



THE HEALTHCARE SPECIALIST

Nawaloka Hospitals PLC
Annual Report 2019/20

THE HEALTHCARE SPECIALIST

Over the years, Nawaloka Hospitals PLC has accumulated vast stores of knowledge pertaining to cutting-edge, advanced patient care spanning all aspects of health and wellness. As the people's hospital, Sri Lankans from all walks of life seek us out day after day; for our capacity and skill that extends across every aspect of our operations to deliver precision and care to world-class standards.

In light of our continued commitment towards quality care and service, we are proud to announce that your hospital achieved the internationally acclaimed JCI accreditation during the year under review – a testament to the dedication, care and expertise that only a specialist can provide.

Nawaloka Hospitals. The Healthcare Specialist.



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mobile application

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ABOUT THE REPORT

WE ARE PLEASED TO PRESENT OUR EIGHTH INTEGRATED ANNUAL REPORT WHICH SETS OUT THE PERFORMANCE OF NAWALOKA HOSPITALS PLC AND ITS SUBSIDIARIES (HEREIN AFTER REFERRED TO AS THE “GROUP”) FOR THE FINANCIAL YEAR ENDED 31 MARCH 2020. THE REPORT PROVIDES A BALANCED REVIEW OF OUR FINANCIAL, SOCIAL AND ENVIRONMENTAL PERFORMANCE. AND PROVIDES CONCISE AND MATERIAL INFORMATION ON THE GROUP’S OPERATING CONTEXT, STRATEGY, GOVERNANCE, RISK MANAGEMENT FRAMEWORK AND PROSPECTS.



SCOPE AND BOUNDARY

The Report covers the activities of the Group - 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. for the period 1st April 2019 to 31st March 2020. An annual reporting cycle has been adopted and the most recent report for the financial year ended 31st March 2019 is available on our website www.nawaloka.com.

The report focuses on aspects deemed material to the Group’s operations and to our key stakeholders. All financial and non-financial information presented herein represents consolidated figures of the Company and its subsidiaries, unless otherwise stated.

There are no significant changes in the scope and aspect boundaries. Restatements of deferred taxation provided in previous reports, is explained in Note 33 – to the Financial Statements.

REPORTING STRUCTURE

We have structured the report to provide an overview of how we nurtured our capitals to deliver value to our stakeholders. We aim to continually improve the quality of our reporting and this year’s report includes the following features to enhance clarity and readability.

- Increased strategic orientation in reporting
- Careful consideration of relevant and material information

QUALITY ASSURANCE

The Group has obtained an independent opinion on the Financial Statements from its External Auditors Messrs KPMG (Chartered Accountants) which is set out on page 123 and 127 of this report.

REPORTING STANDARDS

The following frameworks were used to prepare the report moving beyond regulatory compliance to incorporate international best practices into our reporting processes.

Financial Reporting

- Sri Lanka Financial Reporting Standards
- Companies Act No. 7 of 2007
- Sri Lanka Accounting & Auditing Standards Act No.15 of 1995

Narrative Reporting

- Integrated Reporting Framework of the International Integrated Reporting Council (IIRC)

Corporate Governance

- Continued Listing Requirements of the Colombo Stock Exchange
- Code of Best Practice on Corporate Governance issued jointly by CA Sri Lanka and SEC 2013

STATEMENT OF THE BOARD

The Board acknowledges its responsibility to ensure the integrity of the annual Integrated Report and is of the opinion that the report addresses all material issues that it believes that has a bearing on the Group’s capacity to create value over the short, medium and long-term. The report was unanimously approved by the Board and is signed on its behalf by Board.

WHO WE ARE

NAWALOKA HOSPITALS GROUP IS A LEADING PLAYER IN THE PRIVATE HEALTHCARE SECTOR PROVIDING PRIMARY, SECONDARY AND TERTIARY HEALTHCARE SERVICES.

We offer state of the art technology and expert medical care benchmarked to international standards. Established over 35 years ago as the country's first private premier multi-specialist hospital, Nawaloka Hospital continues to introduce pioneering technology to the healthcare industry. The hospital is reputed as a specialist centre of excellence and a preferred private healthcare institution in the country.

OUR GROUP

The Nawaloka Hospital was established in 1985 by our founder Chairman Deshamanya H K Dharmadasa. It has since expanded to a Group consisting of Nawaloka Hospitals PLC and four 100% owned subsidiaries. Nawaloka Hospitals PLC was listed on the Colombo Stock Exchange in 2004.

NAWALOKA HOSPITALS PLC			
New Nawaloka Hospitals (Pvt) Ltd.	New Nawaloka Medical Centre (Pvt) Ltd.	Nawaloka Medicare (Private) Ltd.	Nawaloka Green Cross Laboratories (Private) Ltd.
100%	100%	100%	100%

Our Vision

“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

“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.



FEEDBACK

We welcome feedback on our Annual Report as it enables us to continuously improve our integrated reporting. Please do address your comments and suggestions to;

Nalaka Niroshana
Head of Finance and
Corporate Planning
NAWALOKA HOSPITALS PLC
No. 23, Deshamanya
H K Dharmadasa Mawatha,
Colombo 02,
Sri Lanka.

e-mail : cpm@nawaloka.com

Tel : +94 11 557 7111

Our Purpose

We are working in a rapidly changing healthcare environment. With the input of a multidisciplinary team of faculty and staff, Nawaloka Hospitals PLC has in place instead of developed to lead change and guide our business strategy and decisions. Our focus is on five strategic areas in which we will 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

WHO WE ARE



JCI
ACCREDITATION

600+
CONSULTANTS

14,603
SURGERIES

26,408
PATIENT
ADMISSIONS

483,560
CHANNEL
APPOINTMENTS

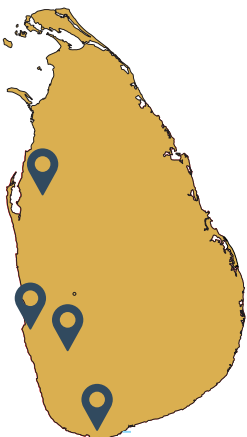
2,305
EMPLOYEES

525
QUALIFIED
AND TRAINED
NURSES

2,500+
TESTS
DIAGNOSTIC
CAPABILITIES

400+
BEDS
HIGHEST NO OF BEDS IN A
SINGLE PRIVATE FACILITY

ISLAND -WIDE LABORATORY NETWORK AND COLLECTION



2 HOSPITALS

12 OWNED COLLECTION CENTRES

10 CORPORATE MEDICAL CENTRES

800+ COLLECTION CENTRES

2 REGIONAL LABS

5 IN-HOUSE PHARMACIES

5 MINI LABS

Western province

- 1 Regional Lab
- 2 Mini Labs
- 9 COCOs
- 500 Collection Centres

Southern province

- 1 Regional Lab
- 2 Mini Labs
- 3 COCOs
- 250 Collection Centres

North western

- 1 Mini Lab
- 40 Collection Centres

Sabaragamuwa

- 10 Collection Centres

CUTTING-EDGE TECHNOLOGY AT OUR FACILITIES



The world's fastest and most accurate 640 Slice CT scanner - Toshiba Aquilion ONE. Nawaloka Hospitals PLC was the first to introduce the technology to Sri Lanka.



Latest technology in bone density scanning - DEXA (Dual Energy X-ray Absorptiometry).



Fibro Scan - Non-invasive, pain-free liver assessment technology. Nawaloka Hospitals PLC was the pioneer in introducing this technology in Sri Lanka.



World class Haemodialysis Unit.



3 TESLA and 1.5 TESLA MRI scanners - Only hospital in Sri Lanka to have two MRI machines in operation. First hospital in Sri Lanka to commission this technology.



World's best 3D HOLOGIC Digital Mammogram Available at the Nawaloka Breast Care Centre.

STRONG DIAGNOSTIC AND PATHOLOGICAL SERVICES

The Nawaloka Hospital central laboratory is a world class facility equipped with state of the art lab machines including Sri Lanka's first fully automated modular system-COBAS 6000. The facility is capable of conducting over 2,500+ range of tests, at high speed, efficiency and accuracy. The complex is the single largest medical diagnostic centre in Sri Lanka, covering an area of 20,000 sq feet.

LEADER IN CHANNELLING SERVICES

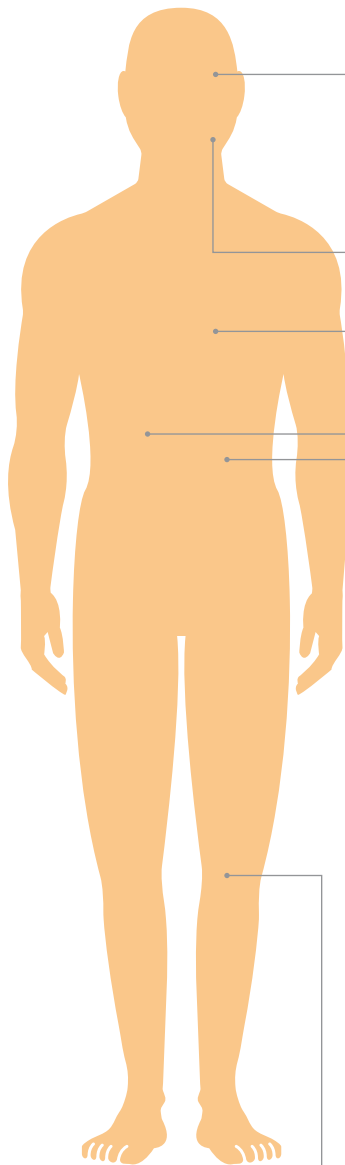
Our channelling facility provides access to over 600 expert consultants of numerous medical specialities.

FULLY-FLEDGED NURSES TRAINING SCHOOL

Established in 1985, the school has built a strong reputation for equipping students with the academic, clinical, practical and personal skills required for a professional career in health care. All nurses are absorbed into the Nawaloka Hospital Group on completion of the programme.

WHO WE ARE

OUR CENTRES OF EXCELLENCE



EYE CENTRE

Our ophthalmology clinic offers the most advanced eye surgery including laser vision correction procedures available globally.



DENTAL UNIT

The unit provides a wide range of dental care services from basic dental checkups, teeth cleaning, advanced implants, crown placements to aesthetic dentistry.



HEART CENTRE

The Heart Centre offers some of the comprehensive cardiac care from state-of-the-art Heart Screening Packages to Bypass Surgeries. Our cardiac catheterization lab uses technology from the Phillips Allura System, allowing our Cardiologists to perform cardiac catheterizations and a broad range of special radiology procedures. Have conducted 14,000+ heart surgeries to date.



LIVER CENTRE

Offers a range of services from liver function tests to liver transplants. Pioneered the introduction of 'FibroScan' in Sri Lanka which is also called elastography, a technique used to assess liver stiffness without invasive investigation. The first Live Donor Liver Transplant surgery in Sri Lanka was performed here in 2012.



KIDNEY CARE CENTRE

We specialize in diagnosing and treating kidney disorders including dialysis treatment and kidney transplants. Our state of the art Haemodialysis Unit supports patients with acute and chronic renal failure who need dialysis. 800+ kidney transplants were performed here to date.

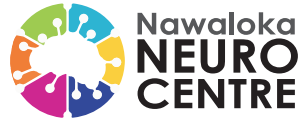


BONE MARROW TRANSPLANT CENTRE

Our purpose-built state of the art bone marrow division has 3 self-contained patient units with a modern cell harvesting and processing laboratory. The Center uses DEXA (Dual Energy X-ray Absorptiometry) machines, the latest technology in bone density scanning.



Opened during the year, this is a dedicated centre for senior citizens and specializes in holistic elderly care, active aging care, long term and respite care and palliative care.



Equipped with the latest Neuro-imaging, Neuro-Radiology services and Neuro Intensive care facilities, this centre provides comprehensive and compassionate care for a number of neurological diseases.



"Serene"
Health Screening Centre



The Centre offers services from screening to diagnosis throughout the entire treatment process. The World's best 3D HOLOGIC Digital Mammogram is available at the Nawaloka Breast Care Center ensuring a faster and more accurate diagnosis.



We offer all diabetes-related diagnostics and consultancy by experts such as endocrinologists, nutritionists and physiotherapists under one roof.



Equipped with a Haemato-Oncology Division that comprises a state of the art Chemotherapy Unit, dedicated clinical Haematologists and Oncologists, the centre provides high quality diagnostics and treatment in line with international standards at an affordable price.



Nawaloka Mother and Baby unit ensures the care of its women and infant patients by offering non invasive diagnostic and therapeutic techniques/procedures that are safe and efficient.



Nawaloka
Immunization
Unit

OUR JOURNEY

1985

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

1994

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

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.

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 Hemorrhoidal Artery Ligation and Rectal Anal Repair.

1987

- Introduced the first CT Scanner in Sri Lanka.

1995

- Introduced the first MRI Scanner in Sri Lanka.

2006

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

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.

2012

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

1992

- Established the first Mammography Unit in Sri Lanka.

1998

- Only Hospital to win the Sri Lankan National Quality Award.

2007

- Introduced the first Flat Panel – Angiography System with state-of-the-art technology.

2010

- First Hospital to introduce “LED Lamps” in Operating Theatres.
- Introduced 16 slice CT Scanner with all accessories.
- Introduced New 4D Scanner for Radiology and Gynaecology.
- Introduced Ultrasonic Defector.

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).

1993

- Performed the first Minimally Invasive Laparoscopic Surgery in Sri Lanka.

2000

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

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.

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 Catheterization the latest technology.

2020

- Awarded the JCI accreditation.
- Nawaloka Geriatric Centre was opened successfully.
- Introduced a Drive through option to support our lab facilities.
- Nawaloka Cardiac Rehabilitation Centre was opened successfully.

2014

- Installed South Asia's first and the 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 Surgeries.
- Introduced the C-Arm machine for theatre unit.

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 a 100% success rate in Bone Marrow Transplants.
- Introduced Gold Standard Acu Pulse, a safe, simple CO2 laser.

2018

- Introduced a second to 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 Gampaha.
- 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 a 550 car park 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 the art laboratory complex was constructed with operations commencing during the year.
- Expanded the endoscopy unit which facilitates Fibre Optic and Video Gastroscopy, Colonoscopy, Bronchoscopy, Cystoscopy and related therapeutic endoscopic procedures.

PERFORMANCE HIGHLIGHTS

FINANCIAL HIGHLIGHTS



FINANCE

	Unit	2019/20	2018/19	Change %
Financial Performance				
Revenue	Rs. Mn.	8,556	8,534	0.3
Operating profit/(loss)	Rs. Mn.	1,180	802	49
Profit/(loss) before tax	Rs. Mn.	(166)	(388)	57
Profit after tax	Rs. Mn.	15.9	(587)	102
Total comprehensive (expense)/ income for the year	Rs. Mn.	(11.5)	(601)	98
Gross profit margin	%	55.95	51.44	5
Operating profit margin	%	14	9	102.7
Net profit/(loss) margin	%	0.18	(6.88)	102.7
Return on assets (ROA)	%	0.09	(3.59)	102
Return on equity (ROE)	%	0.47	(0.46)	102.7
Return on Capital Employed (ROCE)	%	0.18	(6)	103
Interest cover	No of times	3	3	-
Financial Position				
Total Assets	Rs. Mn.	17,704	16,341	8.3
Total Liabilities	Rs. Mn.	14,273	12,899	10.7
Shareholders' equity	Rs. Mn.	3,430	3,442	(0.3)
Debt Ratio	No of Times	2.6	1.77	(46.8)
Net assets per share	Rs/share	2.42	2.44	(5.1)
Current ratio	No of times	0.40	0.45	(11.1)
Quick assets ratio	No of times	0.34	0.35	(2.9)
Shareholder information				
No of shares in issue	No	1,409,505,596	1,409,505,596	-
Dividend per share	Rs/share	-	0.05	102
Earnings per share	Rs/share	0.01	(0.42)	100
Market capitalization	Rs. Mn.	4,087.5	2,025.2	102

NON-FINANCIAL HIGHLIGHTS



EMPLOYEES

	2019/20	2018/19
No. of Employees	2,305	2,765
Training (Rs)	1.8Mn	2Mn
Training (Hours)	12,308	15,723
Male : Female Ratio	3 : 7	3 : 7



12,308

Training Hours



INFRASTRUCTURE AND TECHNOLOGY

	2019/20	2018/19
Property, plant & Equipment (Rs. Mn.)	13,987	13,710
Laboratories	7	6
In-house pharmacies	5	5



7

Laboratories



ENVIRONMENT

	2019/20	2018/19
Energy consumed (kWh)	10,417,425	12,173,744
Water usage (m3)	218,153	197,353
Solid waste/Medical waste (kg)	263,300	271,350



263,300

Kilograms of
Solid waste/
Medical waste



EXPERTISE AND INNOVATION

	2019/20	2018/19
Employees with over 10 years experience	486	493
Training and upskilling staff (Rs. Mn.)	1.8	2.0



486

Employees with over
10 years experience



RELATIONSHIPS

	2019/20	2018/19
Patient Admissions	26,408	28,885
Channel appointments	483,560	550,593
No of Surgeries	14,603	16,993
No. of Consultants	600	575



14,603

Surgeries

AWARDS AND ACCREDITATIONS



ISO 9001:2015

Nawaloka Hospitals PLC has established a quality management system in accordance with its ISO 9001: 2015 international standard. The quality management system implemented at Nawaloka Hospitals PLC encompasses all functional areas and follows naturally and sequentially from the customer related functions through the operational to the delivery or discharge function so as to meet the specified requirements of customers. Nawaloka Hospitals PLC is the first ISO certified Private Hospital in Sri Lanka (Year 2000) and has retained the standard for the past Twenty years up to present.

