applied the following accounting policies to all periods presented in these Consolidated Financial Statements.

Set out below is an index of the significant accounting policies, the details of which are available on the pages that follows:

Note reference	Note	Page reference
6.1	Basis of consolidation	137
6.2	Foreign currency translation	137
6.3	Impairment	137 and 138
7.2	Financial instruments	139
9	Segmental information	141
10	Revenue recognition	143
12	Expenditure recognition	146
14	Income tax expenses	148
15	Earnings per share	150
16	Dividends on ordinary shares	151
19	Property, plant and equipment	156 and 157
19	Leased assets	162
21	Investment property	162
24	Inventories	165
27	Cash and cash equivalent	168
28	Assets held for sale	169
29	Stated capital	170
32	Employee benefits	172
39	Fair value measurement	181
41	Related party transactions	192 to 194
44	Provisions	195
45	Events after the reporting date	196

6.1 Basis of consolidation

Business combinations

The Group accounts for business combinations using the acquisition method when control is transferred to the Group. 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.

Non-controlling interests

NCI are measured initially at their proportionate share of the acquiree's identifiable net assets at the date of acquisition.

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

Loss of control

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related NCI and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

Transactions eliminated on consolidation

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

6.2 Foreign currency translation

Transactions in foreign currencies are translated into the respective functional currencies of Group companies at the exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Foreign currency differences are generally recognised in profit or loss.

6.3 Impairment of assets

6.3.1 Financial instruments and contract assets

Policy applicable from 1 April 2018

The Group recognises loss allowances for ECLs on financial assets measured at amortised cost.

Loss allowances for trade receivables is always measured at an amount equal to lifetime Expected Credit Loss (ECL).

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Groups historical experience and informed credit assessment and including forward-looking information.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e., the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortised cost and debt securities at FVOCI are credit-impaired. A financial asset is “credit-impaired” when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract;
- the disappearance of an active market for a security because of financial difficulties.

Presentation of allowance for ECL in the statement of financial position

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

For debt securities at FVOCI, the loss allowance is charged to profit or loss and is recognised in OCI.

Policy applicable prior to 1 April 2018

Financial assets classified as “loans and receivables” are assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset, and that loss event(s) had an impact on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets are impaired includes default or delinquency by a debtor, restructuring of an amount due to the Company and the Group on terms that the Company and the Group would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers, economic conditions that correlate with defaults or the disappearance of an active market for a security.

Financial assets measured at amortised cost

The Company and the Group considers evidence of impairment for financial assets measured at amortised cost (loans and receivables and held-to-maturity financial assets) on specific assets. Accordingly, all individually significant assets are assessed for specific impairment. An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against loans and receivables or held-to-maturity investment securities. Interest on the impaired asset continues to be recognised. When an event occurring after the impairment was recognised causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

6.3.2 Non-financial assets

The carrying amounts of the Company's and the Group's non-financial assets, other than inventories are reviewed at each reporting date to determine such indication exists, and then the asset's recoverable amount is estimated. An impairment loss is recognised if the carrying amount of an asset or cash-generating unit (CGU) exceeds its recoverable amount.

The recoverable amount of an asset or CGU 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 asset or CGU. For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated to reduce the carrying amounts of the assets in the CGU (group of CGUs) on a *pro rata* basis.

An impairment loss 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.

7. Changes in significant accounting policies

The Group has initially applied SLFRS 15 (7.1) and SLFRS 9 (7.2) from 1 April 2018.

Due to the transition methods chosen by the Group in applying these standards, comparative information throughout these financial statements has not been restated to reflect the requirements of the new standards referred to above.

7.1 SLFRS 15 revenue from contracts with customers

SLFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaced LKAS 18 Revenue, LKAS 11 Construction Contract and related interpretations. Under SLFRS 15, revenue is recognised when a customer obtains control of the goods or services. Determining the timing of the transfer of control at a point in time or over time requires judgement.

The Group has adopted SLFRS 15 from 1 April 2018 using the cumulative effect method (without practical expedients), with the effect of initially applying this standard recognised at the date of initial application (i.e., 1 April 2018). Accordingly, the information presented for 2017 has not been restated-i.e., it is presented, as previously reported, under LKAS 18, LKAS 11 and related interpretations. Additionally, the disclosure requirements in SLFRS 15 have not generally been applied to comparative information.

There was no material impact of transition to SLFRS 15 on retained earnings and reserves at 1 April 2018.

There was no material impact on the Group's the Statement of Financial Position as at 31 March 2019, and the Income Statement, Statement of Profit or Loss and other comprehensive income, Statement of Changes in Equity and Statement of Cash Flows for the year then ended.

The following tables summarise the impacts of adopting SLFRS 15 on the Group's Statement of Profit or Loss and OCI for the year ended 31 March 2019 for each of the line items affected. There was no material impact on the Group's Statement of Financial Position as at 31 March 2019 and its Statement of Changes in Equity and Statement of Cash Flows for the year ended then ended.

Impact on the statement of profit or loss and OCI	Note	As reported Rs.	Adjustments Rs.	Amounts without adoption of SLFRS 15 Rs.
Continuing operations				
Revenue	10	8,755,718,461	–	8,755,718,461
Cost of sales		4,365,301,954	–	4,365,301,954
Profit for the year		(565,095,576)	–	(565,095,576)
Total comprehensive Loss for the year		(579,372,523)	–	(579,372,523)

SLFRS 15 did not have a significant impact on the Group's accounting policies with respect to other revenue streams (see Note 7).

7.2 SLFRS 9 financial instruments

SLFRS 9 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. The standard replaces LKAS 39 "Financial Instruments: Recognition and Measurement".

SLFRS 9 contains three principle classification category for financial assets: measured at amortised cost, FVOCI and FVTPL. The classification of financial asset under SLFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. SLFRS 9 eliminates the previous LKAS 39 categories of held to maturity, loans and receivables and available for sale. Under SLFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never separated. Instead, the hybrid financial instrument as a whole is assessed for classification.

The adoption of SLFRS 9 has not had a significant effect on the Company's accounting policies related to financial liabilities, assets and derivative financial instruments.

There was no material impact of transition to SLFRS 9 on retained earnings and reserves at 1 April 2018.

The following table and the accompanying notes below explain the original measurement categories under LKAS 39 and the new measurement categories under SLFRS 9 for each class of the Group's financial assets and financial liabilities as at 1 April 2018.

The following table and the accompanying notes below explain the original measurement categories under LKAS 39 and the new measurement categories under SLFRS 9 for each class of the Group's financial assets and financial liabilities as at 1 April 2018.

	Original classification under LKAS 39	New classification under SLFRS 9	Original carrying amount under LKAS 39 (Rs.)	New carrying amount under SLFRS 9 (Rs.)
Financial assets				
Investments	–	FVTOCI	19,740,000	19,740,000
Trade and other receivables	Loans and receivable	Amortised cost	909,353,913	909,353,913
Receivable from related parties	Loans and receivable	Amortised cost	420,973,069	420,973,069
Short term investments	Loans and receivable	Amortised cost	283,881,242	283,881,242
Cash and cash equivalents	Loans and receivable	Amortised cost	157,962,595	157,962,595
			1,791,910,819	1,791,910,819
Financial liability				
Debentures	Other financial liabilities	Other financial liabilities	186,165,926	186,165,926
Borrowings	Other financial liabilities	Other financial liabilities	7,563,233,786	7,563,233,786
Finance Leases	Other financial liabilities	Other financial liabilities	103,089,111	103,089,111
Trade creditors and other payables	Other financial liabilities	Other financial liabilities	1,480,094,195	1,480,094,195
Payable to related companies	Other financial liabilities	Other financial liabilities	186,777,683	186,777,683
Bank overdrafts	Other financial liabilities	Other financial liabilities	1,625,171,231	1,625,171,231
			10,958,366,006	10,958,366,006

Impairment of financial assets

SLFRS 9 replaces the “incurred loss” model in LKAS 39 with an “expected credit loss” (ECL) model. The new impairment model applies to financial assets measured at amortised cost. Under SLFRS 9, credit losses are recognised earlier than under LKAS 39.

The Group has determined that the application of SLFRS 9’s impairment requirements as at 1 April 2018 does not have a material impact to the Financial Statements.

8. Standards issued but not yet effective

SLFRS 16 leases

The Group is required to adopt SLFRS 16 Leases from 1 April 2019. The Group is assessing the potential impact on its Financial Statements resulting from the application of SLFRS 16. This standard has not been applied in these Financial Statements.

SLFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard – i.e., lessors continue to classify leases as finance or operating leases.

SLFRS 16 replaces existing leases guidance, including LKAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases – Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

Leases in which the Group is a lessee

The Group will recognise new assets and liabilities for its operating leases of office buildings. The nature of expenses related to those leases will now change because the Group will recognise a depreciation charge for right-of-use assets and interest expense on lease liabilities.

Previously, the Group recognised operating lease expense on a straight-line basis over the term of the lease, and recognised assets and liabilities only to the extent that there was a timing difference between actual lease payments and the expense recognised.

In addition, the Group will no longer recognise provisions for operating leases that it assesses to be onerous. Instead, the Group will include the payments due under the lease in its lease liability.

The Group/Company is assessing the potential impact on its Financial Statements resulting from the adoption of SLFRS 16.

Leases in which the Group is a lessor

The Group will reassess the classification of sub-leases in which the Group is a lessor. Based on the information currently available.

No significant impact is expected from other leases in which the Group is a lessor.

9. Operating segments

Accounting policy

An operating segment is a component of the Group/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/Company's other components. All operating segments' operating results are reviewed regularly by the Group/Company's CEO to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

9.1 Basis for segmentation

The Group has the following strategic divisions, which are its reportable segments. These divisions offer different products and services, and are managed separately because they require different technology and marketing strategies.

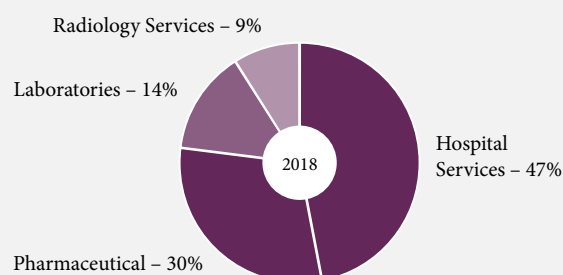
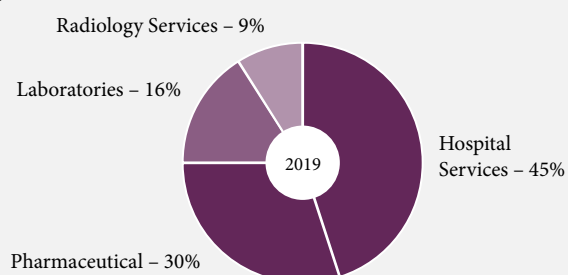
The following summary describes the operations of each reportable segment:

Reportable segments	Operations
Hospital services	Provision of hospital services to inpatient and outpatient
Pharmaceutical	Sale of pharmaceuticals
Laboratories	Provision of laboratories services
Radiology services	Provision of radiographical services

The Group's chief executive officer reviews the internal management reports of each division at least quarterly.

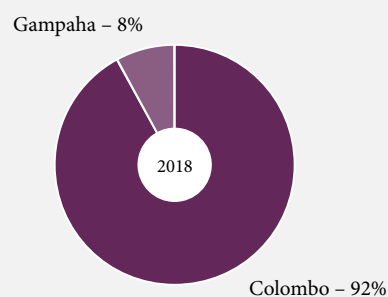
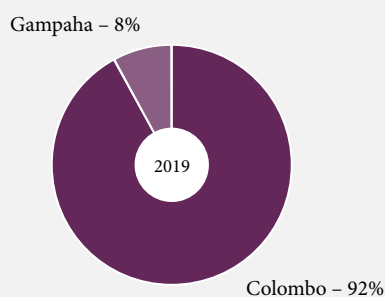
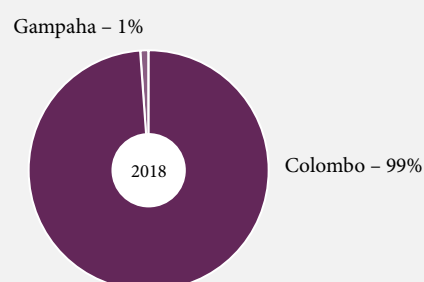
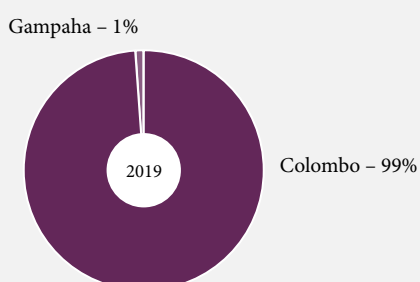
Segment performance is evaluated based on operating profits or losses which in certain respect, are measured differently from operating profits or losses in the consolidated financial statements. Income taxes are managed on a Group basis and are not allocated to operating segments.

Segment Revenue



Geographic allocation of segment information

	Colombo		Gampaha		Total	
	2019 Rs.	2018 Rs.	2019 Rs.	2018 Rs.	2019 Rs.	2018 Rs.
External operating income						
Revenue	7,593,147,519	6,957,611,750	1,162,570,942	997,666,863	8,755,718,461	7,955,278,613
Other income	233,679,560	190,837,329	11,172,169	7,978,745	244,851,729	198,816,074
Total operating income	7,826,827,079	7,148,449,080	1,173,743,111	1,005,645,608	9,000,570,190	8,154,094,688
Depreciation and amortisation	781,002,321	582,080,781	96,661,089	92,474,769	877,663,410	643,217,539
Segment profit (loss) before tax	(589,549,573)	409,600,112	200,935,994	147,596,770	(388,613,578)	557,196,882
Income tax expenses					(176,481,998)	(377,238,343)
Net profit/(loss) for the year, attributable to equity holders of the parent					(565,095,576)	179,958,539
Segment assets	14,776,922,315	15,853,739,518	1,564,287,379	1,399,377,037	16,341,209,694	17,284,316,822
Segment liabilities	12,587,697,736	12,884,609,732	144,854,963	141,202,298	12,732,552,699	13,025,812,030
Capital expenditure	876,398,558	3,196,577,451	67,547,394	131,772,500	943,945,953	3,328,349,950

Segment Assets**Segment Liabilities**

The following table presents the income, profit, asset and liability information on the Group's strategic business divisions for the year ended 31 March 2019 and comparative figures for the year ended 31 March 2018.

	Hospital services		Pharmaceutical	
	2019 Rs.	2018 Rs.	2019 Rs.	2018 Rs.
External operating income				
Revenue	3,993,484,204	3,773,448,526	2,608,836,082	2,350,698,896
Other income				
Total operating income	3,993,484,204	3,773,448,526	2,608,836,082	2,350,698,896
Depreciation and amortisation				
Profit (loss) before tax				
Income tax expenses				
Net profit/(loss) for the year, attributable to equity holders of the parent				

10. Revenue

Accounting policy

SLFRS 15 – Revenue from contracts with customers, establishes a comprehensive framework for determining whether, how much and when revenue is recognised. The Group recognises revenue when a customer obtains control of the goods or services. Judgement is used to determine the timing of transfer of control – at a point in time or over time.

The effect of initial application of SLFRS 15 on the Group's revenue from contracts with customers is described in Note 7. Due to the transition method chosen by the Group on adoption of the said standard, the comparative information have not been restated to reflect the new requirements.

10.1 Revenue streams

The Group generates revenue primarily from health and laboratory services.

For the year ended 31 March	Group		Company	
	2019 Rs.	2018 Rs.	2019 Rs.	2018 Rs.
Revenue from contracts with customers	8,755,718,461	7,955,278,613	3,569,500,917	3,568,770,483
	8,755,718,461	7,955,278,613	3,569,500,917	3,568,770,483

Laboratories		Radiology services		Unallocated/eliminations		Total	
2019 Rs.	2018 Rs.	2019 Rs.	2018 Rs.	2019 Rs.	2018 Rs.	2019 Rs.	2018 Rs.
1,374,465,136	1,151,650,626	797,202,975	679,480,565	(18,269,936)	–	8,755,718,461	7,955,278,613
				244,851,729	198,816,074	244,851,729	198,816,074
1,374,465,136	1,151,650,626	797,202,975	679,480,565	226,581,793	198,816,074	9,000,570,190	8,154,094,688
						877,663,410	643,217,539
						(388,613,578)	557,196,882
						(176,481,998)	(377,238,343)
						(565,095,576)	179,958,539

10.2 Disaggregation of revenue from contracts with customers

In the following table, revenue from contracts with customers is disaggregated by primary geographical market, major products and service lines and timing of revenue recognition. The table also includes a reconciliation of the disaggregated revenue with the Group's reportable segments (see Note 9).

For the year ended 31 March	Group		Company	
	2019 Rs.	2018 Rs.	2019 Rs.	2018 Rs.
Primary geographic markets				
Colombo	7,593,147,519	6,957,611,750	3,569,500,917	3,568,770,483
Negambo/Gampaha	1,162,570,942	997,666,863	–	–
	8,755,718,461	7,955,278,613	3,569,500,917	3,568,770,483
Major product/service lines				
Hospital revenue	3,993,484,204	4,329,813,489	1,657,378,060	1,611,263,847
Pharmacy revenue	2,608,836,082	2,350,698,896	1,524,049,131	1,615,432,401
Laboratory revenue	1,374,465,136	595,285,663	120,531,455	97,621,319
Radiology services	797,202,975	679,480,565	276,734,715	244,452,916
Deferred revenue	(18,269,936)	–	(9,192,444)	–
	8,755,718,461	7,955,278,613	3,569,500,917	3,568,770,483
Timing of revenue recognition				
Products transferred at a point in time	3,376,250,904	2,784,347,514	623,115,947	745,091,776
Products and services transferred over time	5,379,467,557	5,170,931,099	2,946,384,970	2,823,678,707
Revenue from contracts with customers	8,755,718,461	7,955,278,613	3,569,500,917	3,568,770,483
External revenue as reported in Note 9	8,755,718,461	7,955,278,613	3,569,500,917	3,568,770,483

10.3 Contract balances

These refer to the Group's rights to consideration for work completed but not billed at the reporting date.

10.4 Performance obligations and revenue recognition policies

Revenue is measured based on the consideration specified in a contract with a customer. The Group recognises revenue when it transfers control over a good or service to a customer.

The following table provides information about the nature and timing of the satisfaction of performance obligation in contracts with customers, including significant payment terms and related revenue recognition policies.

Type of product/service	Nature of timing of satisfaction of performance obligations, including significant payment terms	Revenue recognition under SLFRS 15 (applicable from 1 April 2018)	Revenue recognition under LKAS 18 (applicable prior to 1 April 2018)
Inward patient service	Revenue primarily comprises fees charged for inpatient hospital services. Services include charges for accommodation, theatre, medical professional services, equipment, radiology, laboratory and pharmaceutical goods used.	Revenue is recognised over time as the services are provided. The stage of completion for determining the amount of revenue to recognise is assessed based on provision of services. If the services under a single arrangement are rendered in different reporting periods, then the consideration is allocated based on their relative stand-alone selling prices. The stand-alone selling price is determined based on the list prices at which the Group sells the services in separate transactions.	Revenue is recorded and recognised during the period in which the hospital service is provided, based upon the estimated amounts due from patients and/or medical funding entities. Unbilled revenue is recorded for the service where the patients are not discharged and invoice is not raised for the service.
The service revenues are presented net of related doctor fees and diagnostic charges in cases where the Group is not the primary obligor and does not have the pricing latitude.			
Outward patient service	Outward patient sales are recognised when the risk and reward of ownership is passed to the customer.	Revenue is recognised point in time and measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duties collected on behalf of the Government. Revenue is reduced for rebates and loyalty points granted upon purchase and are stated net of returns and discounts wherever applicable.	Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duties collected on behalf of the Government. Revenue is reduced for rebates and loyalty points granted upon purchase and are stated net of returns and discounts wherever applicable.

11. Other income

Accounting policies

(a) Dividend income

Dividend income is recognised in profit or loss on the date that the Group's right to receive payment is established.

(b) Other income

Other income is recognised on an accrual basis.

Net gains and losses of a revenue nature on the disposal of property, plant and equipment and other non-current assets including investments have been accounted for in profit or loss.

For the year ended 31 March	Group		Company	
	2019 Rs.	2018 Rs.	2019 Rs.	2018 Rs.
Dividend income	–	–	199,999,989	424,999,976
Other income				
– Rental services	127,320,419	119,120,940	30,733,862	80,334,511
– Rent income from investment property	–	–	2,227,054	1,917,410
– Profit on sale of assets	4,291,190	–	4,291,190	–
– Car park income	46,340,950	18,341,760	–	–
– Corporate medical centres	27,473,187	24,567,935	–	–
– Other sundry income	39,425,983	36,785,439	13,052,385	26,986,533
	244,851,729	198,816,074	250,304,480	534,238,430

12. Profit from operations

Accounting policy

Operating profit is the result generated from the continuing principal revenue-producing activities of the Group as well as other income and expenses related to operating activities. Operating profit excludes net finance costs, and income taxes.

Expenses

All expenditure incurred in the running of the business has been charged to income in arriving at the profit for the year. Repairs and renewals are charged to Statement of Profit or Loss in the year in which the expenditure is incurred.

Borrowing costs

Borrowing costs are recognised as an expense in the period in which they are incurred, except to the extent that they are directly attributable to the acquisition, construction or production of a qualifying asset, in which case they are capitalised as part of the cost of that asset.

Operating leases

Leases where the lessor effectively retains substantially all the risks and rewards of ownership over the lease term are classified as operating leases. Payments made under operating leases are recognised in Statement of Profit or Loss on a straight-line basis over the term of the lease.

The operating profit has been arrived after charging all expenses including the following:

For the year ended 31 March	Group		Company	
	2019 Rs.	2018 Rs.	2019 Rs.	2018 Rs.
Personnel expenses	1,707,541,111	1,583,472,211	704,275,267	676,365,402
Emoluments to Directors	84,764,898	75,539,899	84,764,898	75,539,899
Auditor's remuneration – Audit and audit-related services	3,095,000	2,420,000	1,340,500	900,000
– Non-audit services	2,000,000	–	2,000,000	–
Depreciation and amortisation	877,663,401	643,217,539	367,738,590	343,899,211
Charge/(reversal) of provision for bad debts	–	11,051,702	–	10,540,874
Provision for doubtful related party receivable	4,156,285	–	4,156,285	–
Charity and donation	9,099,114	10,876,634	9,099,114	10,876,634

12.1 Personnel expenses

For the year ended 31 March	Group		Company	
	2019 Rs.	2018 Rs.	2019 Rs.	2018 Rs.
Staff costs	1,491,029,665	1,379,342,325	598,569,966	575,827,360
Employees' Provident Fund	136,598,745	127,498,798	57,528,015	55,975,025
Employees' Trust Fund	34,149,687	31,855,205	14,382,004	14,008,012
Provision for employee benefits	45,763,014	44,775,883	33,795,282	30,555,005
	1,707,541,111	1,583,472,211	704,275,267	676,365,402

13. Net finance expenses

Accounting policy

The Group's finance income and finance costs include:

- interest income
- interest expenses
- the foreign currency gain or losses on financial assets and financial liabilities

Interest income or expenses is recognised using the effective interest method.

The “effective interest rate” is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instruments to:

- the gross carrying amount of the financial assets; or
- the amortised cost of the financial liability.

In calculating interest income and expenses, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortised cost of the liability. However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial assets. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

For the year ended 31 March	Group		Company	
	2019 Rs.	2018 Rs.	2019 Rs.	2018 Rs.
Finance income				
Interest on fixed deposits	97,770,310	147,015,664	64,598,034	126,503,142
Finance expenses				
Overdraft interest	167,094,588	125,022,192	132,547,729	108,074,992
Net foreign exchange loss	58,007,252	–	57,006,585	
Debenture interest	142,614,141	218,087,239	142,614,141	218,087,238
Lease and loan interest	914,961,510	416,288,962	387,021,509	333,410,935
Bank charges	4,773,214	4,623,513	3,817,020	3,505,399
Finance lease interest	1,291,088	–	1,291,088	–
	1,288,741,793	764,021,906	724,298,072	663,078,564
	1,190,971,483	617,006,242	659,700,038	536,575,422

14. Income tax expenses

Accounting policy

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in Statement of Profit or Loss except to the extent that it relates to a business combination, or items recognised directly in equity or in Other Comprehensive Income.

The Group has determined that interest and penalties relating to income taxes, including uncertain tax treatments, do not meet the definition of income taxes, and therefore accounted for them under LKAS 37 Provisions, Contingent Liabilities and Contingent Assets.

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 tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date. Current tax also includes any tax arising from dividends.

Current tax assets and liabilities are offset only if certain criteria are met.

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. Refer Note 33 for detail accounting policy.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on the

reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognise a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on the business plans for individual subsidiaries in the Group. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits.

Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

Deferred tax assets and liabilities are offset only if certain criteria are met.

Tax exposures

In determining the amount of current and deferred tax, the Group takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes the Group to change its judgement regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

Withholding tax on dividends – Distributed by subsidiaries

Dividend distributed out of taxable profit of the subsidiaries attracts a 14% deduction at source and is not available for setoff against the tax liability of the Company. Thus, the withholding tax deducted at source is added to the tax expense of the Subsidiary Companies and Joint Venture Company in the Group Financial Statements as a consolidation adjustment.

14.1 Amounts recognised in profit or loss

For the year ended 31 March	Group		Company	
	2019 Rs.	2018 Rs.	2019 Rs.	2018 Rs.
Current tax expense				
Tax on current year profit (Note 14.4)	5,928,240	13,471,835	–	–
Under/(over) provision during prior year	(7,000,410)	–	5,514,402	–
Unclaimable economic service charges (ESC)	82,582,253	–	65,008,901	–
	81,510,083	13,471,835	70,523,303	–
Deferred tax expense				
(Reversal from)/transfer to deferred taxation (Note 33)	94,971,916	(44,491,851)	(55,643,220)	(137,091,582)
Impact on rate change	–	408,258,359	–	146,515,164
	94,971,916	363,766,508	(55,643,220)	3,423,582
Tax expenses on continuing operations	176,481,998	377,238,343	14,880,083	3,423,582

Company

In terms of the Inland Revenue Act No. 24 of 2017 and subsequent gazette notifications thereto, the Company is liable for income tax at 28% (2018-12%) on its taxable income.

Group

In accordance with the provision of the Inland Revenue Act No. 24 of 2017 and subsequent gazette notifications thereto, the subsidiary companies of the Company are liable for income tax at the following rates:

Company	Tax base
New Nawaloka Hospitals (Pvt) Ltd	28% on the taxable profits
New Nawaloka Medical Centre (Pvt) Ltd	Exempt from income tax for a period of ten years commencing from year of assessment 2008/09 in terms of the agreement entered into with the Board of Investment (BOI) of Sri Lanka
Nawaloka Green Cross Laboratories (Pvt) Ltd	28% on the taxable profits
Nawaloka Medicare (Pvt) Ltd	Exempt from income tax for a period of six years started from where profit making financial year or after loss making 2 years whichever is earlier

Income on other sources is liable for taxation at the rate of 28% (2017/18 – 28%).

14.2 Amount recognised in OCI

For the year ended 31 March	Group		Company	
	2019 Rs.	2018 Rs.	2019 Rs.	2018 Rs.
Items that will not be reclassified to profit or loss				
Deferred tax impact on defined benefit plans	5,336,536	2,761,834	6,634,124	1,522,354
Deferred tax impact on revaluation reserve	–	686,347	–	686,347
Deferred tax impact on rate change	–	(206,241,833)	–	(7,145,786)
Deferred tax impact on rate change	5,336,536	(202,793,652)	6,634,124	(4,937,085)

14.3 Amounts recognised directly in equity

There were no items recognised directly in equity during the year ended 31 March 2019.

14.4 Reconciliation of effective tax rate

Group

For the year ended 31 March	2019		2018	
	%	Rs.	%	Rs.
Profit before tax from continuing operations		(388,613,578)		557,196,882
Tax using the Company's domestic tax rate	28	(108,818,802)	28	156,015,128
Tax effect of:				
Aggregate deductible expenses for tax	112	(435,247,763)	-76	(425,576,073)
Non-deductible expenses	-67	259,038,311	34	192,129,870
Tax-exempt income	-74	288,088,985	11	62,122,065
Income from other sources	-7	27,375,686		
Recognition of previously unrecognised tax losses	6	(24,515,178)	5	28,780,845
	-2	5,928,240	2	13,471,835

Company

For the year ended 31 March	2019		2018	
	%	Rs.	%	Rs.
Profit before tax from continuing operations		(236,751,320)		457,031,564
Tax using the Company's domestic tax rate	35	(66,290,370)	23	127,968,838
Tax effect of:				
Aggregate deductible expenses for tax	26	(49,745,081)	23	126,194,633
Non-deductible expenses	-62	117,088,313	-18	(99,006,457)
Tax-exempt income	1	(1,052,862)	-21	(119,736,134)
Recognition of previously unrecognised tax losses	0	-	-6	(35,420,880)
	0	-	0	-

14.5 Tax losses carried forward**Reconciliation of tax losses**

For the year ended 31 March	Group		Company	
	2019 Rs.	2018 Rs.	2019 Rs.	2018 Rs.
Tax losses brought forward	1,265,678,084	1,080,662,309	1,036,386,209	1,080,662,309
Opening balance adjustment	(31,412,248)	-	(17,025,390)	-
Tax loss claimed during the year	(87,554,207)	(44,276,100)	(64,598,034)	(44,276,100)
Tax loss for the year	204,549,519	229,291,875	65,128,997	-
Tax loss carried forward	1,351,261,148	1,265,678,084	1,019,891,782	1,036,386,209

15. Earnings/(loss) per share**Accounting policy**

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 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 and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

15.1 Basic earnings per share

The earnings per share is computed on the profit attributable to ordinary shareholders after tax and Non-Controlling Interest divided by the weighted average number of ordinary shares during the year.

As at 31 March	Group		Company	
	2019 Rs.	2018 Rs.	2019 Rs.	2018 Rs.
Profit/(loss) for the year	(565,095,576)	179,958,539	(251,631,403)	453,607,982
Weighted average number of ordinary shares in issue during the year	1,409,505,596	1,409,505,596	1,409,505,596	1,409,505,596
Earnings/(loss) per share	(0.40)	0.13	(0.18)	0.32

15.2 Diluted Earnings Per Share

There was no dilution of ordinary shares outstanding at any time during the year. Therefore, diluted earnings per share is the same as basic earning per share as shown in Note 15.1.

16. Dividend per share

Accounting policy

Dividend declared by the Board of Directors after the reporting date is not recognised as a liability and is disclosed as a note to the financial statements.

The Board of Directors of the Company has declared a first and final dividend of Rs. 0.05 per share (2018 – Rs. 0.10 of cash dividend per share) for the financial year ended 31 March 2019.

	2019	2018
Dividend declared (Rs.)	70,475,280	140,950,599
Number of ordinary shares	1,409,505,596	1,409,505,596
Dividend per share (Rs.)	0.05	0.10

Compliance with Section 56 and 57 of Companies Act No. 07 of 2007

As required by Section 56 of the Companies Act No. 07 of 2007, the Board of Directors of the Company satisfied the solvency test in accordance with Section 57, prior to declaring the final dividend. A statement of solvency duly completed and signed by the Directors on 28 May 2018 has been audited by Messrs KPMG.

16.1 Dividend paid during the year

	2019 Rs.	2018 Rs.
Interim dividend for 2019 – Rs. 0.05 per share (2018 – Rs. 0.10) of cash dividend	53,034,642	140,114,262

17. Adjusted earnings before interest, tax, depreciation and amortisation (adjusted EBITDA)

Management has presented the performance measure adjusted EBITDA because it monitors this performance measure at a consolidated level and it believes that this measure is relevant to an understanding of the Group's financial performance. Adjusted EBITDA is calculated by adjusting profit from continuing operations to exclude the impact of taxation, net financier costs, depreciation, amortisation, impairment losses/ reversals related to goodwill, intangible assets, property, plant and equipment and the premeasurement of disposal groups and share of profit of equity-accounted investees.

Adjusted EBITDA is not a defined performance measure in SLFRS. The Group's definition of adjusted EBITDA may not be comparable with similarly titled performance measures and disclosures by other entities.

Reconciliation of adjusted EBITDA to profit from continuing operations – Group

For the year ended 31 March	2019 Rs.	2018 Rs.
Profit from continuing operations	(565,095,576)	179,958,539
Income tax expense	176,481,998	377,238,343
Profit before tax	(388,613,578)	557,196,882
Adjustment for:		
Net finance costs	1,190,971,483	617,006,241
Depreciation	874,687,459	640,223,167
Amortisation	2,975,953	2,994,373
Adjusted EBITDA	1,680,021,317	1,817,420,663

18. Financial assets and liabilities

Accounting policy

(a) Financial assets

Policy applicable from 1 April 2018

Recognition and initial measurement

Trade receivables and debt securities issued are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Group becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

Classification and subsequent measurement of financial assets

On initial recognition, a financial asset is classified as measured at: amortised cost; FVOCI (Fair value through OCI) – debt investment; FVOCI – equity investment; or FVTPL (Fair value through profit or loss).

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets – Business model assessment

The Group 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.

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 Group'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.

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 Group considers the contractual terms of the instrument.

Financial assets – Subsequent measurement and gains and losses

Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.
Financial assets at amortised cost	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.
Debt investments at FVOCI	These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.
Equity investments at FVOCI	These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

Financial Asset Classification Change

Measurement	SLFRS 9 (After 1 April 2018)	LKAS 39 (Prior to 1 April 2018)
Fair value	FVTPL/FVOCI	FVTPL/AFS
Amortised cost	Amortised cost	HTM/Loans and receivables

Policy applicable before 1 April 2018

The Group classifies non-derivative financial assets into the following categories: financial assets at FVTPL, held-to-maturity financial assets, loans and receivables and available-for-sale financial assets.

The Group classifies non-derivative financial liabilities into the following categories: financial liabilities at FVTPL and other financial liabilities.

Non-derivative financial assets and financial liabilities – recognition and derecognition

The Group initially recognises loans and receivables and debt securities issued on the date when they are originated. All other financial assets and financial liabilities are initially recognised on the trade date when the entity becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred, or it neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control over the transferred asset. Any interest in such derecognised financial assets that is created or retained by the Group is recognised as a separate asset or liability.

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire.

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group currently has a legally enforceable right to offset the amounts and intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

*Non-derivative financial assets – Measurement**Loans and receivables*

These assets are initially measured at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost using the effective interest method.

Loans and receivables comprise cash and cash equivalents, and trade and other receivables.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances, placement in Government securities and placements in repurchase agreements with maturities of three months or less from the acquisition date that are subject to on insignificant risk of changes in their fair value, and are used by the Company and the Group in the management of its short-term commitments.

(b) Non-derivative financial liabilities

The Group initially recognises debt securities issued and subordinated liabilities on the date that they are originated. All other financial liabilities (including liabilities designated at fair value through profit or loss) are recognised initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Group has the following non-derivative financial liabilities: trade and other payables and bank overdrafts.

Such financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortised cost using the effective interest method.

(c) Derecognition**Financial assets**

The Group derecognised a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Group entered into transactions whereby it transfers assets recognised in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets were not derecognised.

Financial liabilities

The Group derecognised a financial liability when its contractual obligations are discharged or cancelled, or expire. The Group also derecognised a financial liability when its terms are modified and

the cash flows of the modified liability were substantially different, in which case a new financial liability based on the modified terms was recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) was recognised in profit or loss.

(d) Offsetting

Financial assets and financial liabilities were offset and the net amount presented in the statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

Classification of financial assets and financial liabilities

The following table provides a reconciliation between line item in the statement of Financial Position and categories of financial instruments.

The table below provides a reconciliation between line items in the Statement of Financial Position and categories of financial assets and financial liabilities of the Group and the Company:

	Group						
	2019				2018		
	Amortised cost Rs.	FVOCI – Equity instruments Rs.	Other financial liabilities Rs.	Total Rs.	Loans and receivables Rs.	Other financial liabilities Rs.	Total Rs.
Financial assets							
Trade and other receivables	517,205,505	–	–	517,205,505	524,335,796	–	524,335,796
Deposits and advances	71,759,201	–	–	71,759,201	23,121,387	–	23,121,387
Receivable from related parties	416,816,784	–	–	416,816,784	270,598,111	–	270,598,111
Short-term investments	283,881,242	–	–	283,881,242	1,344,188,074	–	1,344,188,074
Cash and cash equivalents	157,962,595	–	–	157,962,595	177,722,754	–	177,722,754
Investments	–	19,740,000	–	19,740,000	–	–	–
Total financial assets	1,447,625,327	19,740,000	–	1,447,625,327	2,339,966,122	–	2,339,966,122
Financial liabilities							
Debentures	–	–	455,225,139	455,225,139	–	1,494,265,886	1,494,265,886
Borrowings	–	–	7,563,233,786	7,563,233,786	–	7,422,239,249	7,422,239,249
Finance lease	–	–	103,089,111	103,089,111	–	100,000,000	100,000,000
Trade creditors and other payables	–	–	943,073,847	943,073,847	–	769,562,671	769,562,671
Unclaimed dividends	–	–	21,706,123	21,706,123	–	4,265,484	4,265,484
Payable to related companies	–	–	186,777,683	186,777,683	–	196,954,049	196,954,049
Bank overdrafts	–	–	1,625,171,231	1,625,171,231	–	1,610,165,852	1,610,165,852
Total financial liabilities	–	–	10,898,276,920	10,898,276,920	–	11,597,453,191	11,597,453,191

Company						
2019				2018		
Amortised cost Rs.	FVOCI – Equity instruments Rs.	Other financial liabilities Rs.	Total Rs.	Loans and receivables Rs.	Other financial liabilities Rs.	Total Rs.
454,429,821	–	–	454,429,821	406,122,620	–	406,122,620
52,514,017	–	–	52,514,017	21,743,027	–	21,743,027
3,791,598,791	–	–	3,791,598,791	3,960,771,974	–	3,960,771,974
36,346,825	–	–	36,346,825	1,148,453,310	–	1,148,453,310
106,440,391	–	–	106,440,391	65,399,058	–	65,399,058
–	19,740,000	–	19,740,000	–	–	–
4,441,329,845	19,740,000	–	4,461,069,845	5,602,489,989	–	5,602,489,989
–	–	455,225,139	455,225,139	–	1,494,265,886	1,494,265,886
–	–	4,759,576,502	4,759,576,502	–	5,091,850,173	5,091,850,173
–	–	12,478,660	12,478,660	–	–	–
–	–	870,758,785	870,758,785	–	721,041,227	721,041,227
–	–	21,706,075	21,706,075	–	4,265,459	4,265,459
–	–	319,616,309	319,616,309	–	192,248,820	192,248,820
–	–	1,139,208,705	1,139,208,705	–	1,338,687,329	1,338,687,329
–	–	7,578,570,175	7,578,570,175	–	8,842,358,894	8,842,358,894

19. Property, plant and equipment

Accounting policy

Recognition and measurement

Items of property, plant and equipment are measured at cost, which includes capitalised borrowing costs, less accumulated depreciation and any accumulated impairment losses.