JCI ACCREDITATION

Nawaloka Hospital achieved the Joint Commission International's (JCI) gold seal approval for hospital accreditation on 18th of January 2020. The accreditation comes in with the hospital's continued compliance with internationally-recognized standards and represents a symbol of the highest quality. It also reflects the organization's commitment to providing safe and effective patient care.

5 CROWN AWARD FOR FOOD HYGIENE

Leading healthcare provider Nawaloka Hospitals PLC received praise for the quality and hygiene of its food when presented with the prestigious 5 Crown Award for Food Hygiene by Ind-Expo Certification Ltd. for the fifth consecutive year. The hospital chain clinched the first of these awards in 2012 on its very first attempt and has gone on to further strengthen its food storage and preparation practices each subsequent year.

NATIONAL QUALITY AWARD

The Sri Lanka National Quality Award is presented annually to recognize Sri Lankan Organizations that excel in quality management and quality achievement. The Quality award programme is organized and implemented by the Marketing and Promotion division of Sri Lanka Standards Institution (SLSI). Nawaloka Hospitals PLC was the only Hospital to win the Sri Lankan National Quality Award in the year 1998.

NATIONAL BUSINESS EXCELLENCE AWARD

This is awarded by the National Chamber of Commerce (NCCSL) which recognizes business enterprises that have demonstrated excellence in business, whilst contributing to the economic progress of the country.

ISO 15189:2012 adhering to National and International Standards applicable to Clinical Testing Laboratory and Good Laboratory Practices (GLP).

Nawaloka Green Cross Laboratories (Pvt) Limited. Will, at all times, works towards a common goal of providing cost effective total customer satisfaction by way of efficient and effective pathology testing services that combine precision, accuracy, quality, safety, integrity and courtesy.

AN EXPERT VISION



*Armed with a unique insight
into healthcare and evolving
stakeholder needs, Nawaloka
Hospitals PLC is fully equipped to
venture into a future of change.*

OUR LEADERSHIP

Board of Directors

Management Team

Executive Clinical Management Team

Chairman's Message

Deputy Chairman's Review

Director/General Manager's Statement

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 36 years in the healthcare industry. He is a Fellow Member of the Institute of Certified Professional Managers (FCPM), is the Chairman of Nawaloka Aviation (Pvt) Ltd, Nawaloka Polysacks Sharjah, Sasiri Polysacks (Pvt) Ltd, Nawaloka Construction Company (Pvt) Ltd, Nawaloka Petroleum (Pvt) Ltd, Koala (Pvt) Ltd, New Ashford International (Pvt) Ltd, Nawaloka Medical Centre (Pvt) Ltd, Nawaloka Green Cross Laboratories (Pvt) Ltd, Nawaloka Engineering Co. (Pvt) Ltd, Nawaloka Agri (Pvt) Ltd, Ceyoka (Pvt) Ltd, Nawaloka College of Higher Studies (Pvt) Ltd, East West Marketing (Pvt) Ltd, Nawaloka Steel Industries (Pvt) Ltd, Alcobronze (Pvt) Ltd and JDC Graphic Systems (Pvt) Ltd.

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



Mr. Ugitha Harshith Dharmadasa

Deputy Chairman/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 25 years of experience in Executive Management.

He is the Chairman of Millennium 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, Nutrinut (Pvt) Ltd and Nawaloka Construction Company (Pvt) Ltd.

Mr. H. Dharmadasa is also the Deputy Chairman of Nawaloka Holdings (Pvt) Ltd, Nawaloka Hospitals PLC and Director of Nawaloka College of Higher Studies (Pvt) Ltd, Nawaloka Guardian International (Pvt) Ltd, Nawaloka Medicare (Pvt) Ltd, Nation Lanka Finance PLC.



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 35 years of 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). Post-Doctoral Fellow, Colorado State University, USA. He is a Fellow of the American Association for Clinical Chemistry, Fellow of the Institute of Chemistry, Ceylon and a Chartered Chemist, Fellow of the Royal Society of Chemistry (UK), Fellow of the National Academy of Sciences of Sri Lanka, He is a Fellow member of the Institute of Chartered Professional Managers of Sri Lanka and holds a certificate in Hospital Administration from the Indian Institute of Management, Ahmedabad.

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, Nawaloka – Green Cross Laboratories (Pvt) Ltd.

He is a member of the Private Health Services Regulatory Council – Ministry of Health. He is the President of the Association for Clinical Biochemistry, Sri Lanka. The immediate Past President of the Association of Private Hospitals and Nursing Homes. He is the Vice President of the National Stroke Association of Sri Lanka.

He was conferred the National Honor “Vidya Jyothi” in 2017 by His Excellency the President of Sri Lanka.



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. 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.

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

BOARD OF DIRECTORS

Electrical Corporation Ltd., INOAC Polymer Lanka (Pvt) Ltd., Cinnovation INC., 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), Past President of Colombo YMBA and served as a Member of the Monetary Board of Sri Lanka (2003-2009).



Mr. Tissa K Bandaranayake

FCA, BSc

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 both local and multinational in various industries.

He is a Director of Brown & Co. PLC., Samson International PLC, Laugfs Gas PLC, Harischandra Mills PLC, Renuka Foods PLC, Renuka Holdings PLC, Overseas Realty (Ceylon) PLC and Micro Holdings (Private) Limited. He also serves as an Advisor/ Consultant to the Board of Directors of Noritake Lanka Porcelain (Private) Limited.

Mr. Bandaranayake was a past Chairman of the Audit Faculty of The Institute of Chartered Accountants of Sri Lanka and is a past president of the practicing Chartered Accountants' Forum. He is also an Immediate Past-President of the 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 Ltd – EMEA Region. AGN International Ltd UK is the 4th largest independent accounting association in the World with a presence over 108 countries and 478 office locations.

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



Mr. Anisha Dharmadasa

Executive Director

Mr. Anisha Dharmadasa has been a director of the company since 2000. He has 23 years of experience in Executive Management.

Mr. Dharmadasa is the Deputy Chairman of Nawaloka Construction Company (Pvt) Ltd and the Director of Nawaloka Medical Centre (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, Quincy (Pvt) Ltd, Sasiri Polysacks (Pvt) Ltd, Nawaloka Green Cross Laboratories (Pvt) Ltd and Nawaloka Institute of Healthcare (Pvt) Ltd.

Mr. Anisha Dharmadasa is also the Chairman of Sikure Security Service (Pvt) Ltd and Nixon Distribution Service (Pvt) Ltd.



Ms. Ashani Givanthi Dharmadasa

Executive Directress

Ms. Givanthi Dharmadasa has been a Directress of the Company since 2003 and has 19 years of experience in Executive Management. She is a Directress of Nawaloka Holdings (Pvt) Ltd, Nawaloka Hospitals PLC, Nawaloka Medicare (Pvt) Ltd, Nawaloka Air Services (Pvt) Ltd, Nawaloka Aviation (Pvt) Ltd, Redline Services (Pvt) Ltd, Redline Design & Printing (Pvt) Ltd, Redline International (Pvt) Ltd, Alcobronz (Pvt) Ltd, Nawaloka Green Cross Laboratories (Pvt) Ltd, Nawaloka Hospital Research & Education Foundation, JDC Printing Technologies (Pvt) Ltd, JDC Graphics Systems (Pvt) Ltd, Unifold (Pvt) Ltd, JDC Inks & Chemicals (Pvt) Ltd, Nawaloka Professional Academy (Pvt) Ltd and Nawaloka Institute of Healthcare (Pvt) Ltd.



Mr. Palitha Kumarasinghe PC

Independent Non-Executive Director

Mr. P Kumarasinghe is a leading President's Counsel specialized in civil commercial litigations. He had his education at Mahinda College, Galle and thereafter entered Sri Lanka Law College in 1979. He enrolled as an Attorney at Law on 27th September 1982. Having served in 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 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 the National Law Conference, Ethics & Professional Conduct and Continuing Legal Education.

He was once the President of Colombo Law Society. He served in the Public Service

BOARD OF DIRECTORS

Commission for a period of six years and was a Member of Council Legal Education (2010-2015) and its Board of Studies, Chairman of Environment Council (2010-2013) and Member of the Advisory Commission on Intellectual Property (2001-2004). He also served as the Chairman of Disciplinary Committee of the 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 Member of the Law Commission of Sri Lanka, University Grants Commission, and 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. Educated in Sri Lanka and the UK, Victor is a BSc Graduate and holds a Diploma in Software Engineering, Business Admin & Sales Techniques (UK).

He is a versatile marketer and administrator with more than 30 years of experience working in many countries including United Kingdom, Kuwait, Dubai, Baharain, 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.

He presently hold positions of a Chairman, Deputy Chairman & Director of the undermentioned 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
- Uniq Assets FZ LLC – (UAE) - Chairman





Vidya Jyothi Senior Professor Arjuna P. De Silva

Non-Executive Director

Vidya Jyothi Senior Professor Arjuna Priyadarsin De Silva MBBS, MD, MSc (Oxon), FRCP (Lond), FCCP, AGAF, FNASSL is a Consultant Physician and a Professor in Medicine at Faculty of Medicine University of Kelaniya. He was educated at St Thomas College, Mount Lavinia and obtained Bachelor of Medicine and Bachelor of Surgery degrees from North Colombo Medical College. He has a postgraduate Doctor of Medicine from University of Colombo and subsequently obtained an MSc from the University of Oxford. He has practiced as a Registrar in Gastroenterology and Research Fellow at Radcliffe Infirmary Oxford, UK. He was awarded MRCP from the Royal College of Physicians London. He is Board Certified as a trainer in Gastroenterology. He was awarded FCCP and became a Fellow of the Royal College of Physicians in 2010. He is a fellow of the American Gastroenterological Association (AGAF) and National Academy of Sciences of Sri Lanka (FNASSL)

Professor De Silva was Head of Department, Faculty of Medicine University of Kelaniya and Chairman of Board of Study in Gastroenterology, Secretary of the Gastroenterology and Digestive Endoscopy Society of Sri Lanka. He is currently a board member of Post Graduate Institute of Medicine Colombo and Associate Editor World Journal of Gastroenterology. He was Director General of Sports Medicine. Prof. De Silva was the team physician for the London Olympics. He was Chairman of George Steuart Finance Limited. Professor De Silva was a Board Member to Sri Lankan Airlines Limited. He was a Commission Member of the National Science and Technology Commission.

He has been a Council Member of National Institute of Education is currently the Chairman of Sri Lanka Anti-Doping Agency (SLADA), Chairman of South Asian Regional Anti-doping Agency (SARADO) and is the Head of Sri Lanka Cricket medical advisory committee.



Dr. Chandima De Mel

Non - Executive Director

Dr. Chandima De mel was a Royalist and was awarded the E.W Perera memorial scholarship. He completed his MBBS in 1980 at the Medical Faculty of the University of Colombo. Also he was graduated MRCP & MPHIL at London University in 1989. Doctor De Mel was a member of the Bank of Ceylon Board and the former Chairman of Sri Lanka Foundation. He is presently a Consultant Physician with more than 30 years of experience in the industry.

MANAGEMENT TEAM



Dr. Tissa Indrasiri Perera

Medical Superintendent

Dr. Tissa Indrasiri Perera graduated with a MBBS from the 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 Program Management from the University of Colombo.



Mrs. S. Jayasinghe

Chief Nursing Officer

Mrs. Jayasinghe was appointed as the Chief Nursing Officer in 2020. She obtained her Certificate of Competency in Nursing from the National Apprenticeship and Industrial Training authority (NAITA).

She has extended her training in Yokohama Rosai Hospital in Japan. She counts over 40 years of experience in Nursing and was instrumental in setting up the Paediatric Ward of Nawaloka Hospitals PLC.



Mr. Nalaka Niroshana

Head of Finance and Corporate Planning

Mr. Nalaka Niroshana holds a MBA from Birmingham City University UK, is 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. He joined Nawaloka Hospitals PLC in 2011 and has over 11 years of executive experience in diversified conglomerates in Sri Lanka.



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 32 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 and joined Nawaloka Group of Companies, Construction Division. In 1983 he joined the Maintenance Division of Nawaloka Hospitals PLC. He is certified in Hospital Management from the Japan Overseas Health Administration Centre, Yokohama in 1995. He has 34 years of experience in the healthcare industry.



Mr. M D Ariyawansa

Senior Co-ordinating 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 Co-coordinating Officer responsible for co-coordinating the public relations functions of the strategic business units. He has 35 years of experience in the healthcare industry.



Mr. Indika 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 CPM. He has also holds a NIBM Diploma in IT. He has over 22 years of experience in the fields of Project Management, ERP Project Consulting, Application Development, Implementation and User Training. He has working experience with multinational companies as well.

He was awarded with Digital Maestros the years 2018 and 2019 consecutively by Dynamic CIO - India. He joined Nawaloka Hospitals PLC in 2008.



Mr. Chaminda Rupasena

Head of Human Resources

Mr. C. Rupasena is a holds a BSc in Business Administration (Human Resources Management) Special Degree from the University of Sri Jayawardenapura. 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 15 years of experience in Human Resource Management.

MANAGEMENT TEAM



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 Sri Jayawardenapura and joined Nawaloka Hospitals in 2013.



Mr. Gayan Wanniarachchi

Manager Finance & Operations - Nawaloka Hospitals, Negombo and Gampaha

Mr. Gayan Wanniarachchi is a member of the Chartered Accountants of Sri Lanka (ACA), a member of Certified Professional Managers (CPM), a member of Certified Management Accountants (CMA) and a Senior member of the Association of Accounting Technicians of Sri Lanka (AAT). He joined Nawaloka Hospitals PLC in 2012 and presently heads 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 15 years as an Electrical Engineer. He joined Nawaloka Hospitals PLC in 2016 as an Electrical and Mechanical Engineer.



Dr. Prasadika Gunasena

Chief Medical Officer

Dr. Prasadika graduated a MBBS from the faculty of Medicine, University of Kelaniya, Sri Lanka in 1998. She holds a Diploma in Prevention and Control of Infection from the University of Colombo and a Diploma in Cosmetology from IIAM Aesthetic Centre Pune, India. She has worked as a Medical Officer in charge of Nawaloka Intensive Care Unit and Nawaloka Premier Care Centre. She also has 15 years of clinical experience.

**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 the 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 16 years. She joined Nawaloka Hospitals PLC in 2009.

**Deshabandu Dr. M Allan Gerreyn**

Food and Beverage Manager/Executive Chef

Dr. Allan Gerreyn joined Nawaloka Hospitals PLC in 2003 and has 37 years of experience in the hotel industry. He received his Deshabandu title in 2014 from the Nanaguna Foundation. He has won Five Crown Awards in Food Hygiene for five consecutive years since 2012.

**Mr. G A Varghese**

Biomedical Engineer

Mr. Varghese obtained a Diploma in Biomedical Engineering, Computer Science, Computer Network Technology, and Computer SW/HW. He was employed in the Middle East as a Biomedical Engineer from 1988 to 2013 and has 27 years of experience in the field. He joined Nawaloka Hospital PLC in June 2014 as a Biomedical Engineer working to date.

**Mrs. R V N Rupasinghe**

Business Development Manager

Mrs. Rupasinghe joined Nawaloka Hospitals PLC in 1991. She is qualified in Customer Service, Contact Centre Management, Public Relations and Interpersonal Skills from the Graduate School of Management. She is presently the Business Development Manager of Hospitals PLC with 29 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/Gastroenteroscopy/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 Gunasekera

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 Paediatrician



Dr. Harindu Wijesinghe

MBBS, MD, MRCP (UK)
Consultant Rheumatologist
Specialist in Sports Medicine



Dr. Chandima De Mel

MD FRCP (Lond.), FCCP, M Phill (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. 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 Glasgow, 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)
FRCP (Edin) FCCP
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



Dr. Suranga Hettipathirana

MBBS (Col), MD (Obs & Gyn), MRCOG (UK)
Consultant Obstetrician &
Gynaecologist

Dr Jayantha Dharmadasa
Chairman/Chief Executive Officer



"It is my pleasure to welcome you to the 31st Annual General Meeting and present the Annual Report and Financial Statements for the year ended March 31, 2020."

CHAIRMAN'S MESSAGE

2019/20 was a mixed year for Nawaloka Hospital PLC. We are proud to announce that we were awarded the prestigious Joint Commission International's (JCI) gold seal of approval. The accreditation is an affirmation of the Hospital's attention to patient safety and quality health care, on par with international standards.

The Group recorded a revenue of Rs. 8,556.4 Mn and profit after tax of Rs. 15.9 Mn compared to a net loss of Rs. 587.1 Mn the previous year, a commendable performance amid turbulent times. Assets grew 9% to Rs. 17,704 Mn.

MACRO ECONOMY AND HEALTHCARE SECTORS

Sri Lanka's economy continued to decelerate to 2.3% in 2019, largely due to the impact from the Easter Sunday attacks. Economic activity has since been severely impacted following the COVID-19 pandemic outbreak from March 2020. In a bid to stimulate growth, the Central Bank of Sri Lanka has maintained its accommodative policy.

Government expenditure on health increased by 12% to Rs. 244.3 Bn in 2019 (1.6% of GDP) indicating the rising demand for healthcare services. Private sector spending has also increased, growing 12.1% compared against 10.9% in 2018. Yet, Health Services accounted for only 2.8% of Private Consumption Expenditure, due to the dominance of the government sector in providing healthcare services. According to a World Bank report, 50% of medical treatment, 95% of hospitalizations, and 99% of preventive care needs of the country are provided by the state system, which is burdened overcrowding, long waiting hours and limited by resources amongst other challenges. Private sector partnership is critical to improving the efficiency and quality of the Sri Lankan healthcare system.

INDUSTRY TRENDS

Demand for private healthcare is expected to increase to the country's ageing population and owing prevalence of Non-Communicable Diseases (NCDs). According to the WHO, NCDs are estimated to account for 83% of all deaths in Sri Lanka. Both geriatric care and treatment of NCDs require long term care and often palliative care, which supports demand factors. Rising affluence and increasing availability of insurance schemes also drives demand.

COVID-19 is reshaping industries including healthcare in ways that are likely to be permanent. We always assure patient safety and the safety of our team. Various actions have been implemented to maintain robust safety measures. These are detailed on pages 47 and 48 of this annual report. The pandemic has largely sped up the digital transformation of healthcare and boosted innovation on how patients receive and consume care. Global consulting firms have identified technological disruption as one of the impending, if not current, issues that the healthcare industry will face.

PERFORMANCE

Growth was limited due to falling volumes on account of macro-economic challenges and stiff competition. Liquidity was managed by restricting expenditure of capital nature and driving cost reduction measures across the organization.

Opting for the Central Bank of Sri Lanka debt moratorium offered to businesses affected by the pandemic and subsequent restructure of the term debt to longer tenure facilities, supported to improve liquidity to a large extent.

CONTINUING EXCELLENCE

Driven by our Vision to be the "Hospital of Tomorrow" we give precedence to superior care, accuracy, and excellence in all we do. This is as true today as it was when we founded the Hospital in 1985. The awarding of the JCI accreditation this year reflects our commitment to providing quality health care in line with global standards.

SUSTAINABILITY

In these times of volatility and uncertainty, we remain resolute in our commitment to deliver positive results for our stakeholders - patients, employees, shareholders, and the wider community. While transforming the care we provide today in preparation for the future, we remain committed to delivering premium quality patient care, providing a safe and conducive workplace for all staff, and astutely managing our costs and revenue streams to enhance shareholder value. In striving to create a positive impact on society, we aim to improve affordability and access to health services and increase public awareness about healthcare through a range of community projects conducted across the Group.

CORPORATE GOVERNANCE

I wish to place on record my appreciation the valuable contribution made by Mr. Rienzie Wijetilleke who retired as Deputy Chairman, after 16 years with the Group. I also congratulate Mr. Harshith Dharmadasa on his appointment as the

new Deputy Chairman from November 2019. We welcome to the Board Dr. Chandima De Mel and Prof. Arjuna De Silva who were appointed in March 2020.

The Board is committed to upholding high standards of corporate governance and providing ethical and effective leadership to the Group. We believe that the present governance structure supports discharge of our functions, enabling us to uphold the trust placed in us by our stakeholders.

LOOKING AHEAD

Forecasts for 2020 present several challenges with the global economy expected to contract to 3% and Sri Lankan economy to contract to 1.7%. In both cases, the pace and magnitude of economic recovery is dependent on the success of containing the COVID-19 pandemic. As we face the uncertainty and challenges it presents, we will seek to adapt to create shared value for our stakeholders by continuing to focus on our purpose of delivering advanced and sustainable patient-centric healthcare, responsibly.

APPRECIATION

The resilient performance set out in the report would not have been possible without the commitment and hard work of our 'Nawalokian' team and consultants, all of whom have admirably risen to the challenges faced during the year. I am sincerely appreciative of their effort and seek their continued support in the year ahead. I wish to thank our patients for choosing Nawaloka Hospital as their trusted partner in health and our valued shareholders for their unwavering confidence and trust placed in us. In conclusion, I thank our board members, for their commitment, guidance, and support throughout the year.



Dr. Jayantha Dharmadasa
Chairman/Chief Executive Officer

20th November 2020

Mr Harshith Dharmadasa
Deputy Chairman



"For over 35 years, Nawaloka's pioneering spirit has secured the hospital a leading position in Sri Lanka's private healthcare sector."

DEPUTY CHAIRMAN'S MESSAGE

Dear Shareholders

A trusted name in providing quality healthcare at affordable rates, we are proud of our reputation for technological innovation, professionalism and customer service. Our commitment towards better healthcare in the country continues to grow from strength to strength, enriching the lives of our people.

The Nawaloka Hospitals Group recorded a revenue of Rs. 8.5 Bn while Profit after Tax grew substantially to a profit of Rs. 15.9 Mn compared to a loss of Rs. 587 Mn the previous year. The performance was commendable in an extremely challenging year which witnessed the Easter terror attacks in April 2019 and an unprecedented lockdown due to the global COVID-19 pandemic at the end of the year.

Despite the setbacks which had an adverse impact on the healthcare industry, we continued to enhance our value proposition to patients with our investments in infrastructure, people and processes.

HIGHLIGHTS 2019/20

- + Revenue of Rs. 8,556 Mn. PAT of Rs. 15.9 Mn
- + Completion of purpose-designed multistorey car park and Specialty Center
- + Launch of the 'Holistic Elderly Health Programme' specialized center dedicated for the elderly
- + Launch of Sri Lanka's first "Lab Tests Online" website
- + Opening of Sri Lanka's first private sector Chest and Sleep Unit
- + Launch of Drive-Thru laboratory services and Doctor channeling service
- + Launch of a host of digital products and services to support patient health and care during COVID-19 pandemic
- + Nurturing a patient centric culture
- + Driving professional and positive behaviours

PERFORMANCE

The Group recorded a substantial improvement in gross profit margin to 56% from 51% in 2018/19. This performance was achieved amidst heightened security concerns and social distancing norms which impacted hospital footfall and kept business volumes low. Margins were reduced further by the increase in cost of imports on account of the steep depreciation of the rupee by financial year end. The Group's exceptional improvement in performance is largely credited to cost saving measures that were aggressively driven across the organization, expansion of the laboratory network under the strong Nawaloka brand and growth from regional hospitals located in Negombo and Gampaha. Cost management included renegotiation of prices with suppliers, responsible consumption of materials and resources to reduce waste, upgrading of machinery to improve energy efficacy and effective staff deployment. A Cost Management Team was appointed and tasked with the responsibility of reviewing and promptly implementing the identified measures.

The reduction in volumes constrained Group cashflows which was exacerbated by high interest cost and scheduled repayments on large scale borrowings which were utilized to fund capital expenditure. We engaged in cost reduction and efficiency improvement programmes to manage our liquidity. We availed the debt moratorium offered by the Central Bank of Sri Lanka to businesses affected by COVID-19. Restructure of debt to a longer repayment plan subsequent to the Balance Sheet date and lower market interest rates have eased liquidity pressure further.

We believe that the reduction in footfall is a short-term challenge, given the essential need for healthcare. We expect business volumes to increase once restrictions are eased and public movement improves.

We are cognizant our term debt was raised primarily to fund the capital expenditure of the Group's Rs. 6.8Bn mega multi-storey Carpark and Specialist Center. In hindsight, the investment in the Specialty Centre has been opportune, serving us well during this period of contagion. The Center hosts the Specialist Consultation and Channeling rooms and covers a large floor area of 100,000 square feet providing patients adequate space to move about comfortably while maintaining social distancing. Further, each specialty is allocated a designated area, offering patients privacy and screening from infection by avoiding mingling with patients from other specialties. Pharmacy and laboratory facilities located on each floor restrict mobility within the hospital, further limiting the possibility of cross infection. This well thought out building plan has proven beneficial and a competitive advantage during the COVID-19 pandemic, as patients felt safer visiting Nawaloka given the secure environment.

We also observed that the Centre attracted a new market segment, patients who had earlier patronized government and other private hospitals and who had now shifted to Nawaloka Hospital given their confidence in the stringent hygiene and safety protocols maintained, as explained below.

DEPUTY CHAIRMAN'S MESSAGE

During the year, we introduced numerous digital innovations and initiatives to enhance patient experience and improve healthcare accessibility to patients.

THE HEALTHCARE SPECIALIST

The Specialist Centre forms the latest expansion phase of our Group and provides opportunities to grow and meet the medical needs of our patients. The Centre boasts a strategic combination of advanced medical technology and expert medical care, offering world class healthcare and strengthening our position as a premier healthcare specialist in the country.

In October 2019, in a pioneering initiative of the Hospital, we opened the country's first private sector Chest and Sleep Centre. The facility offers a comprehensive range of treatment options for patients combating respiratory illness. Meanwhile, in March 2020, we unveiled our upgraded and modern Nawaloka Elders' Holistic Healthcare Centre, to provide comprehensive and specialized geriatric care, in support of the increasing medical needs of our aging population.

During the year we also inaugurated a Centre of Excellence for Menopause and upgraded our Fertility Centre to a state-of-the-art facility enhancing our capacity for growth. The Fertility Centre is equipped with cutting edge technology to ensure maximum success rates in fertility treatment.

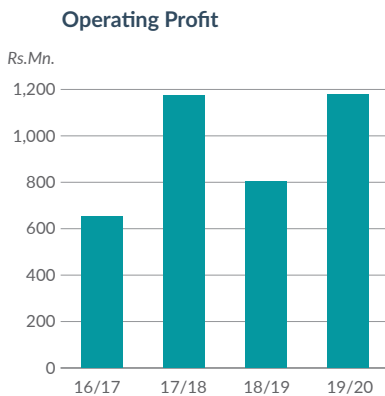
Despite the challenging conditions during the year we continued to invest in re-furbishing and upgrading our wards to optimize existing space. The ongoing refurbishment of orthopedic and gynaecology wards enhances our inpatient services, affording us the opportunity to attract and serve a greater number of patients.

ADAPTING TO EVOLVING PATIENT NEEDS

As Sri Lanka's premier private healthcare provider, we continually explore ways to improve our product offering and streamline our services to cater to the evolving needs of our patients.

During this pandemic, our priority has been patient and employee safety. We have established and practice precautionary safety measures and stringent protocols on hygiene and cleaning to provide the assurance of safety and security during this time of uncertainty. Our initiatives revolve around four core areas: patient and employee screening, provision of PPE and training on proper use, creating awareness and infection control, as described on page 47 and 48 - Implications of COVID-19 and Our response. We continue to follow the latest guidance and recommendations of the Ministry of Health and the World Health Organization.

Fear of contracting the COVID-19 virus has kept patients away. To ease patients' fears and to support their health and safety while maintaining recommendations for social distancing, we launched our drive-thru laboratory services and audio and video consultation channeling service. We also enhanced the facilities offered by our 24x7 call centre to facilitate booking of channelling appointments and other services.



RESHAPING THE INDUSTRY WITH DIGITALISATION

The digitalization of the healthcare industry accelerated following the COVID-19 outbreak given the significant benefits associated with it. During the year, we introduced numerous digital innovations and initiatives to enhance patient experience and improve healthcare accessibility for patients.

Our key innovation was the launch of Sri Lanka's first "Lab Tests Online" website, a unique concept where the user can access the site, upload the prescription, select the test and make payment while choosing how he wishes to provide the sample from a range of options such as mobile, drive through or by visiting the hospital and choosing to fix the time and delivery of reports either by email, online or by courier.

During the year we enhanced the service offerings on our mobile application, Nawaloka Care and revamped our corporate website (www.nawaloka.com) to provide patients with more options to book services and make payments. Patients can also WhatsApp their prescriptions to the hospital pharmacy for delivery of medication. With the launch of the teleconsultation service, we aimed to bring more convenience to our patients through video and audio conferencing.

FORTIFYING OUR DIAGNOSTIC CAPABILITIES

In a bid to expand and fortify our exceptional diagnostic capabilities, we added two new state of the art mini laboratories to our portfolio. Located in the commercial cities of Galle and Ragama, these laboratories will serve to grow our healthcare business and diversify our sources of revenue. The laboratories also underscore our commitment to provide affordable quality healthcare to all Sri Lankans.

NURTURING A PATIENT FIRST CULTURE

We believe that human touch is an important element in creating the best patient experience. During the year, we continued our focus on nurturing a patient-first culture across the Group and the development of professional and positive behaviours when engaging with patients. Several staff training programs were conducted with tailor made training interventions for each role, in particular for our 200+ front line workers, who have a high impact on our patients as the first point of contact.

Quarterly performance appraisals and one-to-one supervisor feedback seek to reinforce the behaviours expected. Our 'I am Nawaloka', induction programme also included trainings to promote the expected behaviour traits. Over 618 recruits were inducted through the programme during the year.

WAY FORWARD

The Group will continue to focus on maintaining its liquidity position, curtailing non-essential expenses and driving cost efficacies across the Group. Proactive restructuring of the term debt on the guidance and advice of the Board of Directors has reduced the burden

on cashflows and supported business conduct. Lower market interest rates have also contributed to improved cashflows.

I believe our relentless focus on improving patient-centered care and driving efficiency will unlock the significant potential we see in our state-of-the-art Specialty Center. We are also in progress of constructing the second wing of the Negombo hospital for continuous growth. The investment of the project cost is Rs. 350 Mn. The Group's achievements in the last year, notwithstanding the considerable challenges faced, reflect the success of our strategic initiatives to position the Group for future growth.

APPRECIATION

I wish to thank the Board for their guidance and advice during these unprecedented times; and our dedicated Nawalokian Team without whose commitment and resilience, none of this could have been achieved. I also wish to thank our customers, consultants, business partners, financial institutions and all other stakeholders for their support during the year.

I wish to take this opportunity to thank the Board for my appointment as Deputy Chairman of the Group. I am excited and honored by the opportunity to lead Nawaloka Hospitals in this capacity and look forward to steering the Group to a new era of growth.

Mr. Harshith Dharmadasa
Deputy Chairman

20th November 2020

**Vidya Jyothi Professor
Lal Gotabhaya Chandrasena**
Director/General Manager



"Since our inception in 1985, Nawaloka Hospitals has been the pioneer in advancing the private healthcare sector."

DIRECTOR/GENERAL MANAGER'S STATEMENT

Leveraging investments in technology, infrastructure and human resources, we have steadfastly focused on offering our patients excellent medical outcomes and the best patient care. Healthcare being one of the fastest growing sectors, today we witness the emergence of medical knowledge with accompanying advances in medical technology on both the curative and preventive aspects in keeping with public demand for affordable healthcare.

DRIVING BUSINESS GROWTH

The projects we initiated last year such as Artificial Intelligence (AI) as the driver of sustainable healthcare, PACS (Picture Archiving and Communications Systems), healthcare for the aging population and our response to NCDs with the premier wellness centers and our medical centers throughout the country, the kidney transplant unit as well as the cardiac investigation and surgical services have all contributed to our care facilities.

HIGHLIGHTS 2019/20

- + JCI Accreditation
- + Upgrade of processes and systems
- + Investment in employees
- + Priority for patient and employee safety
- + Adherence to hygiene and safety regulations and protocols
- + Introduction of new services during COVID-19 outbreak
- + CSR initiatives

The 1st ever purpose-built state of the art Bone Marrow Transplant unit in the country, commissioned in 2015 and the chemotherapy unit have gained due recognition in the oncology care arena.

With the commissioning of our multimillion rupee state of art 14 storey Nawaloka Specialist Centre, we begin to cater to an ever-growing number of clients seeking private medical consultations, allied medical services with laboratories, pharmacies and para medical services and specialized healthcare from our Centres of Excellence. It is heartening to see this new venture operating at full capacity to serve our clients far and wide. This financial year, we also focused on the complete refurbishment of our original infrastructure to modern, luxury standards.

QUALITY HEALTHCARE

Notwithstanding the growth in business volumes, we continue to deliver on our promise of quality healthcare. The Hospital was the first ISO certified hospital in year 2000. This year, the hospital gained one of its highest achievements, being accredited with the Joint Commission International, USA Gold Seal of Approval, in recognition of the high standards of patient safety and quality health care. These certifications have inspired the confidence of our clientele.

The expansion of business and obtaining of JCI accreditation entailed investments in systems, processes and people, to ensure delivery of a sustainable customer value proposition.

PROCESSES AND SYSTEMS

The rigorous evaluation process in obtaining JCI accreditation ensured standardization and improvement of our systems, processes and practices where necessary to be on par with global quality standards. Key areas of focus included patient assessment and care, anaesthesia and surgical care, medical management, quality improvements, facility management and safety, access to care and continuity of services. These norms and standards are now integrated into the hospital's Quality Management System (QMS) and documented into standard operating procedures.

During the year we established a Quality Assurance Department (QAD) to review these processes and systems across the Group and ensure consistency of care. Periodic quality audits ensure compliance with these standards. Our QMS is ISO 9001: 2015 certified and audited at least once every three years.

INVESTING IN OUR TEAM

Having the right set of employee skills and expertise is critical for driving our business and in providing the quality service and care in which we believe. Attracting and retaining talent is even more important in the context of the shortage of healthcare professionals in the industry. We strive to create the best employee experience and offer our employees a safe and conducive working environment, and competitive remuneration, while investing in their development by offering training and opportunities for career progression.