If significant parts of an item of property, plant and equipment have different useful lives, then they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment is recognised in profit or loss.

Revaluation

The Group applies the Revaluation Model for the entire class of building on leasehold property for measurement after initial recognition. Such properties are carried at revalued amounts, being their fair value at the date of revaluation, less any subsequent accumulated depreciation on buildings and any accumulated impairment losses charged subsequent to the date of valuation. Building on leasehold land of the Group are revalued by independent professional valuers every three-five years or more frequently if the fair values are substantially different from carrying amounts to ensure that the carrying amounts do not differ from the fair values as at the reporting date.

On revaluation of an asset, any increase in the carrying amount is recognised in Revaluation Reserve in Equity through OCI or used to reverse a previous loss on revaluation of the same asset, which was charged to the Income Statement. In this circumstance, the increase is recognised as income only to the extent of the previous write down in value. Any decrease in the carrying amount is recognised as an expense in the Income Statement or charged to Revaluation Reserve in Equity through OCI, only to the extent of any credit balance existing in the Revaluation Reserve in respect of that asset. Any balance remaining in the Revaluation Reserve in respect of an asset, is transferred directly to retained earnings on retirement or disposal of the asset.

Subsequent expenditure

Subsequent expenditure is capitalised only if it is probable that the future economic benefits associated with the expenditure will flow to the Group.

Depreciation

Depreciation is calculated to write-off the cost of items of property, plant and equipment less their estimated residual values using the straight-line method over their estimated useful lives, and is generally recognised in profit or loss. 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. Land is not depreciated.

The estimated useful lives of property, plant and equipment for current and comparative periods are as follows:

Buildings on leasehold land	Over the lease period
Freehold buildings	60 years
Fixtures and fittings	10 years
Plant and machinery	5 years
Hospital equipment	10 years
Medical equipment	10 years
Motor vehicles	5 years
Furniture and fittings	10 years
Computer equipment	4 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

Capital work-in-progress

These are expenses of a capital nature directly incurred in the construction of buildings, major plant and machinery and system development, awaiting capitalisation. These are stated in the Statement of Financial Position at cost less any accumulated impairment losses. Capital work-in-progress is transferred to the relevant asset when it is in the location and condition necessary for it to be capable of operating in the manner intended by the Management (i.e., available for use).

Reclassification to investment property

When the use of a property changes from owner-occupied to investment property, the property is remeasured to fair value and reclassified accordingly. Any gain arising on this remeasurement is recognised in profit or loss to the extent that it reverses a previous impairment loss on the specific property, with any remaining gain recognised in OCI and presented in the revaluation reserve.

Any loss is recognised in profit or loss. However, to the extent that an amount is included in the revaluation surplus for that property, the loss is recognised in other comprehensive income and reduces the revaluation surplus within equity.

Leasehold assets

The determination of whether an arrangement is, a lease is based on the substance of the arrangement at inception date, whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement.

Finance leases that transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in the Statement of Profit or Loss.

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

The cost of improvements on leased hold property is capitalised and depreciated over the unexpired period of the lease or the estimated useful lives of the improvements, whichever is lower.

Impairment/reversal of impairment

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

19.1 Reconciliation of carrying amount

Group

	Freehold land Rs.	Buildings constructed on freehold land Rs.	Buildings constructed on leasehold land Rs.	Work in progress Rs.	Fixture and fittings Rs.
Cost/valuation					
Balance as at 1 April	252,092,750	663,914,103	8,545,798,664	1,065,441,962	538,162,870
Additions	–	2,289,289	180,653,200	344,431,096	23,777,453
Transfers	–	–	1,271,382,241	(1,387,756,417)	96,179,428
Disposal	–	–	–	–	–
Reversal of revaluation	–	–	–	–	–
Balance as at 31 March	252,092,750	666,203,392	9,997,834,105	22,116,641	658,119,751
Accumulated depreciation					
Balance as at 1 April	–	36,063,353	106,198,041	–	275,901,843
Charge for the year	–	11,927,265	224,260,704	–	52,485,720
Disposals	–	–	–	–	–
Balance as at 31 March	–	47,990,618	330,458,745	–	328,387,563
Carrying value					
As at 31 March 2019	252,092,751	618,212,776	9,667,375,361	22,116,641	329,732,188
As at 31 March 2018	252,092,751	627,850,751	8,439,600,623	1,065,441,962	262,261,027

Company

	Freehold land Rs.	Buildings constructed on leasehold land Rs.	Work in progress Rs.	Fixture and fittings Rs.	Plant and machinery Rs.
Cost/valuation					
Balance as at 1 April	42,188,000	618,448,214	–	205,291,815	11,332,408
Additions	–	76,967,546	7,291,642	1,289,187	–
Transfers	–	–	–	–	–
Disposal	–	–	–	–	–
Reversal of revaluation	–	–	–	–	–
Balance as at 31 March	42,188,000	695,415,760	7,291,642	206,581,002	11,332,408
Accumulated depreciation					
Balance as at 1 April	–	21,668,123	–	116,265,344	11,332,408
Charge for the year	–	26,907,861	–	17,306,869	–
Disposals	–	–	–	–	–
Balance as at 31 March	–	48,575,984	–	133,572,213	11,332,408
Carrying value					
As at 31 March 2019	42,188,000	646,839,777	7,291,642	73,008,789	–
As at 31 March 2018	42,188,000	596,780,091	–	89,026,471	–

Plant and machinery	Motor vehicles	Hospital equipment	Medical equipment	Computer equipment	Furniture and fittings	Total 2019	Total 2018
Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
120,357,355	526,492,363	602,684,061	4,789,440,853	266,839,329	237,783,924	17,609,008,235	14,283,109,524
4,779,900	44,627,560	43,108,413	252,749,169	37,291,779	10,238,093	943,945,953	3,328,349,950
–	–	10,248,000	–	3,037,100	6,909,649	–	–
–	(5,423,806)	–	–	–	–	(5,423,806)	–
–	–	–	–	–	–	–	(2,451,238)
125,137,255	565,696,117	656,040,474	5,042,190,023	307,168,208	254,931,666	18,547,530,382	17,609,008,236
87,463,783	322,870,659	282,254,159	2,612,030,827	165,154,408	79,135,072	3,967,072,144	3,326,848,981
12,393,620	70,739,182	54,765,315	373,092,942	47,046,018	27,976,683	874,687,449	640,223,167
–	(4,714,996)	–	–	–	–	(4,714,996)	–
99,857,403	388,894,845	337,019,474	2,985,123,769	212,200,426	107,111,755	4,837,044,597	3,967,072,148
25,279,852	176,801,272	319,021,000	2,057,066,254	94,967,782	147,819,911	13,710,485,785	13,641,936,088
32,893,572	203,621,704	320,429,902	2,177,410,026	101,684,921	158,648,852	13,641,936,088	–

Motor vehicles	Hospital equipment	Medical equipment	Computer equipment	Furniture and fittings	Total 2019	Total 2018
Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
438,475,961	327,803,846	2,534,209,043	127,584,463	106,678,661	4,412,012,410	4,388,306,993
43,153,760	14,057,890	44,882,076	14,468,547	4,812,677	206,923,325	126,139,733
–	–	–	–	–	–	(99,983,078)
(5,423,806)	–	–	–	–	(5,423,806)	–
–	–	–	–	–	–	(2,451,238)
476,205,914	341,861,736	2,579,091,119	142,053,009	111,491,338	4,613,511,929	4,412,012,410
254,849,709	182,177,350	1,527,068,136	107,827,265	46,664,721	2,267,853,056	1,924,880,959
63,984,160	27,860,592	207,663,426	13,449,111	9,657,143	366,829,162	342,972,099
(4,714,996)	–	–	–	–	(4,714,996)	–
314,118,873	210,037,942	1,734,731,562	121,276,376	56,321,864	2,629,967,222	2,267,853,058
162,087,040	131,823,794	844,359,558	20,776,634	55,169,474	1,983,544,707	2,144,159,352
183,626,252	145,626,495	1,007,140,908	19,757,197	60,013,939	2,144,159,352	–

19.2 Details of land and building under property plant and equipment stated at revaluation

The buildings constructed on leasehold lands of the Group were revalued by Mr P B Kalugalagedara, Chartered Valuer in 31 March 2017.

Location	Extent	Number of Buildings	Revalued amount – buildings Rs.	Carrying Value after revaluation Rs.	Carrying Value if carried at cost Rs.
	Building (Square feet) Rs.				
Nawaloka Hospitals PLC	89,984	1	613,975,000	646,839,777	608,638,053
New Nawaoka Hospitals (Pvt) Ltd	126,998	1	888,986,000	875,249,405	93,655,942
New Nawaloka Medical Centre (Pvt) Ltd					
– Old building	140,788	2	1,385,600,000	1,415,225,001	954,875,088
– Specialist Centre (Not revalued)	450,738	1	–	–	6,730,061,178

The leasehold properties with a land extent of 511.80 perches are located in No. 23, Deshamanya H K Dharmadasa Mawatha, Colombo 2.

19.3 The details of freehold land and buildings which are stated at cost – Group

Location	Extent (perches)	Number of buildings	Square feet (building)	Carrying value
Land situated at No. 15, Nelson Lane, Kollupitiya, Colombo 03	20.2	–	–	42,188,000
Land and building situated at No. 169, Colombo Road, Negombo	135.1	1	43,296	618,212,776

19.4 Title restriction on property, plant and equipment

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

19.5 Acquisition of property, plant and equipment during the year

During the financial year, the Company acquired property, plant and equipment to the aggregate value of Rs. 943.94 Mn. (2018 – Rs. 3,328.35 Mn.). Cash payments amounting to Rs. 929.44 Mn. (2018 – Rs. 3,328.35 Mn.). were made during the year for purchase of property, plant and equipment.

19.6 Capitalisation of borrowing costs

During the year no interest expense was capitalised as borrowing costs relating to the acquisition of property, plant and equipment by the Group during the year (2018 – Rs. 372 Mn.).

19.7 Amount of contractual commitments for the acquisition of property, plant and equipment

The Group had no contractual commitments for the acquisition of property, plant and equipment as at the reporting date. (2018 – Nil)

19.8 Impairment of property, plant and equipment

The Board of Directors has assessed the potential impairment loss of property, plant and equipment as at 31 March 2019. Based on the assessment, no impairment provision is required to be made in the financial statements as at the reporting date in respect of property, plant and equipment.

19.9 Property, plant and equipment pledged as security

Refer Note 34.

19.10 Temporarily idle property, plant and equipment

There are no temporarily idle property, plant and equipment as at the reporting date.

19.11 Fully depreciated assets

Details of fully depreciated assets in property, plant and equipment are as follows:

As at 31 March	Group		Company	
	2019 Rs.	2018 Rs.	2019 Rs.	2018 Rs.
Fixture and fittings	106,705,449	106,930,449	26,677,890	26,677,890
Plant and machinery	54,001,945	54,001,945	11,332,408	11,332,408
Motor vehicles	209,134,120	186,571,685	132,587,947	132,587,947
Hospital equipment	81,327,021	81,327,021	52,232,890	52,232,890
Medical equipment	1,208,016,073	1,208,163,073	469,779,840	469,926,840
Computer equipment	95,939,177	95,939,177	78,419,427	78,419,427
Furniture fittings	14,454,191	14,454,191	26,677,890	13,489,092
	1,769,577,976	1,747,387,541	797,708,292	784,666,494

19.12 Compensation from third parties for items of property, plant and equipment

There were no compensation received/receivable from third parties for items of property, plant and equipment that were impaired, lost or given up.

19.13 Measurement of fair values

Fair value hierarchy

The fair value of buildings constructed on leasehold lands was determined by external, independent property valuers, having appropriate recognised professional qualifications and recent experience in the location and category of the property being valued. The independent valuers provide the fair value of the Groups's buildings constructed on leasehold lands every 3-5 years.

The fair value measurement of all of the investment properties has been categorised as a Level 3 fair value based on the inputs to the valuation techniques used.

Valuation techniques and significant unobservable inputs

The table below sets out the significant unobservable inputs used in measuring buildings constructed on leasehold lands categorised as Level 3 in the fair value hierarchy as at 31 March 2019.

Location and address of the property	Method of valuation	Significant unobservable inputs	Range of estimates for unobservable inputs	Estimated fair value would increase or decrease
No. 23, Deshamanya H. K. Dharmadasa Mawatha, Colombo 2	Market based valuation	Land – Price per perch	Rs. 1,000,000 – Rs. 1,100,000	Price per perch for land increases, decreases
		Building – Price per square feet	Rs. 2,900 – Rs. 3,100	Price per square feet for building increases, decreases
Significant assumptions used by the valuer				
Long-term growth in future rentals				7% per annum
Anticipated maintenance cost				5% on rental income
Yield/discount rate				11% per annum

20. Leases

Accounting policy

Leased assets

Leased in terms of which the Group/Company assumes substantially all of the risks and rewards of ownership are classified as finance leases. On initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to property, plant and equipment.

The corresponding principal amount payable to the lessor is shown as a liability. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve balance of the liability.

The cost of improvements to leasehold property is capitalised, disclosed as leasehold improvements, and depreciated over the unexpired period of the lease or the estimated useful life of the improvements, whichever is shorter.

Other leases are operating leases and are not recognised in the Group's statement of financial position.

Leasehold right over land

Leasehold right over land are amortised over the lease term in accordance with the pattern of benefits provided.

Lease payments

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

As at 31 March	Group		Company	
	2019 Rs.	2018 Rs.	2019 Rs.	2018 Rs.
Balance as at beginning of the year	219,004,788	221,999,161	46,780,317	47,707,431
Amortisation for the year	(2,975,953)	(2,994,373)	(909,428)	(927,114)
Balance as at the end of the year	216,028,835	219,004,788	45,870,889	46,780,317

Leasehold period for the three companies is 99 years and remaining leasehold periods as at 31 March 2019 are as follows.

Nawaloka Hospitals PLC	52 years
New Nawaloka Hospitals (Pvt) Ltd	73 years
New Nawaloka Medical Centre (Pvt) Ltd	84 years

21. Investment property

Accounting policy

Recognition and measurement

Investment property is initially measured at cost. When the use of a property changes such that it is reclassified as property, plant and equipment, its carrying value at the date of reclassification becomes its cost for subsequent accounting.

Any gain or loss on disposal of investment property (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in profit or loss. When investment property that was previously classified as property, plant and equipment is sold, any related amount included in the revaluation reserve is transferred to retained earnings.

Rental income from investment property is recognised as revenue on a straight-line basis over the term of the lease.

21.1 Reconciliation of carrying amount

	Company	
	2019 Rs.	2018 Rs.
Investment property	192,417,100	192,417,100
	192,417,100	192,417,100

Investment property reflects lands leased to Nawaloka Medicare (Pvt) Ltd. by Nawaloka Hospitals PLC on 99-year lease agreement. Nawaloka Medicare (Pvt) Ltd. commenced its operations during 2014/15.

During the year, Director's valuation was carried out for the investment properties and market value at the investment property has not changed materially over the year.

21.2 Details of land and building under investment property

	Extent		Number of buildings
	Land (perches)	Building (square feet)	
Land and Building situated at No. 169, Colombo Road, Negombo	135.1	43,296	1

21.3 Investment properties pledged as security

No items of investment properties of the Company were pledged as security for liability as at the reporting date.

21.4 Title restriction on investment properties

There were no restrictions to the title of the investment properties of the Company as at the reporting date.

21.5 Income from investment property

	Company	
	2019 Rs.	2018 Rs.
Rent income from investment property (Note 11)	2,227,054	1,917,410
Direct operating expenses (including maintenance) generating rent income	–	–
Net profit from investment property carried at fair value	2,227,054	1,917,410

22. Investment in subsidiaries

Accounting policy

Recognition and measurement

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

Investments in subsidiaries are recognised at cost of acquisition and thereafter it is carried at cost less any impairment losses in the separate financial statements of the Company. The net assets of each subsidiary are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the recoverable amount of the investment is estimated and the impairment loss is recognised to the extent of its net assets loss.

	Holding %	Number of shares	Company	
			2019 Rs.	2018 Rs.
New Nawaloka Hospitals (Pvt) Ltd	100	6,500,000	245,933,056	245,933,056
New Nawaloka Medical Centre (Pvt) Ltd	100	70,000,004	700,000,000	700,000,000
Nawaloka Medicare (Pvt) Ltd	100	1,071,052,320	1,071,052,320	1,071,052,320
Nawaloka Greencross Laboratories (Pvt) Ltd	100	1	10	10
			2,016,985,386	2,016,985,386

Assessment of impairment

The Board of Directors has assessed the potential impairment loss of investment in subsidiaries as 31 March 2019. Based on the internal assessment carried out by the Board, no impairment provision has been made in the financial statements as at the reporting date in respect of investment in subsidiaries.

23. Other investments

See accounting policies in Note 7.2.

The effect of initially applying SLFRS 9 in the Group's financial instruments is described in Note 7.2. Due to the transition method chosen in applying SLFRS 9, comparative information has not been restated to reflect the new requirements.

The Group's financial instruments are summarised as follows:

	Group		Company	
	2019 Rs.	2018 Rs.	2019 Rs.	2018 Rs.
Fair value through other comprehensive income (FVOCI) (Note 23.1)	19,740,000	–	19,740,000	–
Amortised cost (Note 23.2)	283,881,242	1,344,188,074	36,346,825	1,148,453,310
	303,621,242	1,344,188,074	56,086,825	1,148,453,310
Non-current investments	19,740,000	–	19,740,000	–
Current investments	283,881,242	1,344,188,074	36,346,825	1,148,453,310
	303,621,242	1,344,188,074	56,086,825	1,148,453,310

Information about the fair value measurement and Group's exposure to credit and market risk is included in Note 39 and 40.