DIRECTOR/GENERAL MANAGER STATEMENT

I believe our business is well positioned to support business growth. We will continue to invest in our technology, processes and people to provide high-quality patient care. As the pandemic continues, our priority will be patient and employee safety.

COVID 19 OUTBREAK

As we were on track to achieve our anticipated targets for the year, unfortunately, around March 2020, we were stuck by the Global Pandemic COVID-19 virus which had tremendous impact on our human resources such as health care workers and on our finances and continues to impact us.

Our response to the COVID-19 Pandemic

The COVID-19 Pandemic naturally restricted our clients reaching the hospital except for the most urgent needs. In order that we cater to their essential needs of medical laboratory investigations and serve clients with NCD's like Diabetic and Hypertension, we introduced many products and services including the establishment of a Lab Tests Online Application for laboratory investigations to be done at home and also a Drive Through facility and video consultations, which have been widely appreciated.

In response to the increased demand for COVID-19 PCR Investigation Services, the existing facilities in the Molecular Biology Laboratory were upgraded with expanded human resources and state of the art equipment.

We have accorded the highest priority to patient and employee safety during this pandemic. The management was instrumental in introducing many organizational and infrastructure changes to make the hospital safe as per the regulations of the Ministry of Health and World Health Organization.

SUSTAINABILITY

Through the Nawaloka Sathkara initiative, we continue to contribute towards positive economic and social change by engaging in community upliftment programmes.

Reducing the negative environmental impacts of our operations is also an important element of our sustainability agenda. We have driven energy and water efficiency initiatives across our operations and ensure responsible disposal of clinical waste at all our facilities, in compliance with all regulations.

OUTLOOK

I believe our business is well positioned to support business growth. We will continue to invest in our technology, processes and people to provide high-quality patient care. As the pandemic continues, our priority will be patient and employee safety.

APPRECIATION

I am grateful to all members of the staff for adhering to the local and international guidelines and making the hospital safe for patients, staff and the Consultants throughout this pandemic.

My deepest appreciation to the Chairman and Board of Directors for their vision and guidance and to our Business Associates and other Stakeholders for the continued loyalty and trust placed on Nawaloka Hospitals.

I am extremely fortunate to be associated with our dedicated staff and professionals who make our Mission and Vision a reality.



Vidya Jyothi Professor Lal Gotabhaya Chandrasena
Director/General Manager

20th November 2020

SKILLED IN STRATEGY



Our strategies are built around the changing dynamics of today, and designed to anticipate and meet the future needs of the Sri Lankan people.

OPERATING CONTEXT AND STRATEGY

Value Creation Model

Stakeholder Engagement

Determining Material Issues








Our Operating Environment

Implications of COVID-19 and Our response

VALUE CREATION MODEL

Our strategy while constantly evolving in response to the changing dynamics in our complex operating environment, remains steadfastly focussed on achieving our vision “To be the hospital of tomorrow”

OUR RESOURCES AND RELATIONSHIPS

 <p>HUMAN CAPITAL</p>	<p>The skills, experience and attitude of our employees nurture lasting relationships with our patients. and stakeholders.</p>	<p>2,305 EMPLOYEES</p>	<p>12,308 TRAINING HOURS</p>
 <p>MANUFACTURED CAPITAL</p>	<p>Best-in-class medical equipment and technology facilitates high quality healthcare.</p>	<p>Rs. 13,987 Mn. PPE</p>	<p>Rs. 1,129 Mn. CAPEX INVESTMENT</p>
 <p>SOCIAL AND RELATIONSHIP CAPITAL</p>	<p>Strong relationships underpin our reputation and the trust of our key stakeholders.</p>	<p>600 CONSULTANTS</p>	<p>697 SUPPLIERS</p>
 <p>INTELLECTUAL CAPITAL</p>	<p>Our service offerings and quality standards drives our competitive advantage.</p>	<p>486 EMPLOYEES WITH OVER 10 YEARS EXPERIENCE</p>	
 <p>NATURAL CAPITAL</p>	<p>Includes inputs we seek to source responsibly and use efficiently.</p>	<p>218,153 m³ WATER CONSUMPTION</p>	<p>10,417,425 kWh ENERGY CONSUMED</p>
 <p>FINANCE CAPITAL</p>	<p>We are disciplined in allocation of our financial capital. Cash from operations, debt and equity fund our growth.</p>	<p>Rs. 3,430 Mn. EQUITY</p>	<p>Rs. 17,703 Mn. ASSETS</p>

HOW WE CREATE VALUE

VALUE CREATED

CAPITAL TRADE-OFFS & INTER-DEPENDENCIES

Vision

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



Sustainable Shareholder Value

- Rs. 8,556 Mn. Revenue
- Rs. 2.42 Net Assets/ Share

Satisfied Customers

- 483,560 outpatient consultations
- 14,603 surgeries

Trusted Partnerships

- Rs. 1.8 Mn. in training

Engaged Team

- Rs. 1,762 Mn. salaries and wages

Environmental Sustainability

- 14% Energy saved
- 8,050 kg incinerated

Increased Socio-Economic Development

- Rs. 182.2 Mn. tax reversal

- Financial capital is prudently allocated to maintain appropriate balance between organisational sustainability and stakeholder benefit. Disciplined capital allocation ensures our continued growth and supports our ability to add value to all other capitals

- Safety, health and skill development underpin employee engagement. Through investment in our employees, Nawaloka Hospitals PLC benefits from higher productivity and superior patient care.

- Our communities grant our social license to operate. We invest to support economic empowerment and social upliftment.

- Our investment in natural capital utilizes financial capital. We invest to protect resources for the sustainability of our business and for future generations.

- Infrastructure and Technology, underpins patient care and safety, attracting capital investment that in turn ensures business sustainability.

Strategy

Governance

Risk

BUSINESS ACTIVITIES



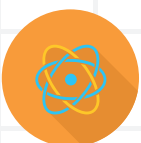
Channelling Services



Laboratory Services



Theatres



Radiology



Pharmaceuticals

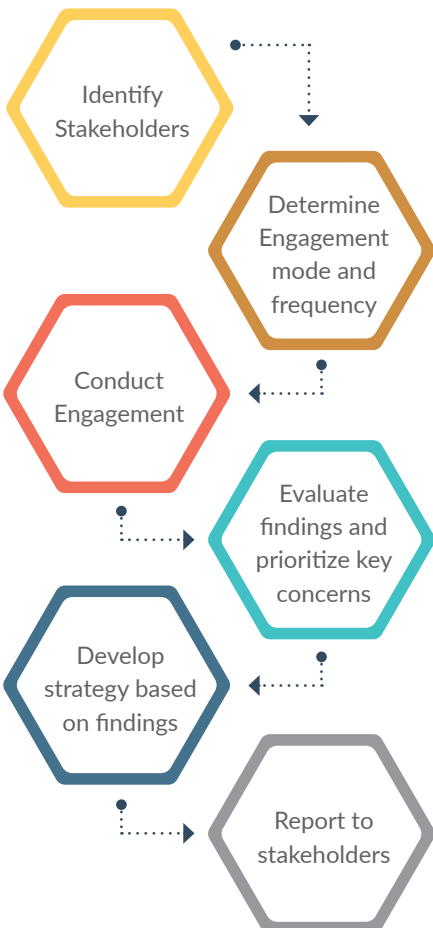


Emergency Treatment Unit (ETU)

STAKEHOLDER ENGAGEMENT

THE SUSTAINABILITY OF OUR BUSINESS DEPENDS ON POSITIVE RELATIONSHIPS WITH STAKEHOLDERS. WE ARE COMMITTED TO PURSUING STAKEHOLDER ENGAGEMENT SYSTEMATICALLY SO THAT WE UNDERSTAND THE NEEDS OF OUR STAKEHOLDERS BETTER AND WE RESPOND APPROPRIATELY TO CREATE VALUE IN THE SHORT, MEDIUM AND LONG TERM CONSISTENTLY.

OUR STAKEHOLDER ENGAGEMENT PROCESS



PATIENTS



CONSULTANTS AND SPECIALISTS

ENGAGEMENT MECHANISMS	<ul style="list-style-type: none"> • Patient feedback/satisfaction surveys • Meetings with Public Relationship Officer • Corporate website • One-on-one engagement with call centre etc • Social media 	<ul style="list-style-type: none"> • One-on-one engagement • Consultant forum • Internal circulars/emails
CONCERNS	<ul style="list-style-type: none"> • Cost and quality of care • Reputation of doctors, specialists, healthcare and other service providers • Caring nursing staff • Clinical pathway experience 	<ul style="list-style-type: none"> • Clinical efficiency • Quality of facilities • Technology • Clinical governance
HOW WE MANAGE CONCERNS	<ul style="list-style-type: none"> • Providing quality, patient-centered healthcare, and related medical services to our patients • Continuous monitoring of processes for improvements • Customer complaints management 	<ul style="list-style-type: none"> • Enhance facilities offered to consultants • Improve service excellence of the hospital • Cultivate a pipeline of future doctors, specialists and healthcare professionals
STRATEGIC RESPONSE	<ul style="list-style-type: none"> • We continue to invest in delivering excellence • In-patient care and experience • Out-patient care and experience 	<ul style="list-style-type: none"> • We work closely with business partners to nurture mutually beneficial relationships
REPORT REFERENCE	<p>Satisfied Customers Page 58</p>	<p>Trusted Partnerships Page 64</p>



INVESTORS



EMPLOYEES



SUPPLIERS



REGULATORS



COMMUNITY

- Quarterly Financial Statements
- Press Releases
- Annual Report
- Annual General Meeting
- CSE Announcements

- Performance appraisals
- Staff meetings
- Email communications/ notices
- Intranet

- Ongoing dialogue with suppliers and tender committee meetings.
- Regular meetings with and review of suppliers
- Contract negotiations
- Visits

- Membership in industry associations and participation in their forums
- Direct engagement with Government officials and regulators at various levels

- Conducting various medical awareness programmes and medical discussions
- Sponsorships

- Earnings & Dividends
- Growth prospects
- Environment & Social impact
- Governance
- Share price and liquidity

- Remuneration
- Employee benefits
- Conducive workplace
- Training & Development
- Career progression
- Health and safety

- Timely payments
- Fair and transparent tender processes

- Compliance with regulations
- Timely payments
- Contribute to the development of healthcare regulations

- Ethical and responsible practices
- A caring hospital
- CSR initiatives

- Detailed financial management and operational management
- Improving effectiveness and efficiency
- Corporate Governance Practice

- Fair remuneration and benefits benchmarked to industry standards
- Fair and transparent performance appraisal system
- Employee engagement initiatives

- Stringent supplier chain management policy
- Negotiations with suppliers built on mutual respect and a reasonable pricing structure
- Tender procedure

- Finance division monitors compliance
- Establishment of the Legal Department

- Medical awareness and Health promotional campaigns
- Press conferences
- Identified philanthropic initiatives
- Engage in environmentally responsible practices

• Performance is guided by a clear business strategy developed in response to industry trends

• We continue to deliver on our employee value proposition in order to attract and retain the best talent.

• We strive to create mutually rewarding long term partnerships with our suppliers.

• We ensure compliance with all relevant regulatory requirements and work closely with industry bodies to develop the industry.

• We incorporate environmentally friendly practices into our operations and meaningfully engage with our communities

Sustainable Shareholder Value

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An Engaged Team

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Trusted Partnerships

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Corporate Governance

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Trusted Partnerships

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Respect for the Environment

Page 82

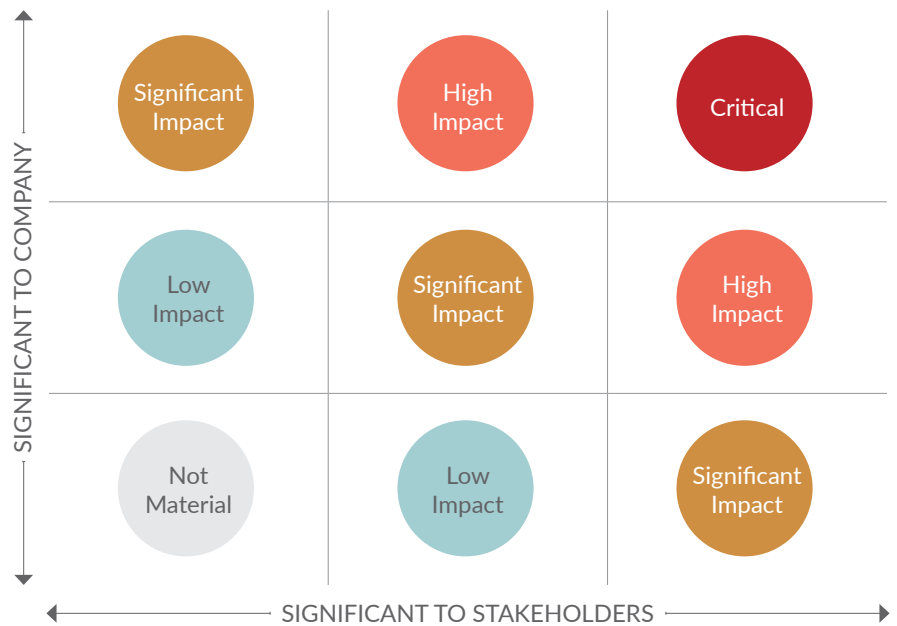
Trusted Partnerships

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DETERMINING MATERIAL ISSUES

Our material issues are those that matter most to our stakeholders and subsequently impact Nawaloka Hospital’s competitive position and long-term value creation.

We assess our material issues annually to fully understand how to manage the risks and opportunities they present. Those matters are then integrated into our Group strategy. We believe the issues identified below are the most relevant and have been evaluated and prioritized as summarized in the heat map and table below, considering their relative importance to stakeholders and potential impact on business operations. The material aspects included in this Report are a combination of those prescribed by the GRI guidelines and those specific to our industry and value creation model.



MATERIAL ISSUES

Critical	High Impact	Significant Impact
<ul style="list-style-type: none"> • Quality (of care) • Consultant relationships • Customer health and safety • Customer privacy • State of the art technology • Innovation • Cost efficiency • Effluents and waste management • Environmental compliance • Occupational health and safety • Training and education 	<ul style="list-style-type: none"> • Supply chain management • Government Policy • Operational efficiency • Marketing and labelling • Anti-competitive Behaviour • Anti-corruption 	<ul style="list-style-type: none"> • Socio-economic compliance • Energy Efficiency • Water Efficiency • Emissions • Procurement practices (SME support) • Human rights assessments • Non-discrimination • Child labour • Forced labour

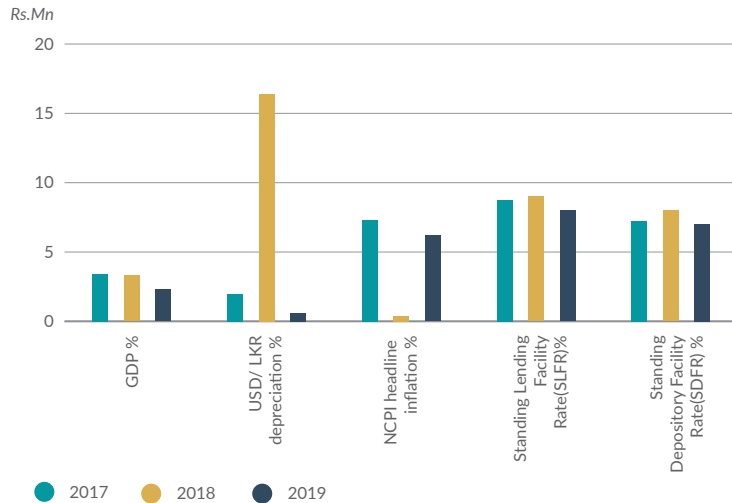
OUR OPERATING ENVIRONMENT

MACRO ENVIRONMENT

The financial Year 2019/20 was extremely challenging, marked by political and policy uncertainty, the Easter Sunday terrorist attacks in April 2019 and ending under lockdown due to the COVID-19 pandemic.

Although economic growth continued to decelerate in the Calendar Year (CY) 2019 with GDP reflected at 2.3% compared to 3.3% in 2018, the economy showed signs of a turnaround at the beginning of CY 2020 as a result of fiscal and monetary stimulus and the return of business confidence after the presidential election held in November 2019. However, economic activity has since been severely impacted following the Covid-19 pandemic outbreak in the country from March 2020 and measures taken contain the spread of disease.

Sri Lanka Economic Indicators



Source: CBSL Annual Report 2019

Inflation	Exchange rate	Interest rate
<p>General price levels within country demonstrated an overall increasing trend during FY 2020. NCPI based headline inflation increased to 7% by end March 2020 from 2.9% a year ago, largely due to an increase in food inflation driven by adverse weather conditions.</p> <p>Core Inflation was contained within the 4-6% target range throughout most of the year declining to 3.2% by end March, driven by a reduction in non-food inflation. Core inflation has continued to remain low, following policy measures and subdued demand conditions.</p>	<p>The Sri Lankan Rupee remained relatively stable appreciating 0.6% against the USD during CY 2019 and depreciating sharply by 9.1% YOY as at April 09 2020 following the impact from the COVID-19 crisis. However, the exchange rates have since been managed by the Central Bank through intervention. The overall depreciation of the Rupee during the year up to 09 October 2020 was 1.4%. A higher exchange rate will increase the cost of imports including medicines and medical devices, impacting affordability or squeezing profitability margins where the cost cannot be passed on.</p>	<p>The Government has continued to maintain its accommodative monetary policy during 2019 and 2020, in a bid to contain inflation in the 4-6% range while promoting economic growth. Rates have been reduced further since April 2020, to support economic recovery from the COVID-19 pandemic.</p>

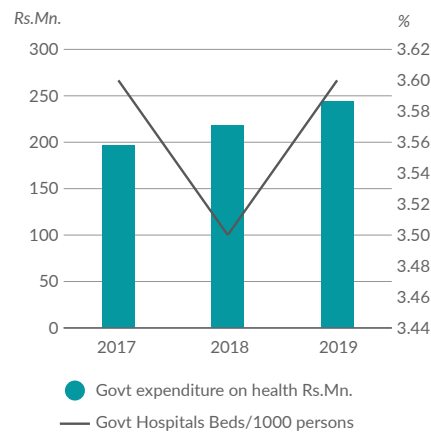
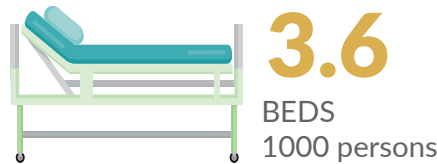
OUR OPERATING ENVIRONMENT

Government expenditure on health has been progressively growing, increasing by 12% to Rs. 244.3 Bn in 2019 (1.6 % of GDP).

HEALTHCARE INDUSTRY

Many of Sri Lanka's health indicators rank among the highest in South Asia. Maternal and infant mortality rates are relatively low, and several intractable communicable diseases have been eliminated. The availability of the publicly financed and delivered "free" healthcare system has been critical to achieving these results.

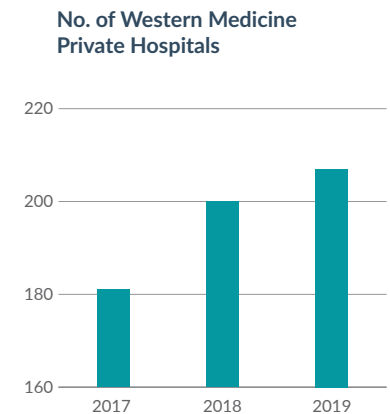
Government expenditure on health has been progressively growing, increasing by 12% to Rs. 244.3 Bn. in 2019 (1.6 % of GDP). Despite continual investments, the system continues to be burdened with overcrowding, long waiting hours, limited resources and medications, limited access to doctors and inconsistent service standards. These factors create demand for private healthcare, albeit at a cost.



Private Healthcare Sector - Western Medicine

The private sector is identified as a growing contributor towards providing medical and healthcare services in Sri Lanka. The number of private hospitals offering Western medicine grew to 207 in 2019. Hospitals are mainly restricted to urban centres of the country, particularly in Colombo and the Western Province. In 2017, there were 37 private hospitals registered in the Colombo district and 26 in the Gampaha district. Almost half of the total bed strength was concentrated within Colombo district.

New reputed players and increased capacity from existing major hospitals has resulted in saturation within the Colombo market. Together with Nawaloka Hospitals PLC, four other players dominate the private sector space and compete aggressively for market share.



Source: Central Bank of Sri Lanka

Availability of services vary in the private hospitals. Services of hospitals having inward facilities is given in the diagram below. (Ministry of Health, Annual Health statistics 2018, Report of Private Hospitals and State Indigenous Hospitals, 2017) Source : Ministry of Health

Share of health-related expenditure in overall Private Consumption Expenditure has increased over the years given the rise in income levels of the population and limited facilities at Government hospitals. However, the share still remains low at 2.8% due to the dominance of the public sector in providing free health services.

Aging population

Sri Lanka has a rapidly ageing population attributable to declining fertility and mortality rates. Expectation of life at birth is 75.5 years. According to UN projections, the share of the elderly is projected to increase to 25.7% of the total population by 2050 compared to 13.4 per cent in 2015. (Central Bank Annual Report -2019). The growing elderly population necessitates specialist geriatric care involving substantial investment.

Burden of disease

Concurrent with the rise in elderly care, diagnosis of non-communicable diseases (NCDs) is expected to rise aggravated by unhealthy diets, sedentary lifestyles, and tobacco/alcohol use. According to the WHO, NCDs are estimated to account for 83% of all deaths in Sri Lanka, of which cardiovascular disease, cancer, chronic respiratory disease and diabetes, collectively contribute to almost two thirds. NCDs demand longer and more expensive treatment programmes than many other illnesses.

TECHNOLOGY IS REVOLUTIONIZING THE WAY HEALTHCARE IS ORGANISED, MANAGED AND DELIVERED. MEDICAL TECHNOLOGY IS INCREASING THE ACCURACY AND PREDICTABILITY OF DIAGNOSIS, MONITORING AND TREATMENT WHILE DIGITALIZATION IS ENHANCING OPERATIONAL EFFICACIES, REDUCING COSTS AND IMPROVING CUSTOMER CONVENIENCE.

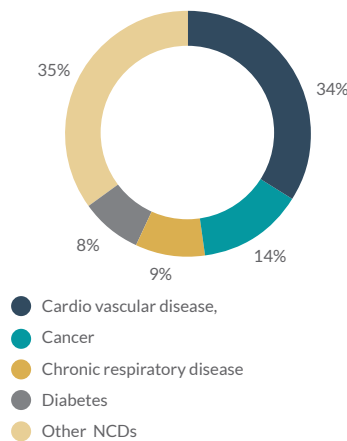
Technology and digitalization

Technology is revolutionizing the way in which healthcare is organised, managed and delivered. Medical technology is increasing the accuracy and predictability of diagnosis, monitoring and treatment while digitalization is enhancing operational efficacies, reducing costs and improving customer convenience. The need for social distancing in light of COVID-19 has led to an unprecedented increase in reliance on digital technologies by both health care providers and patients. Patients are increasingly using online and mobile technology to make service bookings and payments.

Shortage of skilled healthcare professionals

Similar to the global challenge, the healthcare industry in Sri Lanka is burdened with a shortage in skilled professionals including doctors, specialists, qualified pharmacists, nursing staff and technical staff. The issue is aggravated in the private sector, given that specialist consultants opt to serve the public sector for better exposure, opportunity for further training, and attractive remuneration such as tax-free income. These consultants are available to practice as visiting consultants in private hospitals only during off-duty periods. The competition among private players to attract skilled staff has resulted in significant cost escalations in the recent past.

Deaths from Non Communicable Diseases (NCDs)



1,203

persons per doctor



570

persons per nurse

OUR OPERATING ENVIRONMENT

With regard to trained nursing staff, many of the private players manage their own nurses training schools, including Nawaloka, assisting the hospitals to infuse new talent while rationalizing staff costs.

With regard to trained nursing staff, many of the private players manage their own nurse training schools, including ourselves, assisting the hospitals to infuse new talent while rationalizing staff costs.

Regulatory environment

Activities of the healthcare sector are regulated by the National Medical Regulatory Authority (NMRA) and the Private Health Services Regulatory Council (PHSRC). Regulators ensure compliance with quality standards in service delivery, healthy competition, competitive pricing and prevention of patients being exploited by private healthcare providers.

Although, there has been increased government regulation mandating price reduction of pharmaceutical medicines in the recent past, the impact to the private healthcare sector has been minimal.

Easter Sunday attacks and COVID-19 pandemic

Patient volumes and footfall in private hospitals were affected by the Easter Sunday attacks due to declined mobility and lower tourist arrivals. Patient volumes were further affected from March 2020, due to lockdown measures implemented to curb the spread of COVID-19 and heightened levels of uncertainty.

IMPLICATIONS OF COVID-19 AND OUR RESPONSE

The COVID-19 pandemic has presented unprecedented economic and social implications across the globe. The impact of the virus and the lockdown it triggered has been devastating even for the biggest economies of the world with causing the worst economic crisis since the Great Depression. In a Sri Lankan context, even though we managed to contain the viral spread in the initial stages, the second wave has impacted the country negatively, adding more pressure on what was already a challenging operating environment.

While the Healthcare sector has generally been immune to recessions in the past, given the elevated risk of contagion and the need for social distancing, have created significant concern about visiting healthcare facilities. Consequently, the industry has witnessed a loss of business in certain segments. However, it is believed that

this trend will not remain throughout as health care is an essential requirement. Further it is observed that a new segment of patients who patronized Government hospitals are now seeking healthcare facilities from the private Hospital. Nawaloka has gained the confidence of the people as a result of strict hygiene and safety measures taken in the premises.

At present, the private healthcare sector is working together with the Government to contain the contagion through testing. We will continue to explore other opportunities in this regard as vaccinations and therapies are rolled out after due testing.

IMPACT TO BUSINESS OPERATIONS

Nawaloka Hospitals PLC, like most other business organizations witnessed a drop in revenue as volumes declined across all SBUs. As a mitigating strategy we manage to curtail our cost structure. However, the Hospital has generated sizable revenue through Covid 19 testing.

PATIENT AND EMPLOYEE SAFETY

Keeping our patients and employees safe has been priority throughout this pandemic. The design of the new speciality centre focussed on minimizing infections by having specific areas for different specializations as well as laboratory and pharmacy facilities on each floor. This proved to be a timely investment as it facilitated a conducive environment for conducting business.

We have taken all precautions stipulated by the WHO and National health authorities. All safety procedures are monitored by the Quality Assurance and Infectious Control teams.



Patient and Employee Screening

- Screening of all employees and patients before entering the premises.
- Patients subjected to PCR testing before admitting.
- Dedicated entrance for patients who have suspicious symptoms.



Provision of Personal Protection Equipments

- Provision of masks and sanitizers, safety kits, face shields, goggles, gloves and other protective gear.
- Training on proper use of PPE.



Creating Awareness

- Create awareness through constant announcements, posters, emails, via daily briefing sessions and social media.



Infection Control

- Disinfecting hospital premises regularly, surface cleaning being done every 20 minutes in public areas.
- Safety precautions such as wearing a mask, maintaining social distancing, hand sanitizing.

IMPLICATIONS OF COVID-19 AND OUR RESPONSE

ADAPTING TO THE “NEW NORMAL”

Nawaloka Lab Test Online

This allows patients to access our site, upload their prescription, select their tests, payment option preferred as well as their sample collection preference whether it be via the Nawaloka Hospitals PLC drive through, collection at hospital or by way of specifying the time and delivery of their reports by email or by courier.

Revamping our corporate website, mobile application and call centre to handle channelling appointments and appointments for lab and radiology tests.

Medicine Delivery

Patients can WhatsApp their prescriptions and Nawaloka Hospitals PLC will deliver the medicine.

Video Consultation

OPD doctor consultation through video conferencing. This allows the patient to obtain medical advice without having to visit the hospital.

Creating Awareness

Use of social media to create awareness among the community. Providing advice on safety precautions.

Supporting the Government

We have directly supported the Government in their efforts to curb the spread of COVID-19 by enhancing our molecular diagnostic testing facilities to conduct PCR confirmatory tests. Our team has been provided with the required Personal Protective Equipment (PPE) and have been trained in the proper use of same. This reduces the pressure on Government for Covid testing

We have entered into various agreements with companies to conduct PCR testing on a random basis. We also conduct PCR testing for the Sri Lankans returning from overseas.



EXPERIENCED IN CARE



With over two decades of experience, Nawaloka Hospitals PLC has delivered outstanding care and commitment in every operation we undertake.

PERFORMANCE AND VALUE CREATION

- Value added statement
- Strategic Business Units
- Sustainable Shareholder Value
- Satisfied Customers
- Trusted Partnerships
- Infrastructure and Technology
- Expertise and Innovation
- Engaged Team
- Respect for the Environment

VALUE ADDED STATEMENT

	2018/19 Rs. Mn	2019/20 Rs. Mn
Revenue	8,534	8,556
Less: Cost of materials and services obtained	(5,315)	(4,937)
Add: Other income	245	149
Total value generated	3,463	3,768
Distributed as follows to;		
Employees: Salaries, wages & other benefits	(1,708)	(1,762)
Government: Taxes	(199)	182
Lenders of capital: Interest	(1,289)	(1,390)
Total expansion and growth	(269)	(798)
Total value Distributed	3,463	3,768

Rs. 1,762 Mn

Employees

Rs. 1,390 Mn

Lenders

SUPPORTING SOCIO ECONOMIC UPLIFTMENT OF COMMUNITIES

The company contributes economically for positive social impact as well.



Access to healthcare

Through our geographical footprint of hospitals, medical centres, and laboratories located island wide, we support the Government’s efforts to provide universal access to quality healthcare for all Sri Lankans.



Youth empowerment

Through our dedicated Nurses Training School, we contribute towards youth empowerment and development of skills. The Group attracts many students from around the island. Trainee nurses are provided a monthly allowance with annual increments, subsidized meals, free accommodation, uniforms and medical facilities directly contributing towards regional socio-economic growth. During the year, 50 students were graduated from the school and were absorbed into the Nawaloka Hospitals PLC cadre.



Development of Small and Medium Enterprises (SME)

We also contract with local suppliers whenever possible to source materials and services such as canteen services, janitorial services, transport services etc., contributing to the empowerment of Small and Medium Enterprises (SME). 2% of our local suppliers are SME to whom we made payment of Rs. 85 Mn, during the year.

STRATEGIC BUSINESS UNITS



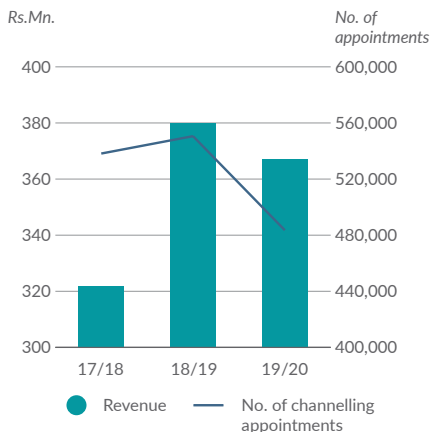
CHANNELLING SERVICES

Counting over 600 specialist consultants, we have the largest pool of specialists and consultants in the industry, serving the largest number of outpatients. Consultation chambers located at the new Specialist Centre are designed based on a modular concept where each specialty is allocated a designated area, giving patients privacy and screening from potential infections. This well thought out building plan has proved beneficial as patients felt safer visiting Nawaloka Hospitals PLC during the COVID-19 pandemic.

A total of 483,560 channelling appointments were made during the year corresponding to a revenue of Rs. 367 Mn., a contraction of 7.5% compared to the previous year.



Revenue and Channelling Appointments



LABORATORY SERVICES

Nawaloka Hospital PLC's state-of-the-art diagnostics centre in Colombo has the capability to conduct more than 2500 different tests in-house. With the installation of Cobas 6000 Laboratory Automation System last year we have been successful in enhancing the accuracy, capacity and speed in diagnostic testing and reducing the average average turnaround time to five hours.



We have invested in expanding the geographical reach of our diagnostics arm offering convenience, reliable diagnostics and affordability to patients located outside of Colombo. Our island wide laboratory network consists of 2 reference lab, 2 regional labs, 5 mini labs, 12 Company owned collecting centres and over 800 third party collection centres. These labs are managed by skilled medical professionals and technicians and supervised by a team of consultant specialists.

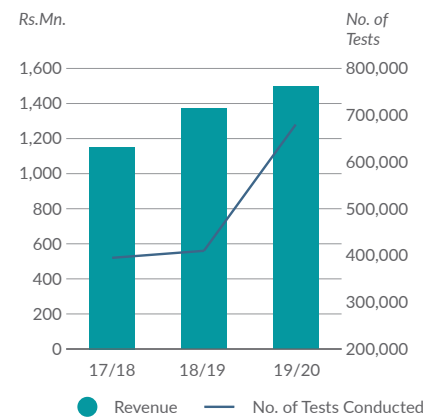
Under the hospital's geographic expansion plan, 2 mini labs were opened in Galle and Ragama during the financial year. The Galle laboratory is equipped to facilitate over 150+ specialised tests in hematology and biochemistry.

The Ragama laboratory commenced operations in 2020 with facilities to conduct over 100 specialised tests in haematology and biochemistry. The lab aims to service the Ragama Teaching Hospital and many of the surrounding medical institutions, fulfilling a medical need in the region.

A drive-through laboratory service was introduced during the year for customer convenience and safety where the payments could be made online and the sample collected via a drive-through facility. Further, we added three new PCR testing units to our portfolio.

Revenue generated through laboratory services during the year amounted to Rs. 1,499 Mn. recording a growth of 9% from last year.

Revenue and No. of Tests



STRATEGIC BUSINESS UNITS

Our state of the art technologically advanced theatre complex is the largest among the private hospitals.



THEATRES

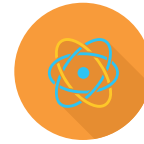
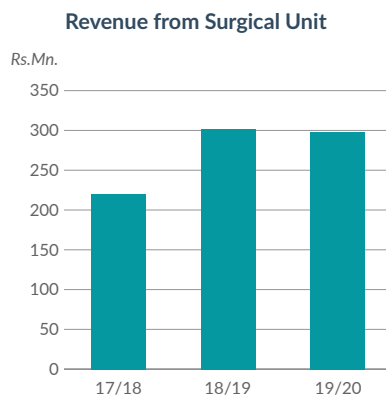
Our state of the art technologically advanced theatre complex is the largest among the private hospitals. The facility houses twelve theatres with dedicated sections for obstetrics and gynaecology including two private delivery suites. Six theatres are equipped with the laminar air flow facility specially designed for neuro and orthopaedic surgeries.