23.1 Fair value through other comprehensive income (FVOCI)

	Holding %	Group		Company	
		2019 Rs.	2018 Rs.	2019 Rs.	2018 Rs.
Investment in unquoted shares					
Digital health	15	19,740,000	–	19,740,000	–
		19,740,000	–	19,740,000	–

Digital Health launched in 2016, has connected more than 1,500 Doctors in over 80 hospitals through its digital health platform which is accessible via doc.lk, by dialing 990, or via the Doc990 app.

Digital Health is a subsidiary of Dialog Axiata and the balance infusion of equity by Asiri Hospital Holdings, Nawaloka and Durdans.

The Group invested in 15% of the shares of Digital Health on 25 April 2018.

Based on the internal assessment carried out by the Board of Directors, there was no change in the fair value of the investment of Digital Health from the date of acquisition.

23.2 Amortised cost

	Group		Company	
	2019 Rs.	2018 Rs.	2019 Rs.	2018 Rs.
Fixed deposits				
Hatton National Bank PLC	266,916,249	564,682,630	36,346,825	418,402,867
DFCC Bank PLC	10,535,839	251,362,944	–	251,362,943
Commercial Bank of Ceylon PLC	6,429,154	328,142,500	–	278,687,500
Sampath Bank PLC	–	200,000,000	–	200,000,000
	283,881,242	1,344,188,074	36,346,825	1,148,453,310

24. Inventories

Accounting policy

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

Net realisable value is the price at which inventories can be sold in the normal course of business after allowing for cost of realisation and/or cost of conversion from their existing state to saleable condition.

	Group		Company	
	2019 Rs.	2018 Rs.	2019 Rs.	2018 Rs.
Pharmaceuticals items	440,572,334	514,456,688	229,971,386	274,929,873
General stocks	20,999,018	21,541,918	5,485,007	7,654,458
Regent stock	31,013,745	23,908,510	–	–
	492,585,097	559,907,116	235,456,393	282,584,331
Provision for slow moving inventories (Note 24.1)	(3,330,269)	(3,330,269)	(3,330,269)	(3,330,269)
	489,254,828	556,576,847	232,126,124	279,254,062

24.1 Provision for slow moving inventories

	Group		Company	
	2019 Rs.	2018 Rs.	2019 Rs.	2018 Rs.
Balance as at 1 April	3,330,269	3,330,269	3,330,269	3,330,269
Charge during the year	–	–	–	–
Balance as at 31 March	3,330,269	3,330,269	3,330,269	3,330,269

Group/Companies practice is to return the expired drugs to respective suppliers. Hence, no additional provision is required.

25. Trade and other receivables

See accounting policies in Note 18.

The effect of initially applying SLFRS 9 in the Group's financial instruments is described in Note 7.2. Due to the transition method chosen in applying SLFRS 9, comparative information has not been restated to reflect the new requirements.

	Group		Company	
	2019 Rs.	2018 Rs.	2019 Rs.	2018 Rs.
Financial assets				
Trade receivables	576,181,382	583,311,673	512,894,869	457,806,922
Less: Provision for impairment (Note 25.1)	(58,975,877)	(58,975,877)	(58,465,048)	(51,684,302)
	517,205,505	524,335,796	454,429,821	406,122,620
Other debtors	60,990,929	5,518,096	42,586,833	4,710,461
Staff loans	10,768,272	17,603,291	9,927,184	17,032,566
	588,964,706	547,457,183	506,943,838	427,865,647
Non-financial assets				
Esc recoverable	48,451,109	79,018,606	–	44,422,192
Import control	64,957,623	61,326,157	35,169,690	17,413,178
Prepayments	19,399,372	26,233,329	12,546,126	15,226,516
Other deposit and advances	187,581,103	223,561,111	138,269,124	184,377,820
	320,389,207	390,139,203	185,984,940	261,439,706
	909,353,913	937,596,386	692,928,778	689,305,353

25.1 Provision for impairment of trade receivables

	Group		Company	
	2019 Rs.	2018 Rs.	2019 Rs.	2018 Rs.
Balance as at 1 April	58,975,877	47,924,175	51,684,302	41,143,428
Charge during the year	–	11,051,702	–	10,540,874
Transfers	–	–	6,780,746	–
Balance as at 31 March	58,975,877	58,975,877	58,465,048	51,684,302

26. Receivables from related parties

See accounting policies in Note 18.

The effect of initially applying SLFRS 9 in the Group's financial instruments is described in Note 7.2. Due to the transition method chosen in applying SLFRS 9, comparative information has not been restated to reflect the new requirements.

As at 31 March	Group		Company	
	2019 Rs.	2018 Rs.	2019 Rs.	2018 Rs.
Baththaramulla Medical Centre	24,539,933	7,295,137	26,234,941	8,883,270
Bernard Philkit (Ceylon) (Pvt) Ltd	25,200,000	25,200,000	10,200,000	10,200,000
Ceyoka (Pvt) Ltd	48,171,059	–	–	–
East West Marketing (Pvt) Ltd	104,109,413	21,125,502	11,493,221	1,513,221
Ja-Ela Medical Centre	192,599	192,599	192,599	192,599
Kandana Medical Centre	3,267,997	1,467,889	3,267,997	1,467,889
Kiribathgoda Medical Centre	35,769,890	44,144,768	41,622,192	48,954,409
Karapitiya Medical Centre	9,849,064	9,849,064	9,849,064	9,849,064
Kottawa Medical Centre	1,971,352	1,410,600	1,971,352	1,464,632
Kolonnawa Medical Centre	123,969	–	123,969	–
Mount Lavinia Medical Centre	1,983	1,982	1,983	1,982
Nawaloka Aviation (Pvt) Ltd	1,586,190	814,978	1,586,190	814,978
Nawaloka Institute of Healthcare (Pvt) Ltd	416,073	–	416,073	–
Nawaloka College of Higher Studies (Pvt) Ltd	76,508,397	76,508,396	76,508,397	76,508,396
Nawaloka Construction Company (Pvt) Ltd	11,099,996	19,039,790	1,246,576	–
Nawaloka Medicare (Pvt) Ltd	–	–	–	16,961,202
Nawaloka Medical Centre (Pvt) Ltd	2,500,000	–	2,500,000	–
Sarjah Polysacks (Pvt) Ltd	22,429,200	22,429,200	22,429,200	22,429,200
New Nawaloka Hospitals (Pvt) Ltd	–	–	1,886,883,847	721,317,462
New Nawaloka Medical Centre (Pvt) Ltd	–	–	1,714,270,159	2,999,095,464
Nawaloka Care (Pvt) Ltd	11,554,995	7,862,832	11,554,995	7,862,832
M Branch (Pvt) Ltd	15,939,199	4,997,716	15,939,199	4,997,716
Nawaloka Research and Educational Centre	–	1,000,000	–	1,000,000
	442,711,189	292,336,231	3,884,905,324	3,982,510,094
Provision for impairment	(25,894,405)	(21,738,120)	(25,894,405)	(21,738,120)
	416,816,784	270,598,111	3,859,010,919	3,960,771,974

26.1 Provision for impairment

As at 31 March	Group		Company	
	2019 Rs.	2018 Rs.	2019 Rs.	2018 Rs.
Balance as at 1 April	21,738,120	21,738,120	21,738,120	21,738,120
Charge during the year	4,156,285	–	4,156,285	–
Balance as at 31 March	25,894,405	21,738,120	25,894,405	21,738,120

27. Cash and cash equivalents

Accounting policy

The accounting policy for cash and cash equivalents has been given in Note 18.

Cash and cash equivalents in the Statement of Financial Position comprise cash at banks and in hand with a maturity of three months or less. Statement of Cash Flows

The Statement of Cash Flows has been prepared using the indirect method of preparing cash flows in accordance with the Sri Lanka Accounting Standard LKAS 7, Statement of Cash Flows.

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.

For cash flow purposes, cash and cash equivalents are presented net of bank overdrafts.

As at 31 March	Group		Company	
	2019 Rs.	2018 Rs.	2019 Rs.	2018 Rs.
Cash at Bank	151,806,776	148,207,238	101,727,526	35,883,542
Cash in hand	6,155,819	29,515,516	4,712,865	29,515,516
Cash and cash equivalents in the Statement of Financial Position	157,962,595	177,722,754	106,440,391	65,399,058
Bank overdrafts used for cash management purposes (Note 27.1)	(1,625,171,231)	(1,610,165,852)	(1,139,208,705)	(1,338,687,329)
Cash and cash equivalents in the Statement of Cash Flows	(1,467,208,636)	(1,432,443,098)	(1,032,768,314)	(1,273,288,271)

27.1 Bank overdrafts used for cash management purposes

	Interest rate	Limit 2019 Rs.	31 March 2019 Rs.	31 March 2018 Rs.	Security
Company					
Hatton National Bank PLC	AWPLR+1.5%	250,000,000	832,711,480	929,061,798	Corporate guarantee of New Nawaloka Hospitals (Pvt) Ltd for Rs. 75 Mn.
DFCC Bank	AWPLR+0.75%	90,000,000	242,854,850	94,473,092	Joint and several Guarantees of Directors – Mr H K J Dharmadasa, Mr Ugitha Harshith Dharmadasa and Mr Anisha Givantha Dharmadasa
Sampath Bank	AWPLR+1.5%	50,000,000	50,570,385	273,562,480	Overdraft agreement for Rs. 50,000,000/-. Joint and several Guarantees of H K J Dharmadasa, U H Dharmadasa and A G Dharmadasa – Directors of the Company for Rs. 50,000,000/-
People's Bank			6,021,685	–	
Bank of Ceylon			7,050,305	25,024,755	
Commercial Bank			–	16,565,204	
			1,139,208,705	1,338,687,329	

	Interest rate	Limit 2019 Rs.	31 March 2019 Rs.	31 March 2018 Rs.	Security
Group					
Hatton National Bank	AWPLR+1.5%	650,000,000	1,291,463,951	1,187,531,409	Corporate guarantee of New Nawaloka Hospitals (Pvt) Ltd for Rs. 75 Mn. Existing Primary Concurrent Mortgage Bond for Rs. 390 Mn. (HNB Rs. 260 Mn., Seylan – Rs. 130 Mn.) Over Leasehold Nawaloka Hospital Premises. Registered primary floating mortgage bond for Rs. 775 Mn. over leasehold property at Sir James peiris Mawatha, Colombo and everything standing thereon (including the existing buildings and or the buildings which are to be constructed in the future together with any further developments modification or alterations thereto) with all fixtures fittings services and such other rights attached or appertaining thereto.
DFCC Bank	AWPLR+0.75%	90,000,000	268,502,915	103,338,641	Joint and several guarantees of Directors – Mr H K J Dharmadasa, Mr Ugitha Harshith Dharmadasa and Mr Anisha Givantha Dharmadasa
Sampath Bank	AWPLR+1.5%	50,000,000	50,570,385	273,562,480	Overdraft agreement for Rs. 50,000,000/-. Join and several guarantees of H K J Dharmadasa, U H Dharmadasa and A G Dharmadasa – Directors of the Company for Rs. 50,000,000/-.
Peoples Bank		–	6,021,685	–	
Commercial Bank	AWPLR +	25,000,000	1,561,990	16,565,204	Corporate guarantee of New Nawaloka Hospitals (Pvt) Ltd for Rs. 75 Mn.
Bank of Ceylon		–	7,050,305	29,168,118	
			1,625,171,231	1,610,165,852	

28. Assets held for sale

Accounting policy

Recognition and measurement

Non-current assets, or disposal groups comprising assets and liabilities, are classified as held-for-sale, if it is highly probable that they will be recovered primarily through sale rather than through continuing use.

Such assets, or disposal groups, are generally measured at the lower of carrying amount and fair value less costs to sell. Any impairment loss on a disposal group is allocated first to goodwill, and then to the remaining assets and liabilities on a pro rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets, employee benefit assets, investment property or biological assets, which continue to be measured in accordance with the Group's other accounting policies. Impairment losses on initial classification as held-for-sale or held-for-distribution and subsequent gains and losses on remeasurement are recognised in profit or loss.

Once classified as held-for-sale, intangible assets and property, plant and equipment are no longer amortised or depreciated.

28.1 Reconciliation of carrying amount

As at 31 March	Group		Company	
	2019 Rs.	2018 Rs.	2019 Rs.	2018 Rs.
Balance as at 1 April	136,693,775	136,693,775	2,500,000	2,500,000
Balance as at 31 March	136,693,775	136,693,775	2,500,000	2,500,000

Nawaloka Hospitals PLC signed a memorandum of understanding (MOU) with Metropolis Healthcare Limited (JV Partner) on 31 March 2017 to dispose 250,000 ordinary shares of Metropolis Healthcare Lanka (Pvt) Ltd held by Nawaloka Hospitals PLC to Metropolis Healthcare Lanka (Pvt) Ltd for a consideration of Rs. 136,693,775/-.

During the year discussion were in progress between Nawaloka Hospitals PLC and Metropolis Healthcare Ltd. Refer Note 45.

28.2 Cumulative income or expenses included in OCI

There are no cumulative income or expenses included in OCI relating to the disposal group.

29. Stated capital

Accounting policy

Ordinary shares

Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity. Income tax relating to transaction costs of an equity transaction is accounted for in accordance with LKAS 12.

As at 31 March	Group		Company	
	2019 Rs.	2018 Rs.	2019 Rs.	2018 Rs.
1,409,505,596 ordinary shares	1,207,388,876	1,207,388,876	1,207,388,876	1,207,388,876

30. Revaluation reserve

Accounting policy

Nature and purpose of reserves

The revaluation reserve relates to revaluation of buildings on lease hold lands and represents the fair value changes of the buildings on lease hold lands as at the date of revaluation.

As at 31 March	Group		Company	
	2019 Rs.	2018 Rs.	2019 Rs.	2018 Rs.
Balance as at 1 April	1,083,455,968	1,291,462,692	38,201,724	47,112,401
Revaluation during the year	–	(2,451,238)	–	(2,451,238)
Deferred tax impact on revaluation gain	–	686,347	–	686,347
Deferred tax impact on rate change	–	(206,241,833)	–	(7,145,786)
Balance as at 31 March	1,083,455,968	1,083,455,968	38,201,724	38,201,724

31. Debentures

See accounting policies in Note 18.

As at 31 March	Group		Company	
	2019 Rs.	2018 Rs.	2019 Rs.	2018 Rs.
Balance as at 1 April	1,494,265,886	1,488,820,927	1,494,265,886	1,488,820,927
EIR adjustment	4,559,850	5,444,959	4,559,850	5,444,959
Debenture paid during the year	(1,043,600,597)	–	(1,043,600,597)	–
Balance as at 31 March	455,225,139	1,494,265,886	455,225,139	1,494,265,886
Non-current	186,165,926	448,334,169	186,165,926	448,334,169
Current	269,059,213	1,045,931,717	269,059,213	1,045,931,717
	455,225,139	1,494,265,886	455,225,139	1,494,265,886

During the financial year 2013/14, the Company has issued 1.5 Bn. rated unsecured redeemable debentures at a par value of Rs. 100/- and its allocation is as follows:

Class	Issue	Coupon rate %	Listing status	Interest payable frequency	Issued date	Maturity date	Quantity Nos.	Consideration received Rs.	Value as at 31 March 2019 Rs.	Value as at 31 March 2018 Rs.	Comparative Government Bonds rates %	Yield to maturity %
A	Public	14.15	Listed	Quarterly	30 September 2013	30 September 2019	10,427,900	1,042,790,000	–	1,045,931,717	8.65	11.09
B	Public	14.15	Listed	Quarterly	30 September 2013	30 September 2019	2,696,000	269,600,000	269,059,213	265,244,661	11.17	13.33
D	Public	14.35	Listed	Quarterly	30 September 2013	30 September 2021	1,645,500	164,550,000	163,331,481	160,628,539	11.55	11.96
E	Public	14.40	Listed	Quarterly	30 September 2013	30 September 2022	120,000	12,000,000	11,890,371	11,648,596	11.77	12.14
F	Public	14.45	Listed	Quarterly	30 September 2013	30 September 2023	110,600	11,060,000	10,944,074	10,812,373	11.80	12.47
									455,225,139	1,494,265,886		

31.1 Market transaction summary

Class	Highest	Lowest	Last traded	Traded quantity	Last traded date
B	111.8	–	111.8	1,000,000	16 November 2015
D	–	–	–	–	–
E	–	–	–	–	–
F	–	–	–	–	–

31.2 Purpose of the issue

Purpose of the debenture issue is for funding the construction multi-storied building with car park facilities, channelling, out patient department and indoor admission facilities adjoining the existing hospital building and to restructure the balance sheet by re-financing the existing loans.

31.3 Credit ratings

ICRA Lanka Ltd has affirmed Nawaloka Hospitals PLC's long and short-term corporate credit ratings as [SL]BBB+ which is read as [SL]BBB Plus Stable.

32. Employee benefits

Accounting policy

Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related services are provided.

Defined contribution plan

Employees' Provident Fund and Employees' Trust Fund is a post-employment benefit plan under which an entity pays fixed contribution into a separate entity and will have no legal or constructive obligation to pay further amounts.

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

Defined benefit plan – Employee benefits

The liability recognised in the Statement of Financial Position in respect of defined benefit plan is the present value of the defined benefit obligation at the reporting date. Benefits falling due more than 12 months after the reporting date are discounted to present value. The defined benefit obligation is calculated annually by Independent Actuary using Projected Unit Credit (PUC) method on recommended by LKAS 19 – “Employee Benefits”.

Gratuity liability was computed from the first year of service for all employees in conformity with Sri Lanka Accounting Standards 19 – “Employee Benefits”.

However, under the Payment of Gratuity Act No. 12 of 1983, the liability to an employee arises only on completion of five years of continued service.

The Company is liable to pay gratuity in terms of the relevant statute.

The Gratuity liability is not externally funded.

Actuarial gains and losses

The remeasurements of the net defined benefit liability, which comprise actuarial gains and losses are recognised in other comprehensive income.

32.1 Contribution to defined contribution plan

	Group		Company	
	2019 Rs.	2018 Rs.	2019 Rs.	2018 Rs.
Employees' Provident Fund				
Employers' contribution	81,959,247	76,499,279	34,516,809	33,585,015
Employees' contribution	54,639,498	50,999,519	23,011,206	22,390,010
Employees' Trust Fund	34,149,687	31,855,205	14,382,004	14,008,012

32.2 Present value of defined benefit obligations

	Group		Company	
	2019 Rs.	2018 Rs.	2019 Rs.	2018 Rs.
Present value of defined benefit obligations	246,273,733	226,814,276	202,174,044	177,345,876

32.2.A Movement in the present value of defined benefit obligations (PV DBO)

	Group		Company	
	2019 Rs.	2018 Rs.	2019 Rs.	2018 Rs.
Liability for defined benefit obligation at 1 April	226,814,276	185,742,507	177,345,876	161,288,200
Current service cost	19,722,734	21,111,466	12,021,051	11,200,422
Interest cost	26,040,280	23,664,417	21,774,231	19,354,583
Actuarial losses on PV DBO	19,613,483	9,863,694	23,693,301	5,436,979
Payments made	(45,917,040)	(25,028,794)	(32,660,414)	(19,934,308)
Receipts during the year	–	11,460,986	–	–
Liability for defined benefit obligation as at 31 March	246,273,733	226,814,276	202,174,044	177,345,876

32.2.B Amount recognised in income statement

	Group		Company	
	2019 Rs.	2018 Rs.	2019 Rs.	2018 Rs.
Company service cost	19,722,733	21,111,466	12,021,051	11,200,422
Interest cost	26,040,280	23,664,417	21,774,231	19,354,583
	45,763,013	44,775,883	33,795,282	30,555,005

32.2.C Amounts recognised in other comprehensive income

	Group		Company	
	2019 Rs.	2018 Rs.	2019 Rs.	2018 Rs.
Actuarial losses recognised during the year	19,613,483	9,863,694	23,693,301	5,436,979

Employee Benefits as at 31 March 2019 is calculated based on an actuarial valuation carried out by Mr Piyal Gunathilaka, a qualified actuary.

As recommended by the Sri Lanka Accounting Standard LKAS 19 – “Employee Benefits” the projected Unit Credit (PUC) method has been used in this valuation.

The above provision is not externally funded.

32.2.D Actuarial assumptions

	2019	2018
Retirement age	55 years	55 years
Discount rate	11.00%	11.00%
Salary increment rate	8%	8%

32.2.E Sensitivity analysis

Reasonably 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 31 March	Group		Company	
	2019 Rs.	2018 Rs.	2019 Rs.	2018 Rs.
1% Increase in discount rate	234,999,830	217,684,087	193,127,262	170,241,321
1% decrease in discount rate	254,913,375	236,772,879	208,326,240	185,088,113
1% increase in salary increment rate	254,612,561	239,848,649	208,053,255	187,735,733
1% decrease in salary increment rate	235,117,648	214,690,285	193,255,812	167,667,916

33. Deferred taxation**Accounting policy**

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognise a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on the business plans for individual subsidiaries in the Group. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves.

Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities. For this purpose, the carrying amount of investment property measured at fair value is presumed to be recovered through sale, and the Group has not rebutted this presumption.

Deferred tax assets and liabilities are offset only if certain criteria are met.

As at 31 March	Group		Company	
	2019 Rs.	2018 Rs.	2019 Rs.	2018 Rs.
Deferred tax assets	(445,368,473)	(416,770,100)	(342,178,431)	(339,844,984)
Deferred tax liabilities	1,496,350,171	1,378,116,418	427,562,039	487,505,934
Net deferred tax liability	1,050,981,698	961,346,318	85,383,607	147,660,951

33.1 Movement in deferred tax

For the year ended 31 March 2019	Group					
	Net balance as at 1 April Rs.	Recognised in profit or loss Rs.	Recognised in OCI Rs.	Net balance as at 31 March Rs.	Deferred tax assets Rs.	Deferred tax liabilities Rs.
Deferred tax liabilities						
Property, plant and equipment	1,378,116,418	118,233,753	–	1,496,350,171	–	1,496,350,171
Deferred tax assets						
Employee benefits	(62,380,237)	701,421	(5,336,536)	(67,015,352)	(67,015,352)	–
Tax loss carried forward	(354,389,863)	(23,963,258)	–	(378,353,122)	(378,353,122)	–
Net tax liabilities/(assets)	961,346,318	94,971,916	(5,336,536)	1,050,981,698	(445,368,473)	1,496,350,171

For the year ended 31 March 2018	Group					
	Net balance as at 1 April Rs.	Recognised in profit or loss Rs.	Recognised in OCI Rs.	Net balance as at 31 March Rs.	Deferred tax assets Rs.	Deferred tax liabilities Rs.
Deferred tax liabilities						
Property, plant and equipment	491,299,403	681,261,529	205,555,486	1,378,116,418	–	1,378,116,418
Deferred tax assets						
Employee benefits	(22,018,423)	(37,599,980)	(2,761,834)	(62,380,237)	(62,380,237)	–
Tax loss carried forward	(74,494,822)	(279,895,041)	–	(354,389,863)	(354,389,863)	–
Net tax liabilities/(assets)	394,786,162	363,766,508	202,793,652	961,346,318	(416,770,100)	1,378,116,418

33.1.1 Recognition of deferred tax asset arising from tax losses carried forward

The management has recognised deferred tax asset on carried forward tax losses based on the assessment of five years future cashflows/forecast approved by the Board of directors. Refer also Note 48.

The deferred tax asset referred to above will be assessed for recoverability annually and adjustments required, if any, will be made to the financial statements accordingly.

Company					
Net balance as at 1 April Rs.	Recognised in profit or loss Rs.	Recognised in OCI Rs.	Net balance as at 31 March Rs.	Deferred tax assets Rs.	Deferred tax liabilities Rs.
487,505,934	(59,943,896)	–	427,562,039	–	427,562,039
(49,656,845)	(317,764)	(6,634,124)	(56,608,732)	(56,608,732)	–
(290,188,139)	4,618,440	–	(285,569,699)	(285,569,699)	–
147,660,951	(55,643,220)	(6,634,124)	85,383,607	(342,178,431)	427,562,039

Company					
Net balance as at 1 April Rs.	Recognised in profit or loss Rs.	Recognised in OCI Rs.	Net balance as at 31 March Rs.	Deferred tax assets Rs.	Deferred tax liabilities Rs.
233,149,689	247,896,806	6,459,439	487,505,934	–	487,505,934
(19,354,584)	(28,779,907)	(1,522,354)	(49,656,845)	(49,656,845)	–
(74,494,822)	(215,693,317)	–	(290,188,139)	(290,188,139)	–
139,300,283	3,423,582	4,937,085	147,660,951	(339,844,984)	487,505,934

33.2 Analysis of recognised deferred tax

As at 31 March	Group			
	2019		2018	
	Temporary difference Rs.	Tax effect Rs.	Temporary difference Rs.	Tax effect Rs.
Property, plant and equipment	5,344,107,754	1,496,350,171	4,939,447,950	1,378,116,418
Employee benefits	(239,340,542)	(67,015,352)	(222,786,559)	(62,380,237)
Tax loss carried forward	(1,351,261,148)	(378,353,122)	(1,265,678,084)	(354,389,863)
	3,753,506,064	1,050,981,698	3,450,983,307	961,346,318

34. Borrowings

The accounting policy for borrowings has been given in Note 18.

As at 31 March	Group		Company	
	2019 Rs.	2018 Rs.	2019 Rs.	2018 Rs.
Opening Balance as at 1 of April	7,422,239,249	5,506,119,867	5,091,850,173	4,079,440,944
Exchange Losses	62,631,876	–	62,631,876	–
Loans obtained during the year	1,948,509,826	3,487,688,247	1,226,781,004	2,410,000,189
Loans paid during the year	(1,870,147,165)	(1,571,568,865)	(1,621,686,551)	(1,397,590,960)
Closing Balance as at 31 March	7,563,233,786	7,422,239,249	4,759,576,502	5,091,850,173
Borrowings falling due within one year	1,457,310,675	2,275,560,740	1,075,849,235	2,129,033,676
Borrowings falling due after one year	6,105,923,111	5,146,678,509	3,683,727,267	2,962,816,497
	7,563,233,786	7,422,239,249	4,759,576,502	5,091,850,173

Borrowing allocation based on the financial institutions is as follow:

As at 31 March	Group		Company	
	2019 Rs.	2018 Rs.	2019 Rs.	2018 Rs.
DFCC Bank PLC	167,543,550	228,858,167	167,543,550	228,858,167
Bank of Ceylon	1,039,930,954	1,128,160,659	1,039,930,954	1,128,160,659
Commercial Bank of Ceylon PLC	1,672,115,003	1,938,250,947	1,672,115,003	1,938,250,947
Sampath Bank PLC	1,209,679,200	1,540,220,400	1,209,679,200	1,540,220,400
Nations Lanka Finance PLC	–	23,000,000	–	23,000,000
Hatton National Bank PLC	3,473,965,079	2,563,749,076	670,307,795	233,360,000
	7,563,233,786	7,422,239,249	4,759,576,502	5,091,850,173

Company			
2019		2018	
Temporary difference Rs.	Tax effect Rs.	Temporary difference Rs.	Tax effect Rs.
1,527,007,280	427,562,039	1,741,092,623	487,505,934
(202,174,044)	(56,608,732)	(177,345,876)	(49,656,845)
(1,019,891,782)	(285,569,699)	(1,036,386,209)	(290,188,139)
304,941,455	85,383,607	527,360,538	147,660,951

Details of loans obtained by the Group are set out below:

Financial institution long-term loan	Repayment terms	Security	Principal	Interest rate	Annual repayment Rs.	Balance as at 31 March 2019 Rs.
Nawaloka Hospitals PLC						
DFCC Bank	59 equal monthly instalments of Rs. 7,503,114/-	Primary concurrent mortgage over leasehold rights of the land and building situated at Sir James Peiris Mawatha and Sugathodaya Mawatha owned by Nawaloka Hospitals PLC and New Nawaloka Hospitals (Pvt) Ltd. Joint & several Guarantees of Directors – Mr H K J Dharmadasa, Mr Ugitha Harshith Dharmadasa and Mr Anisha Givantha Dharmadasa.	450,000,000	AWPLR+1.25%	90,037,368	105,043,570
DFCC Bank	60 equal monthly instalments of Rs. 1,666,667/-	Primary concurrent mortgage over leasehold rights of the land and building situated at Sir James Peiris Mawatha and Sugathodaya Mawatha owned by Nawaloka Hospitals PLC and New Nawaloka Hospitals (Pvt) Ltd. Joint and several guarantees of Directors – Mr H K J Dharmadasa, Mr Ugitha Harshith Dharmadasa and Mr Anisha Givantha Dharmadasa.	100,000,000	AWPLR+1.25%	23,459,992	62,499,980
Bank of Ceylon		Joint and several guarantees of Directors – Mr H K J Dharmadasa, Mr Ugitha Harshith Dharmadasa and Mr Anisha Givantha Dharmadasa.	1,000,000,000	AWPLR (Monthly review)	–	1,000,000,000
Bank of Ceylon	To be repaid 60 equal monthly instalments	Joint and several guarantees of Directors – Mr H K J Dharmadasa, Mr Ugitha Harshith Dharmadasa and Mr Anisha Givantha Dharmadasa.	363,000,000	AWPLR+0.5%	52,146,437	3,923,988
Bank of Ceylon	60 equal monthly instalments of Rs. 3,166,667/-	Joint and several guarantees of Directors – Mr H K J Dharmadasa, Mr Ugitha Harshith Dharmadasa and Mr Anisha Givantha Dharmadasa.	190,000,000	AWPLR+0.5%	36,175,716	36,006,966
Sampath Bank	60 equal monthly instalments of Rs. 9,166,667/-	Loan agreement for Rs. 550,000,000/-, Corporate Guarantee of Nawaloka construction Company (Pvt) Ltd for Rs. 550,000,000/-	550,000,000	AWPLR+1%	104,833,700	238,332,200
Sampath Bank	72 equal monthly instalments of Rs. 13,888,889/-	Loan agreement for Rs. 1,000,000,000/- Assignment over credit card receivables for Rs. 1,000,000,000/- including the receivables of the existing hospital operations and the car park, channelling centre and new rooms of the proposed building complex. Corporate Guarantee of the New Nawaloka Hospitals (Pvt) Ltd for Rs. 1 Bn.	1,000,000,000	AWPLR+1%	152,396,870	597,248,000

Financial institution long-term loan	Repayment terms	Security	Principal	Interest rate	Annual repayment Rs.	Balance as at 31 March 2019 Rs.
Sampath Bank	72 equal monthly instalments of Rs. 6,994,500/-	Loan agreement for Rs. 500,000,000/- Assignment over credit card receivables for Rs. 1,000,000,000/- and Rs. 500,000,000/- including the receivables of the existing hospital operations and the car park, channelling centre and new rooms of the new building complex.	500,000,000	AWPLR+1%	76,939,500	374,099,000
Commercial Bank	First 24 months Rs. 12,500,000/-, Next 35 months 19,400,000 and Final Rs. 21,000,000/- instalments	Primary mortgage Bond over debit and credit card sales for Rs. 1,200,000,000/- to be executed over the card sales of the total hospital operations, Corporate Guarantee from New Nawaloka Hospitals (Pvt) Ltd for Rs. 500,000,000/- to be signed by the Directors of the Company, Corporate Guarantee from New Nawaloka Medical Centre (Pvt) Ltd for Rs. 500,000,000/- to be signed by the directors of the Company, general terms and conditions relating to term loan for Rs. 1,000,000,000/- to be signed by the Directors of the Company.	1,200,000,000	AWPLR+0.5%	380,110,818	635,501,176
Commercial Bank	60 equal monthly instalments	An agreement to mortgage bond No. FCC/16/90 over machinery for Rs. 125,000,000/- dated 23 September 2016 executed by the Company. An agreement to mortgage to be executed for Rs. 175,000,000/- over relevant machinery.	600,000,000	AWPLR+1.5%	131,726,935	630,300,878
Commercial Bank	5 years in 59 monthly instalments	Clean	USD 3,200,000	LIBOR+ 4.5%	123,903,402	406,312,949
HNB	60 equal monthly instalments	Clean	275,000,000	AWPLR+1.75%	128,097,398	87,445,827
HNB	60 equal monthly instalments	Clean	550,000,000	AWPLR+1.75%	-	550,000,000
HNB	6 months	Clean	50,000,000	AWPLR+1.75%	13,162,061	32,861,967
New Nawaloka Hospitals (Pvt) Ltd.						
HNB	60 equal monthly instalments of Rs. 3,333,400/-	Join and several guarantees of H K J Dharmadasa, U H Dharmadasa and A G Dharmadasa. Existing primary concurrent mortgage bond for Rs. 390.0 Mn. (HNB – Rs. 260.0 Mn., Seylan Rs. 130.0 Mn.) over leasehold Nawaloka Hospitals premises.	400,000,000	AWPLR+1.75%	96,337,499	263,134,837
HNB	48 equal monthly instalments of Rs. 416,000/-	Clean	101,670,116	AWPLR+1.75%	9,297,505	92,050,948
New Nawaloka Medical Centre (Pvt) Ltd.						
HNB	59 equal monthly instalments of Rs. 16,660,000/-	Corporate Guarantee of Nawaloka Hospitals for Rs. 1,000.0 Mn Corporate Guarantee of New Nawaloka Hospitals (Pvt) Ltd for Rs. 1,000.0 Mn.	1,000,000,000	AWPLR+1.25%	118,915,340	883,521,500
HNB	84 equal monthly instalments	Corporate Guarantee from Nawaloka Hospitals PLC and New Nawaloka Hospitals (Pvt) Ltd. for Rs. 1 Bn. each	1,000,000,000	AWPLR+1.75%	-	1,000,000,000
HNB	60 equal monthly instalments	Registered primary floating mortgage bond for Rs. 775 Mn. over leasehold property at Sir James peiris Mawatha, Colombo and everything standing thereon (including the existing buildings and or the buildings which are to be constructed in the future together with any further developments modification or alterations thereto) with all fixtures fittings services and such other rights attached or appertaining thereto.	775,000,000	AWPLR+1.75%	11,579,304	564,950,000

35. Finance leases

The accounting policy for finance leases has been given in Note 20.

As at 31 March	Group		Company	
	2019 Rs.	2018 Rs.	2019 Rs.	2018 Rs.
Balance as at 1 April	100,000,000	108,000,000	–	–
Lease obtained during the year	14,580,000	–	14,580,000	–
Lease paid during the year	(11,490,889)	(8,000,000)	(2,101,340)	–
Balance as at 31 March	103,089,111	100,000,000	12,478,660	–
Current	11,803,776	8,000,000	2,414,227	–
Non-current	91,285,335	92,000,000	10,064,433	–
	103,089,111	100,000,000	12,478,660	–
Finance lease payable within one year	11,803,776	8,000,000	2,414,227	–
Finance lease payable between 1 to 5 years	57,012,178	40,000,000	10,064,433	–
Finance lease payable more than 5 years	34,273,157	52,000,000	–	–
	103,089,111	100,000,000	12,478,660	–

36. Trade and other payables

Accounting policy

The accounting policy for trade and other payables has been given in Note 18.

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, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the Statement of Profit or Loss net of any reimbursement.

Provisions are not recognised for future operating losses. The amount recognised as a provision shall be the best estimate of the expenditure required to settle the present obligation and the provision is reviewed at end of each reporting period and adjusted to reflect the current best estimate.

Warranties

A provision for warranties is recognised when the underlying products or services are sold. The provision is based on historical warranty data and a weighing of possible outcomes against their associated probabilities.

As at 31 March	Group		Company	
	2019 Rs.	2018 Rs.	2019 Rs.	2018 Rs.
Financial liabilities				
Trade payables	914,170,093	756,625,316	851,739,003	717,561,510
Doctors payable	28,903,754	12,937,359	19,019,782	3,479,717
	943,073,847	769,562,675	870,758,785	721,041,227
Non financial liabilities				
Other payables	537,020,348	223,307,966	386,862,258	104,573,285
	537,020,348	223,307,966	386,862,258	104,573,285
	1,480,094,195	992,870,641	1,257,621,043	825,614,512

37. Current tax liability/(receivables)

The accounting policy for income taxes has been given in Note 14.

As at 31 March	Group		Company	
	2019 Rs.	2018 Rs.	2019 Rs.	2018 Rs.
Balance as at 1 April	16,890,277	16,310,706	–	–
Prior year adjustment	(12,750,375)	–	–	–
Under/(over) provision during prior year	(7,000,410)	–	–	–
Provision for the year	5,928,240	13,471,835	–	–
Tax paid during the year	(4,059,669)	(12,892,264)	–	–
Balance as at 31 March	(991,937)	16,890,277	–	–

38. Payable to related parties

The accounting policy for amount due to related parties has been given in Note 41.

As at 31 March	Group		Company	
	2019 Rs.	2018 Rs.	2019 Rs.	2018 Rs.
Nawaloka Construction (Pvt) Limited	813,630	–	–	–
Metropolis Healthcare Lanka (Pvt) Ltd	129,006,280	165,753,782	123,581,212	160,328,713
Kottawa Medical Centre	193,610	–	–	–
Kandana Medical Centre	68,501	–	–	–
Nawaloka Trading (Pvt) Ltd	247,452	–	247,452	–
Nawaloka Green Cross Laboratories (Pvt) Ltd	–	–	88,092,931	5,899,353
Nawaloka Medicare (Pvt) Ltd	–	–	57,520,373	–
Mountlavinia Medical Centre	5,167,098	4,072,742	–	–
Nawaloka Aviation (Pvt) Ltd	1,106,771	1,106,771	–	–
Nawaloka Guardian International (Pvt) Ltd	50,174,341	26,020,754	50,174,341	26,020,754
	186,777,683	196,954,049	319,616,309	192,248,820

39. Fair value measurement

Accounting policy

Fair Value' is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Group has access at that date. The fair value of a liability reflects its non-performance risk.