All necessary routine maintenance work and renovations are done in a timely manner to meet international standards while offering the latest technology. Regular training sessions are conducted for our staff to upskill them on evolving technologies. Surgeries performed during the year include,

Type	No.of surgeries	Type	No.of surgeries
Eye	4,717	Cardiac	496
General	2,373	ENT	351
Orthopaedic	1,063	Neuro	264
Gynaecology	1,108	Paediatric	65
Vascular	887	Thoracic	12
Kidney Transplant	14	Plastic	183
Urology	581	Other	2,489
Total			14,603

This segment contributed Rs. 298.2 Mn. to the Group's topline.



RADIOLOGY

Our radiology unit is one of the most technologically advanced radiology facilities in Sri Lanka, equipped with the world's fastest and most accurate 640 Slice CT scanner. We are the only private hospital to have two MRI scanners TESLA 3 and TESLA 1.5.



Services provided during the year,

	No.of Cases
CT Scans	9,417
MRI scans	13,950
X-ray	56,956
Dexa scans	2,394
Mammograms	2,091

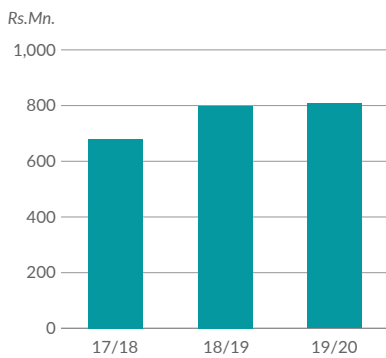


PHARMACEUTICAL

With the introduction of PACS (Picture Archiving and Communication System) we have been successful in reducing the waiting time as consultants can now view reports remotely.

The Radiology unit generated an income of Rs. 807.2 Mn. for the year compared to Rs. 797.2 Mn. last year.

Revenue from Radiology Unit

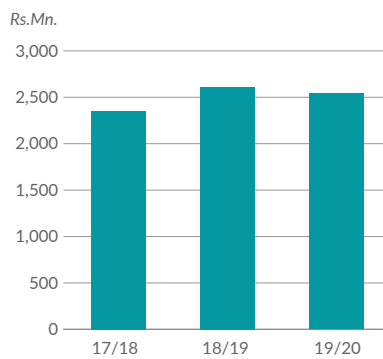


Our main hospital houses five pharmacies strategically located for customer convenience of both in-patients and out-patients. These pharmacies operate 24x7 while offering medicine delivery services.

Our pharmacies are well stocked and are manned by qualified and experienced pharmacists who can provide information on medicines and specific dosages to patients.

During the year the pharmaceutical operation generated a revenue of Rs. 2,540 Mn. compared to Rs. 2,608 Mn. in year 2018/19.

Revenue from Pharmaceutical Operations

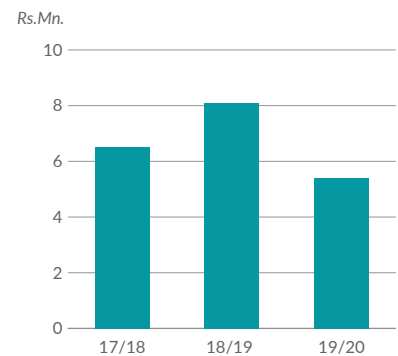


EMERGENCY TREATMENT UNIT

Equipped with 11 beds and 8 ambulances our ETU is well equipped to handle any emergency.



Revenue from ETU



SUSTAINABLE SHAREHOLDER VALUE



HIGHLIGHTS 2019/20

- + GP margin increased by 5%
- + Revenue growth of 0.3%
- + Asset growth 8.3%

"The Group performed commendably in a challenging year, characterized by two black swan events. While revenue grew to Rs. 8,556.4 Mn., the Group recorded a net profit of Rs. 15.9 Mn. compared to a net loss of Rs. 587.1 Mn. the previous year, proving that it can yet be resilient and effective, in delivering shareholder value."

Rs. 8,556 Mn.
REVENUE

56%
GROSS PROFIT MARGIN

Rs. 17,704 Mn.
TOTAL ASSETS



Rs. 3,430 Mn.
SHAREHOLDER FUNDS

STRATEGIC PRIORITIES

- Drive cost efficiencies and cost reduction across the organisation
- Optimize cashflow management
- Optimize capital funding
- Drive top line growth

Relevance to Capitals

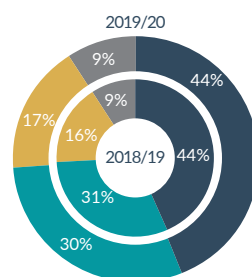


MANAGEMENT APPROACH

- Improving cashflows by driving business volumes while promoting cost efficiencies, cost reduction and differing all discretionary expenditure

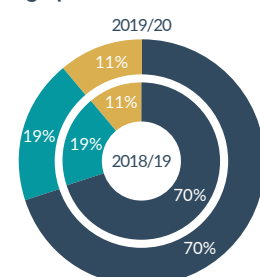
	2019/20	2018/19	Change
Profitability			
Revenue (Rs.Mn.)	8,556	8,534	22
Operating Profit (Rs.Mn.)	1,180	802	378
Profit After Tax (Rs.Mn.)	15.9	(587)	602.9
ROE	0.46	(16.2)	16.66
Financial stability			
Current Ratio	0.40	0.45	(0.05)
Gearing	2.6	1.77	0.83
Equity (Rs.Mn.)	3,430	3,441	(11)
Efficiency			
GP Margin	56%	51%	5%
Asset Turnover	50%	51%	-1%
Growth			
Total Assets (Rs.Mn.)	17,704	16,341	1,363
CAPEX (Rs.Mn.)	1,129	944	185
PPE (Rs.Mn.)	13,987	13,710	277

Semental Contribution to Revenue



- Hospital Operations
- Radiology
- Pharmaceutical
- Laboratory
- Deferred Revenue

Geographical Performance



- Colombo
- Negombo
- Gampaha

SUSTAINABLE SHAREHOLDER VALUE

FINANCIAL PERFORMANCE

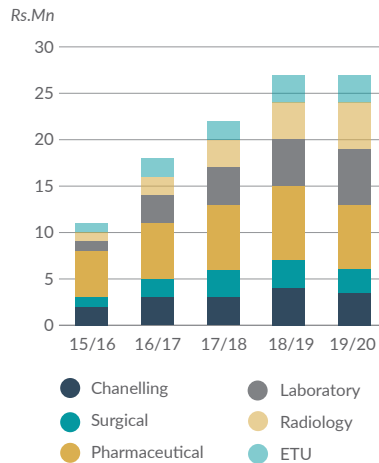
It was a difficult year as the period in review commenced with the Easter Sunday attacks. The security risk and uncertainty caused a drastic drop in patient numbers in the first quarter, while the volumes recovered during the second and third quarter, the final quarter was severely affected by the lockdown triggered by the pandemic.

REVENUE

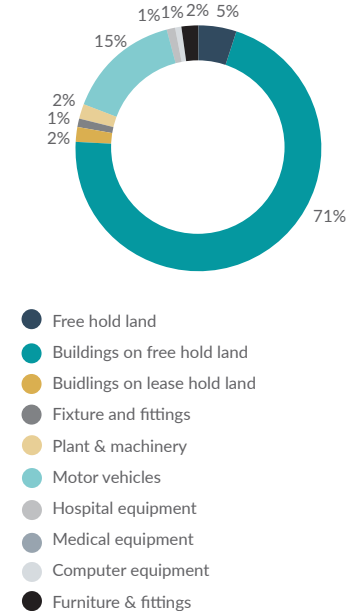
Under these challenging circumstances the Group reported a revenue of Rs. 8,556 Mn., a marginal increase of Rs. 22 Mn. (0.3%). This increase was mostly driven by our laboratory services. Revenue from channelling amounted to Rs. 367 Mn. while the surgical unit contributed Rs. 566 Mn. Pharmaceutical services recorded a revenue of Rs. 2,540 Mn. while revenue from laboratory services grew to Rs. 1,498 Mn. Revenue from Radiology also saw a marginal growth of 1% to reach Rs. 807 Mn. Revenue from Nawaloka Medicare Negombo and Gampaha amounted to Rs. 1,3 Bn. reporting a growth of 15%.



Segmental Revenue Over Time



Composition of PPE



GP MARGIN

The Group managed to improve the GP margin to 56% from previous years' 51% through driving efficiencies, adopting various cost saving mechanisms and through increase in volume of laboratory and radiology services. This improved GP margin resulted in a 5% growth in gross profit which amounted to Rs. 4,787 Mn. Cost saving mechanisms adopted included,

- Appointing a Cost Management team and analysis carried out for each department on cost reduction mechanisms
- Eliminating waste in clinical and non-clinical waste and effective consumption.
- Upgrading the chiller room in order to increase capacity utilization.
- Effective supplier assessments and driving economies of scale in purchasing
- Obtaining third party expertise on improving efficiency of equipment.

OPERATING PROFIT

Operating profit recorded a growth of 49% to reach Rs. 1,180 Mn. despite staff costs increasing by 3%. Curtailing all discretionary expenses and other measures enabled a decrease of administrative expenses by 4% to offset increases in other costs to an extent.

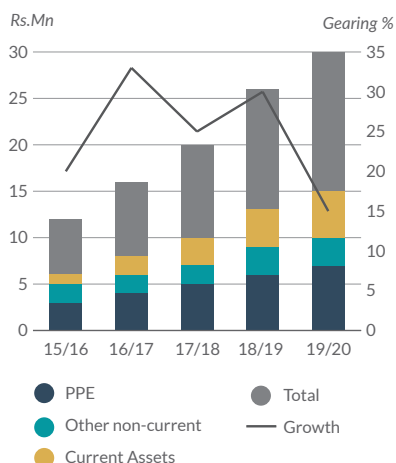
FINANCE EXPENSES

Despite the declining trend in interest rates, finance expenses increased by 9% on the back of an increase in short term borrowings. These fresh borrowings were to finance the retention fund paid to the construction company of the new specialty building and to bridge the gap in working capital as a result on fall in revenue.

NET PROFIT

Group made a profit of Rs. 15.9 Mn. Increase in gross profit margin and tight control of our administration expenses have supported the Group to achieve the tremendous results notwithstanding the low volume during the 1st half of 2019/20.

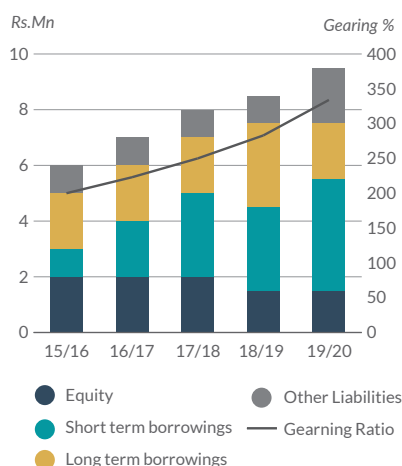
Growth in Asset Base



ASSETS

Group's total assets grew by 8% to Rs. 17,703 Mn. while non-current assets increased by 6% to Rs. 14,713 Mn. with a recognition of the right to use assets under the adoption of SLFRS 16. Capital expenditure for the year amounted to Rs. 1,129 Mn. compared to Rs. 943 Mn. of the previous year. This was led by Rs. 60 Mn. investment in room renovations and upgrading to modern amenities done at our main hospital. Hospital paid Rs. 800 Mn retention funds for the construction of the building during the period which increased the capital expenditure.

Funding Profile



SHAREHOLDER RETURNS

The twin black swans during the year dampened our forecasted performance which would no doubt have supported a growth in Net Assets per share. We are yet to reap the rewards of expansion due to same and look forward to increased utilisation of the facilities in the near future.

		2018/19	2019/20
Net Assets Per Share	Rs.	2.44	2.43
Earnings Per Share	Rs.	(0.42)	0.01
Dividend Per Share	Rs	0.05	0
Market Price Per Share	Rs	4.80	4.70
No of Shares In Issue	Nos	1,409,505,596	1,409,505,596
Market Capitalization	Rs. Mn.	2,025.21	4,087.50

Current assets accounted for 17% (2018/19- 14%) of Total Assets as at year end.

CAPITAL STRUCTURE

The Group has Rs. 14,273 Mn. of total liabilities. Main reason for the increase in debt was to fund the construction of multi-specialty car park and channeling centre. Group has restructured their capital payment following the impact to operations from Easter attack and Covid-19 pandemic.

CASH FLOWS

Cash flow generated through operating activities amounted to Rs. 793 Mn, increase by 1.4% compared to last year. This was due to the drop in revenue caused by the Easter Sunday Attacks, the COVID-19 pandemic and the widening gap between current assets and current liabilities. Cash outflow from investing activities amounted to Rs. 1,083 Mn. compared to Rs. 199 Mn. inflow in the previous year. This is due to payments to suppliers of construction of the building. Financing activity generated a net cash inflow on the back of the fresh borrowings made to bridge the gap in working capital and

for the payment of the retention fund for the new building. Net cash and cash equivalents was Rs. (862 Mn.) at the year end.

LIQUIDITY

Working capital was reduced from Rs. 332 Mn to Rs. (222 Mn.) Main reasons for such reduction were to do short term borrowings. The Management has rectified this by restructuring term borrowings over a longer repayment period.

OUTLOOK

We will strive to increase our business volumes to drive revenue and profit growth, while continuing in our effort to control expenditure. Expansion of the laboratory network will be our key focus to improve profitability. Nawaloka Hospital's strong brand name will be the key strength for the expansion.

We will continue to manage our liquidity by ensuring optimal working capital management and driving cost efficiencies across the Group. Opting for the Central Bank of Sri Lanka debt moratorium offered to businesses affected by the pandemic and the subsequent restructure of the term debt to longer tenure facilities has structured the working capital.

SATISFIED CUSTOMERS



"Customer capital is fundamental to our growth and is carefully nurtured in pursuit of our goal to become the preferred healthcare partner. We focus on providing patient-centered care and enhancing customer experiences."

HIGHLIGHTS 2019/20

- + Awarded JCI accreditation
- + Opened new dedicated elderly care unit
- + Refurbishment of orthopedic and gynaecology wards
- + Opened Nawaloka Cardiac Rehabilitation Centre
- + Launched lab and channeling drive through

**26,408
IN PATIENT
ADMISSIONS**

**86%
CUSTOMER
SATISFACTION
LEVEL**



**40,297
CHANNELLING
CONSULTATIONS/
MONTH**

STRATEGIC PRIORITIES

- Constant endeavours to improve patient experience and satisfaction
- Focusing on responsible patient care and patient safety
- Providing training all aspects of patient care, safety and experience to employees

MANAGEMENT APPROACH

- We are committed to providing patient-centric healthcare for our customers and strive to be their trusted partner for health.

Relevance to Capitals



Operating in an intensely competitive industry, we focus on sharpening the pillars of our customer value proposition, as derived from our Mission statement – “to provide the best quality healthcare in accordance with international standards to the needy in a cost effective, timely and professional manner”, in achieving our goals.



**Healing
with
Feeling**



**Best Quality
Healthcare**

We are focused on providing world-class healthcare to our patients while positioning Nawaloka as a preferred healthcare provider.



**International
Standards**

All our clinical and operational procedures meet the regulatory standards and are accepted internationally.



**Cost
Effective**

We are committed to delivering high quality affordable care supported by clinical and operational efficiency.



Timely

Constantly striving to be more accessible to our patients and thereby widening our footprint and investing in technology.



**Professional
Manner**

We are committed to safeguarding the privacy of our patients. We maintain ethical business standards and comply with relevant rules and regulations.

SATISFIED CUSTOMERS

BEST QUALITY HEALTHCARE

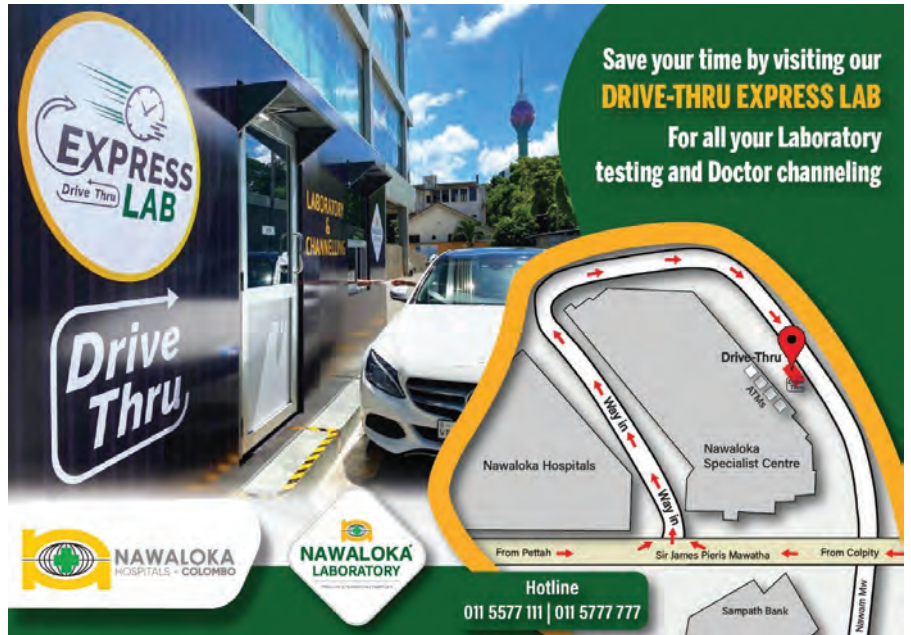
At Nawaloka Hospitals, we have built meaningful relationships with our customers, leveraging on our legacy of providing a superior patient-centric healthcare experience. We offer access to world-class healthcare, experienced and dedicated doctors, cutting-edge medical technology, as well as specialized centres of excellence.

We strive to ensure high quality clinical outcomes combined with a superior service experience delivered by skilled and caring nurses and employees.

We continuously invest in enhancing our patient care experience. This year was no exception, not withstanding its challenges and curtailed patient volumes as discussed in the Operating Environment – page 43.

Cutting edge technology

Nawaloka Hospitals has continually invested in state-of-the-art technology to enhance patient experience. The hospital is home to the 640 slice CT Scanner, the world’s fastest and most accurate and has invested in two high-tech MRI machines, offering patients the convenience of reducing waiting time and improved diagnostic capabilities. The launch of the Cobas 6000 Laboratory Automation System last year has enhanced accuracy, speed and capacity in diagnostic testing.



24 x 7 Call Centre

6,000+

Average number of daily incoming & outgoing calls

37s

Average time taken to answer a call

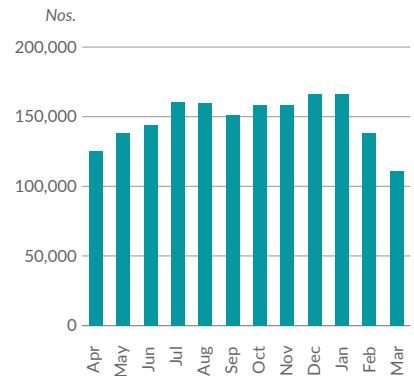
92%

Average response rate

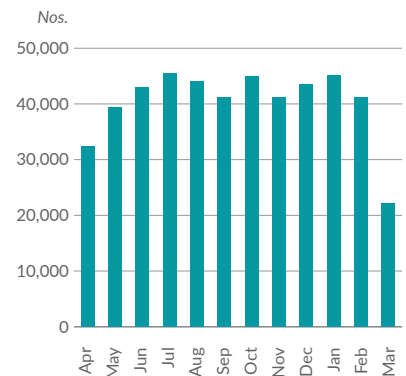
1 Minute

Average call handling time

No. of Calls Handled



Monthly Channeling Appointments



Catering to evolving needs

As a pioneer in the healthcare sector, we continually explore ways to improve our product offering and streamline our services to cater to the evolving needs of our patients. The expanded dedicated geriatric care unit the 'Nawaloka Elders' Holistic Healthcare' centre opened in March 2020 (please refer Infrastructure and Technology – page 68 for more details) offers growth opportunities in supporting the increasing medical needs of our ageing population, while the refurbishment of orthopedic and gynaecology wards during the year, enhanced our inpatient needs, affording us the ability to serve a greater number of patients.

Avoidance public gatherings including hospitals, in the wake of heightened security concerns following the Easter Sunday attacks was compounded by the Covid 19 outbreak in early 2020. In response, Nawaloka Hospitals PLC sought to enhance its telehealth facilities and service offerings providing customers the convenience of cashless transactions and limiting face to face interaction. The Nawaloka App, increased functions of the 24 x 7 call center, Nawaloka Drive Through Lab Services and delivery of medicines directly from the pharmacy on furnishing prescriptions via 'Whatsapp' were key initiatives launched. Refer Infrastructure and Technology - page 68 and Our Response to Covid 19 – page 47, for more details.

Professional and Empathetic Staff

We take pride in the high levels of service delivered by our medical and clinical teams of skilled and caring staff. Our employees are regularly trained on the job and off the job in aspects of evidence-based safe practices, patient care and customer service. Newly recruited employees are onboarded under the 'I am Nawaloka' a well-

structured orientation programme that facilitates ease in transitioning to their respecting roles in the hospital. All employees are individually evaluated by their immediate superiors on a quarterly basis against both clinical and non-clinical performance indicators and feedback given to drive consistency in quality while identifying areas for improvement. (Refer Human Capital – page 76).

Quality Assurance

We are committed to providing our patients with quality care and safety. Underpinned by a comprehensive framework of policies, Standard Operating Procedures and practices, our quality management system (QMS) is ISO 9001:2015 certified and ensures that all relevant functions are integrated to address areas such as patient safety, clinical outcomes, patient experience and employee safety. The QMS effectively manages our data and compliance, fostering a culture of continuous improvement.

All our clinical and operational procedures comply with regulatory requirements of Private Health Services Regulatory Council (PHSRC) and are benchmarked against international quality standards. (Please refer Intellectual capital on page 72). The Quality Assurance Department is responsible for the implementation and monitoring of all quality standards within the hospital and reports monthly to the Deputy Chairman.

The Quality Improvement and Patient Safety Committee consisting of medical and non-medical staff, meets weekly to monitor and review quality of care delivered during the week and to quickly identify improvements required to ensure patient safety and consistency of care. Operational issues arising daily are raised if required to the Committee for advice and problem solving.

Patient safety

We are committed to responsible patient care and patient safety. Our Standard Operating Procedures nurtures a safety culture and include patient safety programs, laboratory safety programs and infection control programs among others. As a JCI-accredited organisation, we comply with the International Patient Safety Goals, which helps to address key areas of concern in ensuring patient safety.

Customer Satisfaction



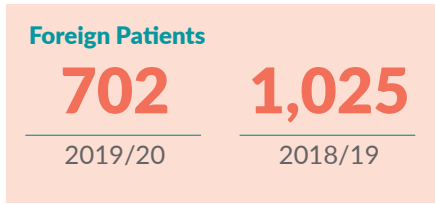
86%

Positive feed-back on SMILE application tabs

Nawaloka Hospitals caters to both local and international patients of varied demographic characteristics. Understanding customer expectations is vital for quality improvements and customer satisfaction which has a direct impact on our reputation. We encourage patients to give us feedback via several channels.

- Customer feedback channels - SMILE customer feedback application tabs are available at customer touch points such as cashiers, channel counters etc. Customers can also send their feedback through social media (Facebook, Instagram). Regular visits are also conducted to the inward patients' rooms by a Public Relations Officer (PRO).
- Feedback and complaints received through these channels are directed to the Quality Assurance Department (QAD) and followed up with the relevant department.

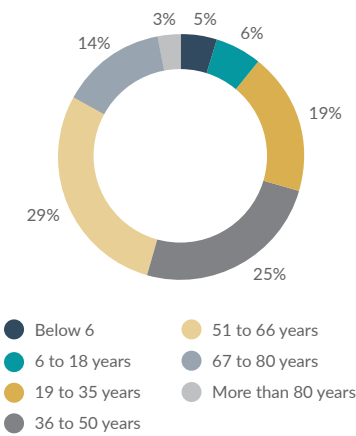
SATISFIED CUSTOMERS



This year we were awarded the Joint Commission International's (JCI) gold seal of approval for hospital operations. This accreditation reflects our commitment to provide high quality, safe and effective patient care to all our customers. Refer Intellectual Capital – page 72 for further details

Given both machinery and consumables are imported, the devaluation of the Rupee has a significant impact on our operations leading to pressure on margins and rising costs of healthcare. An increase in regulation of healthcare, both locally and internationally, is expected to increase compliance costs further. We adopt meaningful cost containment measures to achieve operational efficiency. Such initiatives implemented including streamlining processes to improve cost efficiencies, use of digital platforms to lower cost, allocating resources in an optimum manner and educating our staff on awareness as explained in Finance Capital - page 54.

Age Analysis of In-patients



covering out-patients, in-house patient care, nutrition, surgical and intensive care, paramedical services, and pharmacy

- ISO 15189 :2012 for Laboratory services for patient care, treatment and conducting of preventive services.
- 5 Crown Award for Food Hygiene – presented by Ind-Expo Certification Ltd. for the fifth consecutive year in recognition of the quality and hygiene of food

INTERNATIONAL STANDARDS

Globally renowned accreditations provide frameworks for driving excellence in service delivery. During the year, Nawaloka Hospitals PLC was awarded the Joint Commission International's (JCI) accreditation, an affirmation of the high standards maintained in hospital operations. (please refer Intellectual Capital - page 72). Other seals of approval include;

- ISO 9001:2015 quality management system awarded for the administration of the Hospital's healthcare services

AFFORDABLE HEALTHCARE

As a leader in the healthcare industry, Nawaloka Hospitals PLC has the responsibility to support Government efforts to deliver affordable, sustained quality healthcare to more Sri Lankans. Moreover, provision of affordable healthcare is particularly important in a period of falling disposable income.

TIMELY

We believe time is essential to improving clinical outcomes and reducing the cost of care, particularly in emergency situations. To ensure equitable access to high-quality private healthcare we endeavour to expand our operations island wide to widen the accessibility to our customers. Key highlights.

- A multi-specialty hospital in Colombo that supports a broad service offering
- Geographic expansion - Regional presence through Gampaha and Negombo Hospitals, island wide network of 7 laboratories and 5 pharmacies
- Central locations.
- Convenience through digital technology, NawalokaCare application, improved website (www.nawaloka.com) and 'Whatsapp' facilities that offer a host of mobile/ remote services that include online bill payments, online service bookings, channelling services and medicine delivery
- 24/7 call centre

International Accreditations





Nawaloka Hospitals Colombo



Nawaloka Medicare Gampaha



Nawaloka Medicare Negombo



Download



Revolutionary mobile application

WE ARE COMMITTED TO HIGH MORAL, ETHICAL AND LEGAL STANDARDS AND TAKE A ZERO-TOLERANCE APPROACH TO FRAUD, CORRUPTION AND COMPETITIVE BEHAVIOUR.

PROFESSIONAL MANNER

Nawaloka Hospitals PLC is cognizant of its responsibilities towards customer privacy, ethics, business conduct, marketing and labelling.

Customer privacy

We respect a patient's privacy and confidentiality of information. All patient related information including medical records are stored in secure platforms designed to prevent any unauthorized access and to protect privacy. We have adopted a security framework of systems and controls to enhance our protection against cyber threats and to safeguard personal information and will continue to invest in the system as required.

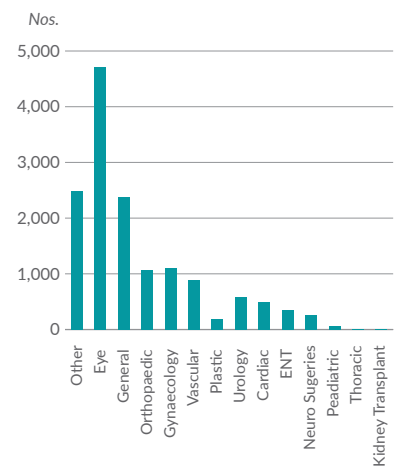
During the year there were no incidents related to breach of customer privacy or loss of data.

During the year, there were no instances of non-compliance of any product/service labelling or marketing communication regulations or laws.

Ethics and business conduct

We are committed to high moral, ethical and legal standards and take a zero-tolerance approach to fraud, corruption and competitive behaviour. Our Code of conduct and Ethics articulates the Group's policy regarding conflicts of interest, gifts, confidentiality, corruption and fair dealings and guides the employees of the expected standards of conduct. Training programmes, awareness campaigns and annual performance appraisals are used to entrench the code's principles and ensure that it is consistently applied within the Group.

Surgeries Performed During the Year



Marketing and labelling

Nawaloka Hospital ensures that all external marketing and patient communications comply with relevant regulations, including the Private Health Services Regulatory Council (PHSRC) and Consumer Affairs Authority (CAA).

TRUSTED PARTNERSHIPS



"Integral to the sustainability and growth of our business are the strong partnerships we have built with our consultant base, suppliers and local communities."

HIGHLIGHTS 2019/20

- + Strengthened consultant relationships through robust engagement
- + Promoted inclusive business practices, facilitating growth of SMEs and economic development.
- + Contributed to shaping national policy in improving industry sustainability.

WE ENGAGE WITH THESE PARTNERS TO NURTURE MUTUALLY BENEFICIAL RELATIONSHIPS.

600+

CONSULTANTS

697

SUPPLIERS



14,603

SURGERIES

DURING THE YEAR

STRATEGIC PRIORITIES

- Attract and retain consultants by providing a superior value proposition
- Build a strong and secure supply chain
- Support and empower local community

MANAGEMENT APPROACH

- We nurture meaningful and long-term relationships with our strategic partners and work towards the growth of the private healthcare industry.

Relevance to Capitals



NAWALOKA HOSPITAL HAS BEEN ABLE TO SUCCESSFULLY ATTRACT AND RETAIN THE LARGEST POOL OF VISITING CONSULTANTS FROM AMONGST THE PRIVATE HOSPITALS.

CONSULTANTS

In Sri Lanka's private healthcare industry, attracting and retaining visiting consultants is a key factor in driving patient volumes and holding market position. This is largely due to the scarcity of appropriately trained and qualified doctors in Sri Lanka and the increasing competition amongst industry players. By offering a superior value proposition, Nawaloka Hospitals PLC has been able to successfully attract and retain the largest pool of visiting consultants from amongst the private hospitals. The Hospital strives to develop mutually beneficial, long-term relationships with our consultants through ongoing engagement focused on understanding satisfaction levels, addressing their needs better and gaining insight into how the Consultant value proposition can be improved. Over 75% of our consultants have been registered with the hospital for over 5 years.

Our consultants communicate directly with the senior management and all issues are addressed immediately.

483,560

Channel appointments

14,603

Surgeries

Rs. 1.8 Mn

Training and development

TRUSTED PARTNERSHIPS



SUPPLIERS

Nawaloka Hospitals PLC engages with over 697 suppliers based locally to procure a wide range of items including medical equipment, pharmaceuticals, food and beverages and maintenance equipment.

The hospital is cognizant that effective supply chain management is critical to ensuring an uninterrupted supply of materials, particularly pharmaceuticals, and generates cost efficiencies that support improved margins. Nawaloka Hospitals PLC focuses on building a secure and sustainable supply base aligned with its business strategy through regular engagement with suppliers. Suppliers are routinely rationalized to improve efficiency and margins further, without compromising on quality.

High Quality Standards

The Hospital ensures that products are sourced from reputed and reliable suppliers, who adhere to high quality standards. Procurement processes are streamlined, driving transparency and efficiency

385 Local Suppliers **312** Pharmaceutical Suppliers

Medical Equipment
 Medical equipment is mostly imported through local agents of the manufacturer. Fair and transparent tender processes and negotiated contractual terms support procurement. Equipment is subjected to a test run prior to commissioning. Agents are engaged to train employees in handling equipment, after sales services and excising warranties.

Pharmaceuticals
 Most purchases are subjected to the approval of the NMRA. Other pharmaceutical purchases require product test certificates and other SLS certifications.

Food & Beverages
 Ensures that suppliers adhere to required quality standards ie SLS certification.

Supplier Assessment

Potential suppliers are evaluated based on their quality, conformity to regulatory requirements and financial stability as follows.



Quality

- Quality certifications
- Service agreements
- Site visits
- Testing prior to order placing
- Supplier audits



Conformity of regulatory and ethical requirements

- Ensuring all suppliers conform to regulatory requirements
- Ensuring that suppliers are certified by the Central Environmental Authority



Financial Stability

- Liquidity
- Financial position
- Ongoing engagement with suppliers

Empowerment of Small & Medium Enterprises (SME)

We source from local business suppliers wherever possible to support growth of Small & Medium Enterprises (SME) and provide an anchor for boosting economic growth within the communities we operate in. In 2019/20 we sourced janitorial and gardening services, manpower, transportation and canteen services from local suppliers for Rs. 85 Mn. SMEs comprise 2% of our suppliers.

SHAPING NATIONAL POLICY

As an active contributor at industry forums, we engage in matters of policymaking to improve industry sustainability. Key business associations in which we hold membership includes;

- Private Health Services Regulatory Council
- The Ceylon Chamber of Commerce
- The Employers' Federation of Ceylon

CORPORATE SOCIAL RESPONSIBILITY

Under the Nawaloka Sathkara initiative, we contribute towards positive economic and social change by engaging in community upliftment programmes to support their development and enhance their quality of life. During the year we focused our efforts on three key areas in creating value for the community through Medical Camps and Social Awareness Programmes, School Infrastructure Development and Charity and Donations.

Medical Camps and Social Awareness Programmes

Every year we conduct free medical camps and awareness programmes on serious medical issues. These programmes allow us to play a meaningful role in providing healthcare services to those in need and who cannot afford it.

- Investment – Rs. 4.5 Mn.
- Number of medical camps – 40
- Number of Awareness programmes held – 56
- Total number of participants – 15,085

School Infrastructure Development

Provided sanitation facilities at three primary schools.

- Investment – Rs. 1.5 Mn.
- Total number of children benefited – 450

Charity and Donations

- Total donated – Rs. 4,392,151/-

OUTLOOK

Going forward we will continue to nurture mutually beneficial relationships with our consultants and medical professionals, leveraging on their expertise to grow our business. We will also foster stronger relationships with our suppliers, monitoring the quality and continuity of our supply chains.