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

When one is available, the Group measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as 'active' if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the Group uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

If an asset or a liability measured at fair value has a bid price and an ask price, then the Group measures assets and long positions at a bid price and liabilities and short position at an ask price.

The best evidence of the fair value of a financial instrument or initial recognition is normally the transaction price – i.e. the fair value of the consideration given or received. If the Group determines that the fair value on initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability not based on a valuation techniques for which any unobservable inputs are judged to be insufficient in relation to the measurement, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value on initial recognition and the transaction price. Subsequently, threat difference is recognised in profit or loss on an appropriate basis over the life of the instrument but not later than when the valuation is wholly supported by observable market data or the transaction is closed out.

The Group measures the fair value using the following fair value hierarchy, which reflects the significance of the inputs used in making the measurement. An analysis of the fair value measurement of financial and non-financial assets and liabilities are provided below:

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

When available, the Group measures the fair value of an instrument using active quoted prices or dealer price quotations (assets and long positions are measured at a bid price; liabilities and short positions are measured at an ask price), without any deduction for transaction costs. A market is regarded as active if transactions for asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

This category includes instruments valued using;

- (a) quoted prices in active markets for similar instruments,
- (b) quoted prices for identical or similar instruments in markets that are considered to be less active, or
- (c) other valuation techniques in which almost all significant inputs are directly or indirectly observable from market data.

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs). This category includes all instruments for which the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation.

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy:

31 March 2019	Group						
	Classification	Total carrying amount	Fair value	Level 1	Level 2	Level 3	Total
		Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Financial assets measured at fair value							
Investment in unquoted shares	Fair value through OCI	19,740,000	19,740,000	–	–	19,740,000	19,740,000
Financial assets not measured at fair value							
Cash and cash equivalents	Amortised cost	157,962,595	157,962,595	–	157,962,595	–	157,962,595
Trade and other receivables	Amortised cost	909,353,915	909,353,915	–	–	909,353,915	909,353,915
Receivable from related parties	Amortised cost	416,816,784	416,816,784	–	–	416,816,784	416,816,784
Investment in fixed deposits	Amortised cost	283,881,242	283,881,242	–	283,881,242	–	283,881,242
		1,768,014,536	1,768,014,536	–	441,843,837	1,345,910,699	1,768,014,536
Financial liabilities not measured at fair value							
Debentures	Other financial liabilities	455,225,139	455,225,139	–	455,225,139	–	455,225,139
Borrowings	Other financial liabilities	7,563,233,786	7,563,233,786	–	–	7,563,233,786	7,563,233,786
Finance lease	Other financial liabilities	103,089,111	103,089,111	–	–	103,089,111	103,089,111
Trade and other payables	Other financial liabilities	1,480,094,195	1,480,094,195	–	–	1,480,094,195	1,480,094,195
Payable to related companies	Other financial liabilities	186,777,683	186,777,683	–	–	186,777,683	186,777,683
Unclaimed dividend	Other financial liabilities	21,706,122	21,706,122	–	–	21,706,122	21,706,122
Bank overdraft	Other financial liabilities	1,625,171,231	1,625,171,231	–	1,625,171,231	–	1,625,171,231
		11,435,297,267	11,435,297,267	–	2,080,396,370	9,354,900,897	11,435,297,267

	Company				
	Total carrying amount	Fair value	Level 1	Level 2	Level 3
	Rs.	Rs.	Rs.	Rs.	Rs.
	19,740,000	19,740,000	–	–	19,740,000
	106,440,391	106,440,391	–	106,440,391	–
	692,928,778	692,928,778	–	–	692,928,778
	3,859,010,919	3,859,010,919	–	–	3,859,010,919
	36,346,825	36,346,825	–	36,346,825	–
	4,694,726,913	4,694,726,913	–	142,787,216	4,571,679,697
	455,225,139	455,225,139	–	455,225,139	–
	4,759,576,502	4,759,576,502	–	–	4,759,576,502
	12,478,608	12,478,608	–	–	12,478,608
	1,257,621,043	1,257,621,043	–	–	1,257,621,043
	319,616,309	319,616,309	–	–	319,616,309
	21,706,122	21,706,122	–	–	21,706,122
	1,139,208,705	1,139,208,705	–	1,139,208,705	–
	7,965,432,428	7,965,432,428	–	1,594,433,844	6,370,998,584

Group							
31 March 2018	Classification	Total carrying amount Rs.	Fair value Rs.	Level 1 Rs.	Level 2 Rs.	Level 3 Rs.	Total Rs.
Financial assets not measured at fair value							
Cash and cash equivalents	Loans and receivables	177,722,524	177,722,524	–	177,722,524	–	177,722,524
Trade and other receivables	Loans and receivables	937,596,386	937,596,386	–	–	937,596,386	937,596,386
Receivable from related parties	Loans and receivables	270,598,111	270,598,111	–	–	270,598,111	270,598,111
Investment in fixed deposits	Loans and receivables	1,344,188,074	1,344,188,074	–	1,344,188,074	–	1,344,188,074
		2,730,105,095	2,730,105,095	–	1,521,910,598	1,208,194,497	2,730,105,095
Financial liabilities not measured at fair value							
Debentures	Other financial liabilities	1,494,265,886	1,494,265,886	–	1,494,265,886	–	1,494,265,886
Borrowings	Other financial liabilities	7,422,239,249	7,422,239,249	–	–	7,422,239,249	7,422,239,249
Finance lease	Other financial liabilities	100,000,000	100,000,000	–	–	100,000,000	100,000,000
Trade and other payables	Other financial liabilities	992,870,637	992,870,637	–	–	992,870,637	992,870,637
Payable to related companies	Other financial liabilities	196,954,049	196,954,049	–	–	196,954,049	196,954,049
Unclaimed dividend	Other financial liabilities	4,265,486	4,265,486	–	–	4,265,486	4,265,486
Bank overdraft	Other financial liabilities	1,610,165,852	1,610,165,852	–	1,610,165,852	–	1,610,165,852
		11,820,761,159	11,820,761,159	–	3,104,431,738	8,716,329,421	11,820,761,159

** Classes of financial instruments that are not carried at fair value and of which carrying amounts are a reasonable approximation of fair value. This includes trade receivables, cash and cash equivalents, trade payable, other payables, amounts due to and due from related parties and bank overdraft. The carrying amounts of these financial assets and liabilities are a reasonable approximation of fair values due to their short term nature.

*** Investment in Unquoted Shares were carried at cost as the investment was made during the current year.

Transfers between Level 1 and Level 2

There were no transfers between Level 1 and Level 2 during the year ended 31 March 2019.

Total carrying amount Rs.	Fair value Rs.	Company			Total Rs.
		Level 1	Level 2	Level 3	
		Rs.	Rs.	Rs.	
65,399,058	65,399,058	–	65,399,058	–	65,399,058
689,305,354	689,305,354	–	–	689,305,354	689,305,354
3,960,771,974	3,960,771,974	–	–	3,960,771,974	3,960,771,974
1,148,453,310	1,148,453,310	–	1,148,453,310	–	1,148,453,310
5,863,929,696	5,863,929,696	–	1,213,852,368	4,650,077,328	5,863,929,696
1,494,265,886	1,494,265,886	–	1,494,265,886	–	1,494,265,886
5,091,850,173	5,091,850,173	–	–	5,091,850,173	5,091,850,173
–	–	–	–	–	–
825,614,512	825,614,512	–	–	825,614,512	825,614,512
192,248,820	192,248,820	–	–	192,248,820	192,248,820
4,265,469	4,265,469	–	–	4,265,469	4,265,469
1,338,687,329	1,338,687,329	–	1,338,687,329	–	1,338,687,329
8,946,932,179	8,946,932,179	–	2,832,953,215	6,113,978,974	8,946,932,189

40. Financial risk management

The Group has exposure to the following risks to arising from financial instruments:

- (a) Credit risk (Note 40.2)
- (b) Liquidity risk (Note 40.3)
- (c) Market risk (Note 40.4)
- (d) Operation risk (Note 40.5)

40.1 Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework.

The Group's risk management policies are established to identify and analyse the risk faced by the Group, to set appropriate risk limit and controls, and to monitor risk and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Group Audit Committee monitors the process through which business risks are identified for action by Management and for the Board's attention and monitors the effectiveness of the Company's internal controls. The Audit Committee is assisted in its role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of controls and procedures, the results of which are reported to the Audit Committee.

40.2 Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and investments in debt securities.

The carrying amounts of financial assets and contract assets represent the maximum credit exposure.

Impairment losses on financial assets and contract assets recognised in profit or loss were as follows:

As at 31 March	Group		Company	
	2019 Rs.	2018 Rs.	2019 Rs.	2018 Rs.
Impairment loss on trade receivables and contract assets arising from contracts with customers	–	11,051,702	–	10,540,874
	–	11,051,702	–	10,540,874

Trade receivables and contract assets

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, Management also considers the factors that may influence the credit risk of its customer base, including the default risk associated with the industry and country in which customers operate.

The Group trades only with recognised, creditworthy third parties. It is the Group's policy that all clients who wish to trade on credit terms are subject to credit verification procedures and contractual agreements made for every high-value transactions. In addition, receivable balances are monitored on an ongoing basis with the results that the Group's exposure to bad debts is not significant.

The Group does not require collateral in respect of trade and other receivables. The Group does not have trade receivable and contract assets for which no loss allowance is recognised because of collateral.

The carrying amount of financial assets represent the maximum credit exposure. The maximum exposure to the credit risk as at 31 March 2019 is as follow:

	Group		Company	
	2019 Rs.	2018 Rs.	2019 Rs.	2018 Rs.
Other investments	19,740,000	–	19,740,000	–
Trade and other receivables	626,647,544	608,872,498	497,016,654	455,255,273
Amount due from related parties	416,816,784	270,598,111	3,859,010,919	3,960,771,974
Cash and cash equivalents	157,962,595	177,722,754	106,440,391	65,399,058
	1,221,166,923	1,057,193,363	4,482,207,964	4,481,426,305

At 31 March 2019, the exposure to credit risk for trade receivables and contract assets by type of counterparty was as follows:

	Group		Company	
	2019 Rs.	2018 Rs.	2019 Rs.	2018 Rs.
Local Government	119,639,557	40,877,566	112,537,747	43,429,215
Foreign Governments	9,244,320	–	9,244,320	–
Insurance companies	159,094,305	117,752,148	119,707,010	117,752,148
Other corporate clients	144,066,787	340,043,693	131,082,160	211,987,293
Other	144,136,413	84,638,267	140,323,632	84,638,266
	576,181,382	583,311,673	512,894,869	457,806,922

A summary of the Group's exposure to credit risk for trade receivables and contract assets is as follows:

	Group		
	2019		2018
	Not credit – impaired Rs.	Credit – impaired Rs.	Rs.
Four or more years trading history with the Group	332,604,653	70,312,140	430,484,015
Less than four years trading history with the Group	107,646,234	23,940,058	125,605,258
Higher risk	–	41,678,297	27,222,400
	440,250,887	135,930,495	583,311,673

	Company		
	2019		2018
	Not credit – impaired Rs.	Credit – impaired Rs.	Rs.
Four or more years trading history with the Company	292,604,145	74,974,732	337,861,509
Less than four years trading history with the Company	89,884,933	13,752,762	98,476,478
Higher risk	–	41,678,297	21,468,936
	382,489,078	130,405,791	457,806,922

An analysis of the credit quality of trade receivables that were neither past due nor impaired and the ageing of trade receivables that were past due but not impaired as at 31 March 2018 is as follows:

	2018	
	Group Rs.	Company Rs.
Neither past due nor impaired	440,250,887	382,489,078
Past due but not impaired		
Past due 6-12 months	59,735,589	54,210,885
Past due 12-18 months	34,516,609	34,516,609
Past due and impaired	41,678,297	41,678,297
Total gross receivable	576,181,382	512,894,869
Impairment allowance	(58,975,877)	(58,465,048)
	517,205,505	454,429,821

The following table provides information about the exposure to credit risk and Expected Credit Losses (ECLs) for trade receivables and contract assets as at 31 March 2019.

	Group			
	Weighted average loss rate %	Gross carrying amount Rs.	Loss allowance Rs.	Credit impaired
Current (not past due)	–	440,250,887	–	No
Past due 6-12 months	24	59,735,589	14,063,550	No
Past due 12-18 months	29	34,516,609	17,258,305	No
Past due > 18 months	47	41,678,297	27,654,022	Yes
	100	576,181,382	58,975,877	

	Company			
	Weighted average loss rate %	Gross carrying amount Rs.	Loss allowance Rs.	Credit impaired
Current (not past due)	–	382,489,078	–	No
Past due 6-12 months	24	54,210,885	13,552,720	No
Past due 12-18 months	29	34,516,609	17,258,305	No
Past due > 18 months	47	41,678,297	27,654,023	Yes
	100	512,894,869	58,465,048	

Cash and cash equivalents

The Group held cash and cash equivalents of 157,962,595 at 31 March 2019 (2018 – 177,722,754/-). The cash and cash equivalents are held with bank and financial institution counterparties, which are rated highly rated, based on ratings.

40.3 Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group maintains the level of its cash and cash equivalents at an amount in excess of expected cash outflows on financial liabilities (other than trade payables) over the succeeding 60 days. The Group also monitors the level of expected cash inflows on trade and other receivables together with expected cash outflows on trade and other payables. In addition, the Group maintains Rs. 1,625 Mn. overdraft facility that is unsecured. Interest would be payable at market rate.

The disclosure shows net cash flow amounts for derivatives that are net cash settled and gross cash inflow and outflow amount for derivatives that have simultaneous gross cash settlement. It is not expected that cash flows included in the maturity analysis would occur significantly earlier or at significantly different amount.

Exposure to liquidity risk

The following are the remaining contractual maturities of financial liabilities at the reporting date. The amounts are gross and undiscounted, and include contractual interest payments and exclude the impact of netting agreements.

31 March 2019	Contractual cash flows						
	Carrying amount Rs.	Total Rs.	2 months or less Rs.	2-12 months Rs.	1-2 years Rs.	2-5 years Rs.	More than 5 years Rs.
Non-derivative financial liabilities							
Debentures	455,225,139	455,225,139	–	269,059,213	186,165,926	–	–
Borrowings	7,563,233,786	7,563,233,786	328,065,989	1,439,182,462	1,483,530,416	2,506,185,263	1,718,613,908
Finance lease	103,089,111	103,089,111	378,599	11,425,176	12,178,066	44,834,111	34,651,757
Trade creditor and trade payable	1,480,094,195	1,480,094,195	462,529,436	493,364,732	524,237,412	–	–
Unclaimed dividends	21,706,127	21,706,127	21,706,127	–	–	–	–
Payable to related parties	186,777,683	186,777,683	186,777,683	–	–	–	–
Bank overdrafts	1,625,171,231	1,625,171,231	928,669,275	696,501,956	–	–	–
	11,435,297,272	11,435,297,272	1,928,127,109	2,909,533,539	2,206,111,820	2,551,019,374	1,753,265,665

31 March 2018	Contractual cash flows						
	Carrying amount Rs.	Total Rs.	2 months or less Rs.	2-12 months Rs.	1-2 years Rs.	2-5 years Rs.	More than 5 years Rs.
Non-derivative financial liabilities							
Debentures	1,494,265,886	1,494,265,886	–	1,045,931,717	265,244,661	183,089,508	–
Borrowings	7,422,239,249	7,422,239,249	316,050,103	1,896,300,617	2,462,350,719	2,747,537,810	–
Finance lease	100,000,000	100,000,000	–	8,000,000	16,000,000	40,000,000	36,000,000
Trade creditor and trade payable	992,870,641	992,870,641	310,262,178	330,956,878	351,651,585	–	–
Unclaimed dividends	4,265,484	4,265,484	4,265,484	–	–	–	–
Payable to related parties	196,954,049	196,954,049	196,954,049	–	–	–	–
Bank overdrafts	1,610,165,852	1,610,165,852	920,094,772	690,071,079	–	–	–
	11,820,761,161	11,820,761,161	1,747,636,486	3,971,260,291	3,095,246,955	2,970,627,318	36,000,000

The Company has Rs. 1,139,208,705/- overdrawn facilities as at the end of the financial year. The Group evaluates its funding requirements at requirements at frequent intervals and access debt and capital markets at appropriate times. The details of bank facilities are as follow:

Overdraft	As at 31 March 2019		As at 31 March 2018	
	Facility available Rs.	Facility utilised Rs.	Facility available Rs.	Facility utilised Rs.
HNB	650,000,000	832,711,480	640,000,000	929,061,798
Sampath Bank	50,000,000	50,570,385	230,000,000	94,473,092
DFCC	240,000,000	242,854,850	90,000,000	273,562,480
People's Bank	-	6,021,685	-	-
Bank of Ceylon	-	7,050,305	-	25,024,755
Commercial Bank	-	-	-	16,565,204
	965,000,000	1,139,208,705	960,000,000	1,338,687,329

40.4 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Currency risk

The Company is exposed to currency risk on receipts, payments and borrowings that are denominated in a currency other than Sri Lankan Rupees.

In respect of other monetary assets and liabilities denominated in foreign currencies, the Company's policy is to ensure that its net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates when necessary to address short-term imbalances.

Interest rate risk

The Company does not account for any fixed rate financial assets and liabilities at fair value through profit or loss, and the Company does not designate derivatives as hedging instruments under a fair value hedge accounting model. Therefore, a change in interest rates at the reporting date would not affect profit or loss.

The interest rate profile of the Company's interest-bearing financial instruments as reported to the Management of the Company is as follows:

	Nominal amount	
	As at 31 March 2019 Rs.	As at 31 March 2018 Rs.
Fixed-rate instruments		
Financial assets	692,928,778	689,305,353
Financial liabilities	1,257,621,043	825,614,512
	1,950,549,821	1,514,919,865
Variable-rate instruments		
Financial assets	142,787,216	1,213,852,368
Financial liabilities	5,898,785,207	6,430,537,502
	6,041,572,423	7,644,389,870

Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain development of the business. Capital consists of ordinary shares, retained earnings and revaluation reserve of the Group. The Board of Directors monitors the return on capital as well as the level of dividends to ordinary shareholders.

The Group's net debt to adjusted equity ratio at 31 March 2019 was as follow:

	As at 31 March 2019 Rs.	As at 31 March 2018 Rs.
Total liabilities	12,732,552,703	13,025,812,029
Less: Cash and cash equivalents	(157,962,595)	(177,722,754)
Net debt	12,574,590,108	12,848,089,245
Total equity	3,608,656,991	4,258,504,794
Net debt to adjusted equity ratio	3.48	3.01

40.5 Operational risk

"Operational risk" is the risk of direct or indirect loss arising from a wide variety of causes associated with the Company's processes, personnel, technology and infrastructure and from external factors other than credit, market and liquidity risks – e.g. those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the Company's operations.

The Company's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Company's reputation with overall cost effectiveness and innovation. In all cases, Company policy requires compliance with all applicable legal and regulatory requirements.

The Board of Directors has established Board Integrated Risk Management Committee, which is responsible for the development and implementation of controls to address operational risk. This responsibility is supported by the development of overall Company standards for the management of operational risk in the following areas:

- requirements for appropriate segregation of duties, including the independent authorisation of transactions;
- requirements for the reconciliation and monitoring of transactions;
- compliance with regulatory and other legal requirements;
- documentation of controls and procedures;
- requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified;
- requirements for the reporting of operational losses and proposed remedial action;
- development of contingency plans;
- training and professional development;
- ethical and business standards;
- information technology and cyber risks; and
- risk mitigation, including insurance where this is cost-effective.

Compliance with Company standards is supported by a programme of periodic reviews undertaken by Internal Audit. The results of internal audit reviews are discussed with the Company Operational Risk Committee, with summaries submitted to the Audit Committee and Senior Management of the Company.

41. Related party transactions

The Company carries out transactions in the ordinary course of its business with parties who are defined as related parties in Sri Lanka Accounting Standard 24 – “Related Party disclosures, the details of which are reported below. The pricing applicable to such transactions is based on the assessment of risk and pricing model of the Company and is comparable with what is applied to transactions between the Company and its unrelated customers.

KMP of the Company

The Board of Directors of the Company has been classified as KMP of the Company.

KMP of the Group

As the Company is the ultimate parent of the subsidiaries listed out on page 6, the Board of Directors of the Company has the authority and responsibility for planning, directing and controlling the activities of the Group directly or indirectly. Accordingly, the Board of Directors of the Company is also KMP of the Group. Therefore, officers who are only Directors of the subsidiaries and not of the Company have been classified as KMP only for that respective subsidiary.

41.1 Transactions with key management personnel

KMP are those persons having authority and responsibility for planning, directing and controlling the activities of the entity directly or indirectly.

Transactions, arrangement and agreements involving KMP and their close family members (CFM)

CFM of a KMP are those family members who may be expected to influence, or be influenced by, that KMP in their dealings with the entity. They may include KMP's domestic partner and children, children of the KMP's domestic partner and dependants of the KMP or the KMP's domestic partner, CFM are related parties to the Group/Company.

41.2 Transactions with related parties

Non-recurrent related party transactions

There were no non-recurrent related party transactions which in aggregate value exceeds 10% of the equity or 5% of the total assets whichever is lower of the Company as per 31 March 2018 audited financial statements, which required additional disclosures in the 2018/19 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.

As at 31 March	Group		Company	
	2019 Rs. '000	2018 Rs. '000	2019 Rs. '000	2018 Rs. '000
Compensation of key management personnel				
Short-term and post employment benefits	84,765	75,540	84,765	75,540
	84,765	75,540	84,765	75,540

Recurrent related party transactions

There were no recurrent related party transactions, except for below, which in aggregate value exceeds 10% of the consolidated revenue of the Group as per 31 March 2018 audited financial Statements, which required additional disclosures in the 2018/19 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.

New Nawaloka Hospitals (Pvt) Ltd, New Nawaloka Medical Centre (Pvt) Ltd and Green Cross Laboratories (Pvt) Ltd which are fully owned subsidiaries of the company are situated in the same premises and operated under the Nawaloka Hospitals brand name with the company and therefore revenue and the expenses could occur mutually. However the net transactions values of recurrent transactions and Non recurrent transactions does not exceed the 10% of the consolidated revenue or 10% of the Equity of the Company respectively.

Transactions with subsidiaries – Company

Name of the Company	New Nawaloka Hospitals (Pvt) Ltd		New Nawaloka Medical Centre (Pvt) Ltd		Nawaloka Green Cross Laboratories (Pvt) Ltd		Nawaloka Medicare (Pvt) Ltd	
Shareholding (%)	100		100		100		100	
	2019 Rs. '000	2018 Rs. '000	2019 Rs. '000	2018 Rs. '000	2019 Rs. '000	2018 Rs. '000	2019 Rs. '000	2018 Rs. '000
Opening balance due (to)/from subsidiaries	721,317	413,178	2,999,095	1,840,431	(5,899)	–	16,961	16,961
Provision of Services	584,546	7,821	(1,382,033)	326,781	503,064	498,245	–	(5,342)
Cost of Pharmaceutical & General stores items	708,910	821,673	602,827	514,609	–	3,409	–	22,456
Fund Transfer	(127,889)	(521,354)	(505,619)	317,274	(585,258)	(507,553)	(74,481)	(17,114)
Closing balance due (to)/from subsidiaries	1,886,884	721,317	1,714,270	2,999,095	(88,093)	(5,899)	(57,520)	16,961
Directors	Mr H K J Dharmadasa		Mr H K J Dharmadasa		Mr H K J Dharmadasa		Mr H K J Dharmadasa	
	Mr H K U H Dharmadasa		Mr H K U H Dharmadasa		Mr H K U H Dharmadasa		Mr H K U H Dharmadasa	
	Mr A G Dharmadasa				Mr A G Dharmadasa		Mr A G Dharmadasa	
					Mrs A G Chandrasena		Mrs A G Chandrasena	

Transactions with subsidiaries are carried out in the ordinary course of the business except the funding New Nawaloka Medical Centre (Pvt) Ltd to invest on multi-storied building with car park facilities. Outstanding current account balances at year end are unsecured, interest free and settlement occurs in cash.

Transactions with other related entities – Company

Name of the Company	Rendering of services/ sale of goods		Receiving of services/ purchase of goods		Fund transfer		Closing balance due (to)/ from	
	2019 Rs.	2018 Rs.	2019 Rs.	2018 Rs.	2019 Rs.	2018 Rs.	2019 Rs.	2018 Rs.
Nawaloka Aviation (Pvt) Ltd	1,659	665	–	–	(887)	–	1,586	815
Bernard Philkit (Pvt) Ltd	–	–	–	–	–	10	10	10
M Branch (Pvt) Ltd	82	1,008	–	–	10,860	3,990	15,939	4,998
Nawaloka Care (Pvt) Ltd	3,692	740	–	–	–	4,844	11,555	7,863
Nawaloka Construction Co.(Pvt) Ltd	–	(477,050)	–	–	1,247	464,842	1,247	–
Nawaloka Medical Centers (Pvt) Ltd	–	13,364	126,751	–	–	–	103,326	13,364
Nawaloka Hospitals Internationals (Pvt) Ltd	(120)	2,676	1,583	–	–	(1,762)	38,322	36,859
Nawaloka Guardian International (Pvt) Ltd	(33,607)	(30,033)	–	–	12,481	16,249	(47,147)	(26,021)
Nawaloka College of Higher Studies (Pvt) Ltd	–	–	–	(17,924)	–	1,000	54,770	54,770
East West Marketing (Pvt) Ltd	–	–	–	(175)	9,980	170	11,493	1,513
Nawaloka Institute of Health Care (Pvt) Ltd	416	–	–	–	–	–	416	–
Nawaloka Medical Centers (Pvt) Ltd	(4,914)	43,385	17,595	5,780	(170)	5,007	132,320	119,810
Nawaloka Polysacks Sharjah U.A.E.	–	–	–	–	–	–	22,429	22,429
Nawaloka Trading (Pvt) Ltd	93,768	–	–	–	(94,048)	33	(247)	33
Redline Design & Printing (Pvt) Ltd	8,973	–	–	–	8,973	–	–	–
Redline Services (Pvt) Ltd	16,970	–	–	–	16,970	–	–	–
Ceyoka (Pvt) Ltd	166,921	–	–	–	157,922	–	47,652	–
Nixon Distributors (Pvt) Ltd	124,266	–	–	–	108,419	–	32,283	–
Lucre (Pvt) Ltd	56,744	–	–	–	56,744	–	–	–
Tergo Care (Pvt) Ltd	19,488	–	–	–	19,488	–	–	–
Tergo Services (Pvt) Ltd	74,339	–	–	–	74,339	–	–	–
New Tergo Services (Pvt) Ltd	502	–	–	–	502	–	–	–
Quincy (Pvt) Ltd	39,016	–	–	–	31,639	–	17,752	–
Sikure Securities (Pvt) Ltd	46,989	–	–	–	46,989	–	–	–
Nawata Group (Pvt) Ltd	208	–	–	–	208	–	–	–
JDC Graphic System (Pvt) Ltd	156	–	–	–	156	–	–	–
Koala (Pvt) Ltd	83,168	–	–	–	82,899	–	1,198	–
Nawaloka Petroleum (Pvt) Ltd	746	–	–	–	746	–	728	–
Nawaloka Steel Industries (Pvt) Ltd	718	–	–	–	736	–	506	–
Nawaloka MEP Concepts (Pvt) Ltd	15,000	–	–	–	15,000	–	–	–
JDC Graphic Systems (Pvt) Ltd	231	–	–	–	231	–	–	–
JDC Printing Technologies (Pvt) Ltd	169	–	–	–	84	–	84	–
Nation Lanka Finance PLC	–	–	–	–	23,000	18,000	–	(23,000)

42. Operating leases

Accounting policy

At inception of an arrangement, the Group determines whether the arrangement is or contains a lease.

Assets held under other leases are classified as operating leases and are not recognised in the Group's statement of financial position.

Lease payments

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

Future minimum lease payments

The future minimum lease payments under non-cancellable leases were payable as follows:

As at 31 March	Group		Company	
	2019 Rs.	2018 Rs.	2019 Rs.	2018 Rs.
Less than one year	11,803,776	8,000,000	2,414,227	–
Between one to five years	57,012,178	40,000,000	10,064,433	–
More than five years	34,273,157	52,000,000	–	–
	103,089,111	100,000,000	12,478,660	–
Amount recognised in profit or loss				
Lease expenses	1,291,088	–	1,291,088	–
	1,291,088	–	1,291,088	–

43. Commitments

There were no contract for capital expenditure of material amounts approved or contracted for as at the reporting date for the Company/Group.

44. Provisions

Accounting policy

A provision is recognised if, as a result of a past event, the company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised in profit or loss.

Contingent liabilities are disclosed if there is a possible future obligation as a result of a past event, or if there is a present obligation as a result of a past event but either a payment is not probable or the amount cannot be reasonably estimated.

Use of judgements and estimates

Provisions and contingencies

The Company receives legal claims against it in the normal course of business. Management has made judgement 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 depend on the due process in the respective legal jurisdictions.

Company/Group

There are no material Contingent Liabilities as at the reporting date which require adjustment to or disclosure in the Financial Statements.

45. Events after the reporting period

Accounting policy

Events after the reporting period are those events, favourable and unfavourable, that occur between the reporting date and the date when the Financial Statements are authorised for issue.

As explained in Note 28, subsequent to the reporting date, on 9 May 2019 both parties have concluded to dispose assets held for sale for the agreed consideration. This has not been treated as an adjusting event in the financial statements.

All material events after the reporting date have been considered and where appropriate, adjustments or disclosures have been made in the respective notes to the Financial Statements.

Company/Group

No events have occurred after the reporting date, which would require adjustments to or disclosure in the Financial Statements.

46. Comparative information

Where necessary information has been restated to conform to current year's presentation and classification.

(a) As described in Note 7, the adoption of SLFRS 15 and SLFRS 9 did not have a significant effect on the Company's Financial Statements. Accordingly, comparative information have not been restated based on adoption of the said accounting standards.

47. Directors responsibility

The Board of Directors is responsible for the preparation and presentation of the financial statements in accordance with Sri Lanka Accounting Standards.

48. Going concern

Group incurred net loss of Rs. 565 Mn. during the year ended 31 March 2019. As of 31 March 2019, the Group's current liabilities exceeded its current assets by Rs. 2,794 Mn. The Group has total loans and borrowings of Rs. 7,563 Mn. out of which Rs. 1,457 Mn. is current liability and Rs. 6,106 Mn. is long term.

The Directors have made an assessment of the Group's ability to continue as a going concern and initiate following actions to ensure that it has the resources and ability to continue in business for the foreseeable future:

- Board-approved future cash inflow analysis from the Group's operating activities for the financial year next five years to satisfy that it has the resources to continue in business.
- Approval of Rs. 2 Bn. loan from a licensed commercial bank which is expected in the near future.
- The Group has established dedicated corporate units, to reach out to various corporations through awareness campaigns, free medical check-ups and the loyalty programme.
- The Group will increase its presence in the digital platform. Customer interactions will be the main focus. More attention will be given to social media platforms such as Facebook, Instagram etc.
- Several promotional activities have been designed and to be launched in the next financial year.
- More focus on laboratory operations.
- Strong measures for cost management.

Therefore, the Board believes that the Group can continue as a going concern in the foreseeable future and the Financial Statements continue to be prepared on the going concern basis.

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Ten Year Statistical Summary

	2018/19	2017/18	2016/17	2015/16
Group				
Income Statement Data				
Revenue	8,755,718,461	7,955,278,613	6,299,910,436	5,860,218,161
Cost of services	(4,365,301,954)	(3,551,349,412)	(2,997,276,079)	(2,906,572,342)
Gross profit	4,390,416,507	4,403,929,201	3,302,634,357	2,953,645,819
Other operating income	244,851,729	198,816,074	70,375,782	94,495,240
Profit from operations	802,357,905	1,174,203,124	654,060,357	637,208,825
Net profit after taxation	(565,095,576)	179,958,539	240,874,683	206,034,228
Balance Sheet Data				
Shareholders Fund	3,608,656,991	4,258,504,794	4,434,605,437	3,994,897,962
Financial Ratios				
Gross profit ratio (%)	50	55	52	50
Net profit ratio (%)	(6)	2	4	4
Increase in revenue (%)	10	26	8	27
Return on capital employed (%)	(15.66)	4.23	5.43	5.16
Current asset ratio (%)	0.45	0.53	0.83	0.89
Quick asset ratio (%)	0.35	0.44	0.73	0.70
Return on assets (Rs.)	(3.46)	1.04	1.97	1.84
Debt/equity ratio (%)	2.13	1.61	1.37	1.27
Earnings/(loss) per share (After share split)	(0.40)	0.13	0.17	0.15
Net assets per share (Rs.) (After share split)	2.56	3.02	3.15	2.83
Dividend per share (Rs.)	0.05	0.10	0.08	0.07
Company				
Income Statement Data				
Revenue	3,569,500,917	3,568,770,483	2,568,162,863	2,833,195,719
Cost of services	(1,903,819,306)	(1,532,151,922)	(1,359,482,350)	(1,490,055,615)
Gross profit	1,665,681,611	2,036,618,561	1,208,680,513	1,343,140,104
Other operating income	250,304,480	534,238,430	169,209,123	86,694,974
Profit from operations	422,948,718	993,606,986	(12,864,992)	201,126,820
Net profit after taxation	(251,631,403)	453,607,982	(436,680,843)	(127,565,499)
Balance Sheet Data				
Shareholders' funds	934,921,036	1,274,086,896	974,254,815	1,466,336,065
Financial Ratios				
Gross profit ratio (%)	47	57	47	47
Net profit ratio (%)	(7)	13	(17)	(5)
Increase in revenue (%)	0.02	39	(9)	13
Return on capital employed (%)	(27)	36	(45)	(9)
Current asset ratio (%)	1.23	1.11	1.30	1.83
Quick asset ratio (%)	1.17	1.06	1.24	1.75
Return on assets (Rs.)	(2.73)	4.30	(5.00)	(1.60)
Debt/equity ratio	4.45	2.93	4.80	3.21
Earnings/(loss) per share (After share split)	(0.18)	0.32	(0.31)	(0.09)
Net assets per share (Rs.) (After share split)	0.66	0.90	0.69	1.04
Dividend per share (Rs.)	0.05	0.10	0.08	0.07

2014/15	2013/14 (Restated)	2012/13	2011/12	2010/11	2009/10
4,602,433,640	3,993,473,302	4,222,907,733	3,710,878,442	3,233,035,096	2,884,449,093
(2,331,583,775)	(1,910,510,751)	(2,013,392,367)	(1,823,670,511)	(1,645,969,580)	(1,442,227,937)
2,270,849,865	2,082,962,551	2,209,515,366	1,887,207,931	1,587,065,516	1,442,221,156
65,199,571	64,194,796	44,047,999	30,210,657	38,603,398	19,811,729
352,342,610	475,165,536	599,414,193	459,028,530	324,001,074	415,343,605
87,470,836	208,953,909	452,260,028	270,686,563	1,070,722,130	97,411,122
3,887,681,839	3,902,955,947	3,756,665,160	3,170,442,180	2,970,230,897	1,903,329,941
49	52	52	51	49	50
2	5	11	7	33	3
15	(5)	14	15	12	13
2.25	5	12	9	36	5
1.03	1.11	0.71	0.58	0.43	0.74
0.80	0.85	0.48	0.42	0.29	0.63
1.01	3.00	8.00	5.00	24.00	2.00
0.84	0.58	0.25	0.28	0.23	0.63
0.06	0.15	0.32	0.19	0.76	0.14
2.76	2.77	2.67	2.25	2.11	2.70
0.06	0.05	0.05	0.05	–	–
2,497,830,914	2,112,827,471	2,082,532,459	1,806,857,492	1,608,036,836	1,459,181,099
(1,229,903,547)	(957,537,962)	(988,218,793)	(876,040,195)	(767,116,507)	(747,982,289)
1,267,927,367	1,155,289,509	1,094,313,666	930,817,297	840,920,329	711,198,810
152,643,920	132,467,166	116,017,261	124,673,860	72,280,970	19,388,776
375,219,106	291,176,935	313,518,573	226,817,202	147,845,400	115,917,282
89,938,006	107,751,965	254,942,375	152,363,098	98,822,914	19,315,469
1,693,759,266	1,704,925,831	1,660,056,411	1,496,177,022	1,414,289,204	1,350,703,926
51	55	53	52	52	49
4	5	12	8	6	1
18	1	15	12	10	(13)
5.31	6	15	10	7	1
1.62	1.12	0.53	0.57	0.61	0.92
1.53	1.01	0.48	0.53	0.57	0.89
1.51	2.00	7.00	5.00	5.00	1.00
1.78	1.20	0.16	0.2	0.2	0.27
0.06	0.08	0.18	0.11	0.07	0.03
1.20	1.21	1.18	1.06	1	1.92
0.06	0.05	0.05	0.05	–	–

Quarterly Statistics

As at	2018/19				2017/18			
	31 March 2019 (Rs. '000)	31 December 2018 (Rs. '000)	30 September 2018 (Rs. '000)	30 June 2018 (Rs. '000)	31 March 2018 (Rs. '000)	31 December 2017 (Rs. '000)	30 September 2017 (Rs. '000)	30 June 2017 (Rs. '000)
Balance sheet data								
Total non-current assets	13,920,651	14,085,358	14,051,121	14,088,543	13,860,941	13,768,373	12,907,932	12,034,663
Shareholders' funds	3,907,912	4,184,997	4,184,406	4,254,682	4,258,505	4,509,570	4,489,832	4,518,383
For the three months ended								
Income statement data								
Revenue	2,222,960	2,179,681	2,215,694	2,109,460	2,149,573	1,976,064	2,008,261	1,821,381
Gross profit	945,876	1,176,324	1,181,475	1,089,052	1,484,871	932,683	1,042,158	944,217
Net profit before tax	(317,273)	13,698	28,364	21,927	191,780	56,735	183,404	125,277
Market price per share (Rs.)	4.20	4.70	4.50	4.30	4.60	4.60	4.60	4.70
Ordinary share information								
Nominal value per share Rs. 1.00								
High	4.70	4.70	4.70	4.80	4.80	5.20	4.90	4.80
Low	4.10	4.30	4.10	4.30	4.50	4.60	4.50	4.50
Closing	4.20	4.70	4.50	4.30	4.60	4.60	4.60	4.70
Financial measures								
Return on shareholders' funds (%)	(7.63)	(0.05)	0.57	(0.09)	(0.84)	0.44	2.50	1.85
Net assets per share (Rs.)	2.77	2.97	2.97	3.02	3.02	3.20	3.19	3.21

Independent Assurance Report



KPMG
(Chartered Accountants)
32A, Sir Mohamed Macan Markar Mawatha,
P. O. Box 186,
Colombo 00300, Sri Lanka.

Tel : +94 - 11 542 6426
Fax : +94 - 11 244 5872
 : +94 - 11 244 6058
Internet : www.kpmg.com/lk

Independent Assurance Report to Nawaloka Hospitals PLC

We have been engaged by the Directors of Nawaloka Hospitals PLC ("the Company") to provide reasonable assurance and limited assurance in respect of the Sustainability Indicators as identified below for the year ended 31 March 2019. The Sustainability Indicators are included in the Nawaloka Hospitals PLC's Integrated Annual Report for the year ended 31 March 2019 (the "Report").

The Reasonable Assurance Sustainability Indicators covered by our reasonable assurance engagement are:

Assured Sustainability Indicators	Integrated annual report page
Financial highlights presented under "Highlights"	12-13

The Limited Assurance Sustainability Indicators covered by our limited assurance engagement are:

Limited Assurance Sustainability Indicators	Integrated annual report page
Non-financial highlights presented under "Highlights"	12-13
Information provided on following stakeholder groups	
– Investors – Financial Capital and Investor Capital	42-44 and 47-50
– Customers – Customer Capital	52-60
– Employees – Intellectual Capital and Human Capital	45-46 and 67-73
– Business partners, regulators, society and environment – Business Partner Capital and Social and Environmental Capital	65-66 and 76-85

Our conclusions:

Our conclusion has been formed on the basis of, and is subject to, the matters outlined in this Report.

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

Reasonable Assurance Sustainability Indicators

In our opinion, the Reasonable Assurance Sustainability Indicators, as defined above, for the year ended 31 March 2019 are, in all material respects, prepared and presented in accordance with the GRI Standards.

Limited Assurance Sustainability Indicators

Based on the limited assurance procedures performed and the evidence obtained, as described below, nothing has come to our attention that causes us to believe that the Limited Assurance Sustainability Indicators, as defined above, for the year ended 31 March 2019, have not in all material respects, been prepared and presented in accordance with the GRI Standards.

Management's responsibility

Management is responsible for the preparation and presentation of the Reasonable Assurance Sustainability Indicators and the Limited Assurance Sustainability Indicators in accordance with the GRI Standards.

These responsibilities includes establishing such internal controls as Management determines are necessary to enable the preparation of the Reasonable Assurance Sustainability Indicators and the Limited Assurance Sustainability Indicators that are free from material misstatement whether due to fraud or error.

Management is responsible for preventing and detecting fraud and for identifying and ensuring that the Company complies with laws and regulations applicable to its activities.

Management is also responsible for ensuring that staff involved with the preparation and presentation of the description and Report are properly trained, information systems are properly updated and that any changes in reporting encompass all significant business units.

Our responsibility

Our responsibility is to express a reasonable assurance conclusion on the Company's preparation and presentation of the Reasonable Assurance Sustainability Indicators and a limited assurance Conclusion on the preparation and presentation of the Limited Assurance Sustainability Indicators included in the Report, as defined above.

We conducted our assurance engagement in accordance with Sri Lanka Standard on Assurance Engagements SLSAE 3000: Assurance Engagements other than Audits or Reviews of Historical Financial Information (SLSAE 3000) issued by The Institute of Chartered Accountants of Sri Lanka.



We have complied with the independence and other ethical requirements of the Code of Ethics issued by The Institute of Chartered Accountants of Sri Lanka.

SLSAE 3000 requires that we plan and perform the engagement to obtain reasonable assurance about whether the Reasonable Assurance Sustainability Indicators are free from material misstatement and limited assurance about whether the Limited Assurance Sustainability Indicators are free from material misstatement.

Reasonable assurance over Reasonable Assurance Sustainability Indicators

The procedures selected in our reasonable assurance engagement depend on our judgement, including the assessment of the risks of material misstatement of the Reasonable Assurance Sustainability Indicators whether due to fraud or error.

In making those risk assessments, we have considered internal control relevant to the preparation and presentation of the Reasonable Assurance Sustainability Indicators in order to design assurance procedures that are appropriate in the circumstances, but not for the purposes of expressing a conclusion as to the effectiveness of the Company's internal control over the preparation and presentation of the Report.

Our engagement also included assessing the appropriateness of the Reasonable Assurance Sustainability Indicators, the suitability of the criteria, being the GRI Standards, used by the Company in preparing and presenting the Reasonable Assurance Sustainability Indicators within the Report, obtaining an understanding of the compilation of the financial and non-financial information to the sources from which it was obtained, evaluating the reasonableness of estimates made by the Company, and recomputation of the calculations of the Reasonable Assurance Sustainability Indicators.

Limited assurance on the Assured Sustainability Indicators

Our limited assurance engagement on the Limited Assurance Sustainability Indicators consisted of making enquiries, primarily of persons responsible for the preparation of the Limited Assurance Sustainability Indicators, and applying analytical and other procedures, as appropriate. These procedures included:

- interviews with Senior Management and relevant staff at corporate and selected site level concerning sustainability strategy and policies for material issues, and the implementation of these across the business;
- enquiries of Management to gain an understanding of the Company's processes for determining material issues for the Company's key stakeholder groups;
- enquiries of relevant staff at corporate and selected site level responsible for the preparation of the Limited Assurance Sustainability Indicators;

- enquiries about the design and implementation of the systems and methods used to collect and report the Limited Assurance Sustainability Indicators, including the aggregation of the reported information;
- comparing the Limited Assurance Sustainability Indicators to relevant underlying sources on a sample basis to determine whether all the relevant information has been appropriately included in the Report;
- reading the Limited Assurance Sustainability Indicators presented in the Report to determine whether they are in line with our overall knowledge of, and experience with, the sustainability performance of the Company;
- reading the remainder of the Report to determine whether there are any material misstatements of fact or material inconsistencies based on our understanding obtained as part of our assurance engagement.

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement, and consequently the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed. Accordingly, we do not express a reasonable assurance conclusion on the Limited Assurance Sustainability Indicators.

Purpose of our report

In accordance with the terms of our engagement, this assurance report has been prepared for the Company for the purpose of assisting the Directors in determining whether the Company's Reasonable and Limited Assurance Sustainability Indicators are prepared and presented in accordance with the GRI Standards and for no other purpose or in any other context.

Restriction of use of our report

Our report should not be regarded as suitable to be used or relied on by any party wishing to acquire rights against us other than the Company, for any purpose or in any other context. Any party other than the Company who obtains access to our report or a copy thereof and chooses to rely on our report (or any part thereof) will do so at its own risk. To the fullest extent permitted by law, we accept or assume no responsibility and deny any liability to any party other than the Company for our work, for this Independent Assurance Report, or for the conclusions we have reached.

CHARTERED ACCOUNTANTS

Colombo
20 August 2019

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GRI Standard/Disclosure	Page No.	Report commentary title
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102-7 Scale of the organisation	6	About Nawaloka
102-8 Information on employees and other workers	67-68	Human capital
102-9 Supply chain	65	Business partner capital
102-10 Significant changes to the organisation and its supply chain	6	About Nawaloka
102-11 Precautionary Principle or approach	4	About this report
102-12 External initiatives	66	Business partner capital
102-13 Membership of associations	66	Business partner capital
Strategy		
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102-16 Values, principles, standards, and norms of behavior	46	Institutional capital
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102-23 Chair of the highest governance body	88-90	Stewardship
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102-26 Role of highest governance body in setting purpose, values, and strategy	97	Governance Structure of Nawaloka Hospitals PLC
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Corporate Information

Name of the Company

Nawaloka Hospitals PLC

Company Registration No.

PQ 78

Registered Office

No. 23, Deshamanya H K Dharmadasa Mawatha,
Colombo 00200,
Sri Lanka.

Telephone: +94 11 557 7111, +94 11 230 4444-56

Telefax: +94 11 243 0393

E-mail: finance@nawaloka.com

Website: www.nawaloka.com

Legal Form

Quoted Public Company with limited liability incorporated in Sri Lanka under the Companies Ordinance 1938 and re-registered under the Companies Act No. 07 of 2007.

Board of Directors

1. Dr Jayantha Dharmadasa (Chairman & CEO)
2. Mr R T Wijetilleke (Vice-Chairman)
3. Vidya Jyothi Prof L G Chandrasena
(Director/General Manager)
4. Deshabandu Tilak de Zoysa
5. Mr Tissa K Bandaranayake
6. Mr U H Dharmadasa
7. Mr A G Dharmadasa
8. Ms A G Dharmadasa
9. Mr D Sunil AbeyRatna;
10. Mr Palitha Kumarasinghe, PC
11. Mr V Rajamanner Ramanan

Secretaries to the Company

M & A Company Secretaries (Private) Limited,
No. 28 (Level 2),
W A D Ramanayake Mawatha,
Colombo 00200,
Sri Lanka.

Auditors

KPMG

Chartered Accountants,

No. 32A, Sir Mohamed Macan Markar Mawatha,
Colombo 00300,
Sri Lanka.

Lawyer(s)

Nithi Murugesu & Associates

Attorneys-at-Law & Notaries Public,

No. 28 (Level 2), W A D Ramanayake Mawatha,
Colombo 00200,
Sri Lanka.

Bankers

Hatton National Bank PLC

Sampath Bank PLC

Commercial Bank of Ceylon PLC

Bank of Ceylon

DFCC Bank

Peoples' Bank

Cargills Bank

Subsidiaries

New Nawaloka Hospitals (Private) Limited

New Nawaloka Medical Centre (Private) Limited

Nawaloka Medicare (Private) Limited

Nawaloka Green Cross Laboratories (Private) Limited

Notice of Meeting

Notice is hereby given that the 30th Annual General Meeting of NAWALOKA HOSPITALS PLC will be held at the Orchid Hall of the “BMICH” (Bandaranaike Memorial International Conference Hall) at Bauddhaloka Mawatha, Colombo on Monday the 30th day of September 2019 at 10.00am for the following purposes:

Agenda

1. To receive and consider the Report of the Board of Directors on the Affairs of the Company and the Financial Statements for the year ended 31 March 2019 together with the Report of Auditors thereon;
2. To resolve in terms of Section 211 of the Companies Act No. 07 of 2007 to appoint/re-appoint Dr Hewa Komanage Jayantha Dharmadasa (who has passed the age of 70 years) and who retires at the end of the Annual General Meeting, as a Director, and that notwithstanding him having exceeded the age of 70 years to declare that the age limit referred to in Section 210 of the said Act, shall not apply to him.
3. To resolve in terms of Section 211 of the Companies Act No. 07 of 2007 to appoint/re-appoint Mr Rienzie T Wijetilleke (who has passed the age of 70 years) and who retires at the end of the Annual General Meeting, as a Director, and that notwithstanding him having exceeded the age of 70 years to declare that the age limit referred to in Section 210 of the said Act, shall not apply to him and subject to his rotation;
4. To resolve in terms of Section 211 of the Companies Act No. 07 of 2007 to appoint/re-appoint Deshabandu Tilak De Zoysa (who has passed the age of 70 years) and who retires at the end of the Annual General Meeting, as a Director, and that notwithstanding him having exceeded the age of 70 years to declare that the age limit referred to in Section 210 of the said Act, shall not apply to him and subject to his rotation;
5. To resolve in terms of Section 211 of the Companies Act No. 07 of 2007 to appoint/re-appoint Mr Tissa K Bandaranayake (who passed the age of 70 years) and who retires at the end of the Annual General Meeting, as a Director, and that notwithstanding him having exceeded the age of 70 years to declare that the age limit referred to in Section 210 of the said Act, shall not apply to him and subject to his rotation;
6. To resolve in terms of Section 211 of the Companies Act No. 07 of 2007 to appoint/re-appoint Mr D Sunil AbeyRatna (who has passed the age of 70 years) and who retires at the end of the Annual General Meeting, as a Director, and that notwithstanding him having exceeded the age of 70 years to declare that the age limit referred to in Section 210 of the said Act, shall not apply to him and subject to his rotation;
7. To re-elect Directors as follows:
 - (a) Re-elect, as a Director, in terms of Article 74, Mr Rienzie T Wijetilleke who retires by rotation and offers himself for re-election; and
 - (b) Re-elect, as a Director, in terms of Article 74, Mr D Sunil AbeyRatna who retires by rotation and offers himself for re-election;

8. To authorise the Board of Directors to determine and make donations to charities;
9. To re-appoint Messrs KPMG (Chartered Accountants) as Auditors of the Company and authorise the Board of Directors to determine their remuneration; and
10. To transact any other business of which due notice has been given.

By Order of the Board,

Sgd.
M & A Company Secretaries (Private) Limited
Company Secretaries
20 August 2019

NOTES

- (1) A Member is entitled to appoint a Proxy to attend and vote instead of himself/herself. A proxy need not be a Member of the Company. A Form of Proxy accompanies this Notice.
- (2) The completed Form of Proxy must be deposited at the Registered Office, No. 23, Deshamanya H K Dharmadasa Mawatha, Colombo 02, Sri Lanka, not later than 10.00am on 28 September 2019 (Forty eight hours prior to the meeting).
- (3) A person representing a Corporation is required to carry a certified copy of the Resolution authorising him/her to act as the Representative of the Corporation. A Representative need not be a Member.
- (4) A person representing a Shareholder as the Attorney (Power of Attorney) is required to carry the original or a certified copy of the said Power of Attorney.
- (5) The Transfer Books of the Company will be kept open.

Form of Proxy

I/We (NIC/Passport No.)

of being a member/members of

NAWALOKA HOSPITALS PLC hereby appoint:

Mr H K J Dharmadasa	or failing him
Mr Rienzie T Wijetilleke	or failing him
Vidya Jyothi Prof Lal Chandrasena	or failing him
Deshabandu Tilak De Zoysa	or failing him
Mr Tissa K Bandaranayake	or failing him
Mr U H Dharmadasa	or failing him
Mr A G Dharmadasa	or failing him
Ms A G Dharmadasa	or failing her
Mr D Sunil AbeyRatna	or failing him
Mr Palitha Kumarasinghe,PC	or failing him
Mr Victor Rajamanner Ramanan	or failing him

as *my/our Proxy to ** (NIC/ Passport No.) vote as indicated hereunder for me*/us

on my*/Our behalf at the Annual General Meeting of the Company to be held on the 30th day of September 2019 at 10.00 am at the Orchid Hall of the "BMICH"

(Bandaranaike Memorial International Conference Hall) at Bauddhaloka Mawatha, Colombo and at any adjournment thereof and at every poll which may be

taken in consequence thereof:

	For	Against
(i) To receive and consider the Report of the Board of Directors on the Affairs of the Company and the Financial Statement for the year ended 31 March 2019, together with the Report of Auditors thereon;	<input type="checkbox"/>	<input type="checkbox"/>
(ii) To resolve in terms of Section 211 of the Companies Act No. 07 of 2007 to appoint/re-appoint Dr Hewa Komanage Jayantha Dharmadasa (who has attained the age of 70 years) and who retires at the end of the Annual General Meeting, as a Director, and that notwithstanding him having exceeded the age of 70 years to declare that the age limit referred to in section 210 of the said Act, shall not apply to him;	<input type="checkbox"/>	<input type="checkbox"/>
(iii) To resolve in terms of Section 211 of the Companies Act No. 07 of 2007 to appoint/re-appoint Mr Rienzie T Wijetilleke (who has attained the age of 70 years) and who retires at the end of the Annual General Meeting, as a Director, and that notwithstanding him having exceeded the age of 70 years to declare that the age limit referred to in Section 210 of the said Act, shall not apply to him and subject to his rotation;	<input type="checkbox"/>	<input type="checkbox"/>
(iv) To resolve in terms of Section 211 of the Companies Act No. 07 of 2007 to appoint/re-appoint Deshabandu Tilak De Zoysa (who has attained the age of 70 years) and who retires at the end of the Annual General Meeting, as a Director, and that notwithstanding him having exceeded the age of 70 years to declare that the age limit referred to in section 210 of the said Act, shall not apply to him and subject to his rotation;	<input type="checkbox"/>	<input type="checkbox"/>
(v) To resolve in terms of Section 211 of the Companies Act No. 07 of 2007 to appoint/re-appoint Mr Tissa K Bandaranayake (who has attained the age of 70 years) and who retires at the end of the Annual General Meeting, as a Director, and that notwithstanding him having exceeded the age of 70 years to declare that the age limit referred to in section 210 of the said Act, shall not apply to him and subject to his rotation;	<input type="checkbox"/>	<input type="checkbox"/>
(vi) To resolve in terms of Section 211 of the Companies Act No. 07 of 2007 to appoint/re-appoint Mr D Sunil AbeyRatna (who has attained the age of 70 years) and who retires at the end of the Annual General Meeting, as a Director, and that notwithstanding him having exceeded the age of 70 years to declare that the age limit referred to in section 210 of the said Act, shall not apply to him and subject to his rotation;	<input type="checkbox"/>	<input type="checkbox"/>
(vii) To re-elect Directors as follows:		
(a) Re-elect, as a Director, in terms of Article 74, Mr Rienzie T Wijetilleke who retires by rotation and offers himself for re-election;	<input type="checkbox"/>	<input type="checkbox"/>
(b) Re-elect, as a Director, in terms of Article 74, Mr D Sunil AbeyRatna who retires by rotation and offers himself for re-election;	<input type="checkbox"/>	<input type="checkbox"/>
(viii) To authorise the Board of Directors to determine and make donations to charities;	<input type="checkbox"/>	<input type="checkbox"/>
(ix) To re-appoint Messrs KPMG (Chartered Accountants) as Auditors of the Company and authorise the Board of Directors to determine their remuneration; and	<input type="checkbox"/>	<input type="checkbox"/>
(x) To transact any other business of which due Notice has been given.	<input type="checkbox"/>	<input type="checkbox"/>

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

.....
Signature of Shareholder/s

Note:

a *Please delete the inappropriate words.

b **If you wish your Proxy to speak at the meeting you should interpolate the words "Speak and" in the place indicated with and initial such interpolation.

Instructions as to completion

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

The instrument appointing a Proxy shall be in writing and –

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

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

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



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