INFRASTRUCTURE AND TECHNOLOGY



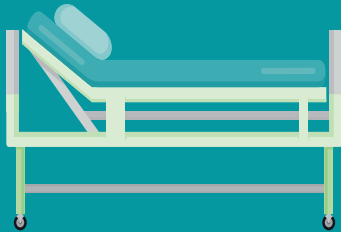
HIGHLIGHTS 2019/20

- + Refurbishment of Orthopedic and Gynaecology in-patient rooms
- + Opening of two regional labs
- + Upgrade and investment in Holistic Elderly Care Unit

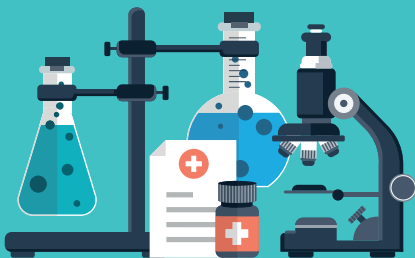
"Infrastructure and Technology are key differentiators in the private healthcare sector and we continue to invest in both to deliver superior value to our customers and other stakeholders."

IT ENABLES US TO WIDEN OUR DIAGNOSTIC AND TREATMENT CAPABILITIES, ENHANCE PATIENT OUTCOMES. OUR REPUTATION AS AN INNOVATOR IN THE FIELD OF HEALTHCARE HAS BEEN SUPPORTED BY INVESTMENTS IN THIS VITAL ASPECT OF HEALTHCARE AND IS A KEY DRIVER OF OUR SUCCESS.

7 PHARMACIES



400+ BEDS



800+ LABORATORY COLLECTION CENTRES

STRATEGIC PRIORITIES

- Being at the forefront of the healthcare industry by offering the latest and most effective medical facilities.
- Offering cutting edge medical technologies for most effective medical diagnosis
- Operational excellence and customer convenience through digitization

MANAGEMENT APPROACH

- Continuous investment in upgrading hospital infrastructure
- Staying ahead of the competition by introducing the latest medical technologies

Relevance to Capitals



IN OUR QUEST TO PROVIDE THE BEST QUALITY MEDICAL CARE TO OUR CUSTOMER WE MAKE CONTINUOUS INVESTMENTS IN BRINGING THE BEST AVAILABLE MEDICAL EQUIPMENT.

MANUFACTURED CAPITAL

PPE Category	Opening	Additions for the year 2019/20	Depreciation for the year 2019/20	Accumulated Depreciation	NBV
Buildings Constructed on Free Hold Land	666,203,392	13,980,310	10,879,126	61,139,274	619,044,428
Buildings Constructed on Lease Hold Land	9,997,834,105	844,399,393	106,198,041	543,593,347	10,298,640,151
Work In Progress	22,116,641	(6,360,643)	-	-	15,755,998
Fixture & Fittings	658,119,751	31,713,574	38,773,890	377,195,838	312,637,487
Plant & Machinery	125,137,255	-	11,409,102	111,434,936	13,702,319
Motor Vehicles	565,696,117	(34,631,120)	49,049,294	417,643,323	113,421,674
Hospital Equipment	656,040,474	25,090,269	46,413,132	390,085,276	291,045,467
Medical Equipment	5,042,190,023	164,806,027	321,712,399	3,353,625,611	1,853,370,440
Computer Equipment	307,168,208	19,218,659	36,689,609	250,866,253	75,520,614
Furniture Fittings	254,931,666	9,319,593	19,098,571	128,397,452	135,853,807

INFRASTRUCTURE AND TECHNOLOGY

INFRASTRUCTURE

The Specialist Centre

Spread over 400,000 square feet, the specialist centre which was declared open in 2017 is the first ever health facility to introduce modular channelling and consultation rooms in Sri Lanka. This modular concept gives patients more privacy and ensures their safety. This well-thought-out building plan served us well during the COVID -19 pandemic as we were able to maintain social distancing between patients to facilitate their health and safety.

Special features include:

- Central location with easy access for patients from Colombo and from other areas due to its proximity to the Colombo Central bus stand and the central Railway station.
- Three dedicated floors for consultation chambers with pharmacies on each floor for customer convenience.
- Multi-story car park for 600 cars,
- Supermarket for the convenience of patients
- Laboratory and diagnostic services in each floor
- Multiple pharmacies.
- Energy saving features minimising our carbon footprint.

Nawaloka Elders' Holistic Healthcare

This is a dedicated centre for the elderly where specialized care is provided to improve the quality of life. Staffed with a team of elderly care specialist doctors, specialist nurses, physiotherapists, occupational therapists, dieticians and speech therapists this unit specializes in the following areas:

Premier Centre

This facility caters to discerning customers offering personalized healthcare under luxurious conditions. The centre houses clinics in cardiac care, liver care, diabetes management, rheumatology, mother and baby clinic, a fully functional laboratory and facilities for ECG's, X-rays, Ultra Sound scans among a host of other essential, healthcare facilities.



- Holistic elderly health program offering inpatient and outpatient services and rehabilitation care
- Active ageing care program providing assistance in maintaining physical, mental and emotional health
- Long term care respite care program
- Palliative care unit offering compassionate and professional care to those battling long term illnesses.

Specialty Centre for Menopause

Launched under the Serene Health Screening Centre, this unit is aimed at assisting women in handling physical and psychological symptoms of menopause under the direction of a highly experienced panel of consultants.

TECHNOLOGY AND INNOVATION

In our quest to provide the best quality medical care to our customers we make continuous investment in introducing the best available medical equipment. Over the years we have pioneered the introduction of many new medical technologies to the country such as the latest 640-slice CT scanner, 4D Ultra Sound Scanner, and the Fibro Scanner. (Please refer Milestone in page 10)

This has assisted our consultants and specialists in making better and more accurate medical diagnoses as well as expanding the therapies and treatments available in managing patient outcomes. Periodic maintenance work is carried out as required to ensure availability of quality and uninterrupted service to our patients.

CT Scanner

Providing fast, cutting edge diagnostic medical imaging services, our radiology unit is equipped with the world's fastest and most accurate CT scanner Toshiba Aquilion One. It can routinely scan at 0.275 second scan speed, 20 times faster than the commonly used scanners. This state-of-the-art scanner gives unprecedented accuracy and crystal-clear details.

MRI

With 3 TESLA and 1.5 TESLA MRI scanners, Nawaloka Hospitals PLC is the only hospital in Sri Lanka to have two MRI machines in operation, thereby reducing waiting times for our customers.

1987	1992	1995	2007	2011	2012	2016
Introduced the first CT Scanner in Sri Lanka	Established the first Mammography Unit in Sri Lanka	Introduced the first MRI Scanner in Sri Lanka	Introduced the first Flat Panel Angiography system	Commissioned the first state-of-the-art 3 TESLA MRI Scanner in Sri Lanka	Performed the first Live Donor Liver Transplant surgery in Sri Lanka	Introduced the Fibro Scan to quantify Liver Fibrosis

PACS

We have also cutdown the waiting time by introducing the PACS (Picture Archiving and Communication System), where consultants are now able to view CT and MRI scans from their mobile phones. This has greatly improved diagnostic capabilities, short and long-term storage, retrieval, management, distribution and presentation of all radiological images and information management. PACS has also,

- Enhanced our relationships with doctors, since it has enabled them to collaborate across disciplines on improving patient outcomes and provided them with remote access to patient charts and test results, enabling quicker decision-making and earlier treatment.
- Formalised and expanded multi-disciplinary team meetings, comprising surgeons, radiologists, pathologists, physicians etc to agree on the care plan for a patient and provide doctors with added support.

Fibroscan

Nawaloka Hospitals PLC was the first to introduce FibroScan to Sri Lanka. This is a technique used to assess liver stiffness without invasive investigation, giving immediate results. This enables the physician to monitor a patient's liver health overtime.

Central Laboratory

Nawaloka has the single largest diagnostics centre in the country spanning an area of 20,000 square feet and provide an entire range of diagnostic laboratory investigation services. More importantly,



Nawaloka Care Mobile App

www.nawaloka.com

Nawaloka KIOSK

we have been successful in reducing the turnaround times molecular biology and gene tech services. It is the single largest with the introduction of the laboratory automation system Cobas 6000 last year further enhancing customer value and reduce turnaround time.

OPERATIONAL EXCELLENCE THROUGH DIGITAL TRANSFORMATION

Digitalization plays a key role in delivering quality service to our patients, increasing safety and minimizing any human or medical errors as well as strengthening the interaction between the patient and the hospital.

In order to stay ahead in an industry that is rapidly becoming digitally enabled, we have implemented a customized, integrated ERP system interfaced with key systems that consolidate all our processes, improving operational efficiency. The ERP system ensures patients records remain updated in real time and accessible online, delivering efficient and faster service. It also facilitates data analytics supporting medical and clinical decision-making. Further, the laboratory system identifies patients who need extra medical support and gives timely alerts, subsequently reducing the impact of any errors and increasing efficiency.

Other initiatives include,

- Introducing audio and video conferencing for doctor consultations.
- Convenience and contactless communication offered through the mobile application NawalokaCare available on Android and IOS platforms. Facilitates online channelling, online lab reports.
- Updating our website www.nawaloka.com to enable booking of services online.
- System generated SMS for customers to collect reports from laboratory and radiology units.
- KIOSK systems to collect lab reports and to obtain customer feedback.
- Facility to send drug prescription to the pharmacy via 'Whatsapp'.
- Extending free wifi offered to all patients, enhancing customer satisfaction levels.
- Digitalizing OPD Doctor diagnosis card and facilitating doctors with the ability to remotely access the digitalized medical records.

OUTLOOK

Our focus will be on delivering patient-centric clinical care through continued investment in advancing technology. As a pioneer in the industry we will continue to implement new medical technologies, digitization and data solutions for the benefit of our business and patients while driving sustainability.

EXPERTISE AND INNOVATION



"Our Intellectual Capital provides a significant competitive advantage, differentiating our value propositions in a highly customer centric industry."

HIGHLIGHTS 2019/20

- + Receiving JCI Accreditation
- + Upgrade of the HIS system driving process efficiencies
- + New business lines and service offerings developed such as the Elderly Care Unit, Menopause Centre
- + Knowledge sharing of Best Practices at consultant forums

IT ENCOMPASSES THE SKILLS AND EXPERTISE WHICH IS A VITAL FACTOR FOR OUR BUSINESS COUPLED WITH SYSTEMS AND PROCESSES WHICH RECEIVED THE PRESTIGIOUS JOINT COMMISSION INTERNATIONAL CERTIFICATION. OUR UNIQUE CULTURE NURTURED OVER DECADES AND OUR BRAND ALSO FORM AN INTEGRAL PART OF OUR INTELLECTUAL CAPITAL WHICH ALTHOUGH NOT MONETISED, IS A KEY DRIVER OF OUR VALUE CREATION PROCESS.

Rs. 1.8 Mn. TRAINING AND UPSKILLING STAFF

486

EMPLOYEES
WITH OVER
10 YEARS OF
EXPERIENCE



JCI ACCREDITATION

STRATEGIC PRIORITIES

- Product and service differentiation
- Leverage on social media and digital channels for brand building initiatives
- Improve quality standards

MANAGEMENT APPROACH

- We consider our brand equity, organizational knowledge, systems and processes a key competitive advantage and strive to nurture these elements by leveraging technology and incorporating global best practices.

Relevance to Capitals



QUALITY STANDARDS AND ACCREDITATIONS

As we deal with patient lives, strict adherence to standards and processes is vital to supporting continuous improvement of patient outcomes. Over the years we have sought accreditation of our processes from internationally reputed bodies to benchmark ourselves with international best practices which has also supported evolution of our systems due to the rigour of the third party assessments. During the year we were awarded the Joint Commission International's (JCI) gold seal of approval for hospital accreditation. JCI's hospital standards are developed in consultation with worldwide healthcare experts and providers, consequently helping organisations measure, assess and improve performance.

The JCI Gold seal is awarded subsequent a rigorous on-site survey evaluating the hospital 's commitment to a spectrum of areas such as:

- Access to care and continuity of services
- Anaesthesia and surgical care
- Patient assessment and care
- Medical management
- Patient and family education rights
- Quality improvements
- Access to care and continuity of services
- Governance
- Direction and leadership
- Facility management and safety
- Staff qualifications and education
- Information management

Through its meticulous standards and benchmark practices within the hospital setting, JCI accreditation will help Nawaloka Hospitals PLC in enhancing its performance and providing better quality healthcare to its patients.

EXPERTISE AND INNOVATION

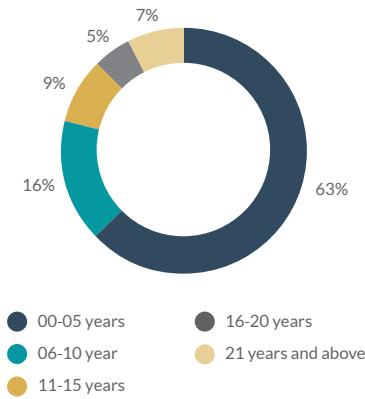
Other accreditations include,

- ISO 9001:2015 quality management System certification – we were the first ISO certified private hospital in Sri Lanka in 2017. Our comprehensive quality management system encompasses all business functions and ensures quality services to our customers.
- 5 Crown Award for food hygiene awarded by the Ind-Expo Certification Ltd. This recognises and certifies food safety management systems that align with high kitchen procedures and detailing international standards. It rates kitchen procedure following a comprehensive audit, which includes awarding points for the maintenance of accurate documentation detailing all processes that occur within the kitchen.
- ISO 15189:2012 for clinical testing and good laboratory practices. ISO 15189 certifies, laboratory equipment, reagents, consumables, pre-examination processes, examination processes, ensuring the quality of testing results, post-examination processes, reporting of results, the release of results, and laboratory information management.

EXPERTISE

As a healthcare provider, the skills possessed by our medical professionals plays a pivotal role in the quality of the service we offer. The collective knowledge of our team, together with their skills and experience supports customer satisfaction, improved patient outcomes and our reputation as a leading healthcare institution in the country. Tacit knowledge is nurtured through a learning culture which stimulates innovation and knowledge sharing. Our medical staff participate in monthly technical sessions conducted by the consultants to bring them up to date on new development in the medical field.

Employees by Years of Experience



Despite the industry-wide high employee turnover, 20% of our staff has been with us for more than 10 years. This reflects the effectiveness of our retention strategy and our holistic employee value proposition.

Additionally, our Senior management consists of some of the most experienced personnel in the industry. The collective tacit knowledge and experience they represent plays a crucial role in driving our strategy and performance

Designation	Years of Experience in the Field
Medical Superintendent	18
Chief Nursing Officer	42
Senior Manager-Operations	32
Head of Finance & Corporate Planning	13
Senior Coordinating Officer and Maintenance Manager	35
Senior Coordinating Officer	35
Head of Information Technology	22

Designation	Years of Experience in the Field
Head of Human Resources	16
Senior Coordinating officer O2	39
Electrical & Medical Engineer	15

SYSTEMS AND PROCESSES

In order to sustain our competitive edge while providing a framework for business conduct within the organization it is important to have robust systems and processes in place. We focus on driving efficiency and productivity by upgrading processes and digital competencies.

We have implemented an ERP system to consolidate all our service platforms to enhance clinical outcome and to reduce clinical risks. This provides the doctors with mobile access to patient medical records and vastly improves our operating efficiency.

Other initiatives include,

- Picture Archiving and Communications System (PACS)
- Cobas 6000 Laboratory Automation System
- Implementation of HIS cluster solution to upgrade our server
- OPD doctor diagnosis card to facilitate doctors in remotely accessing digitalized medical records.

This has proved invaluable given the measures implemented to contain the COVID-19 pandemic, particularly in the 2020/21 financial year.



Toshiba Aquilion One, The world's fastest and most accurate CT Scanner



TESLA 3 MRI scanner, provides a sophisticated imaging system for accurate diagnosis



Cardiac catheterization lab, first of its kind in Sri Lanka. The system optimizes efficiency with leading solution for diagnostic, interventional and paediatric cardiology, as well as vascular interventions and electrophysiology

INNOVATION

Technology plays a pivotal role in delivering value to customers by enhancing diagnostic and treatment capabilities. With rapid advances in medical technology, we need to invest continuously in order to attract sought after consultants and remain competitive in an increasingly competitive industry with a growing number of competitors. Consequently, we have spearheaded the private healthcare industry in Sri Lanka by introducing many new medical technologies to build one of the best designed and most technologically advanced private medical facilities which offers access to the latest diagnostics and therapies to our patients. (Please refer Infrastructure - page 68).

BRAND VALUE

We have built a strong brand presence over the last three and a half decades not only in our industry but also in the corporate world. Our effort in providing the best quality care along with the best available medical equipment has given us the reputation of being a pioneer in medical technology in Sri Lanka.

Idea Box

In 2019, the Hospital introduced the Idea Box, an initiative to drive a culture of innovation and continuous improvement. Employees across the organization are encouraged to propose process improvements and mechanisms to enhance customer service, increase production efficiency, eliminate waste and reduce costs. Several proposals have been received and are being evaluated by a team headed by the Deputy Chairman. Employees whose suggestions are implemented will be rewarded.

CULTURE

This is a combination of our values, ethics, expectations, practices, and procedures that guide us in achieving our goals. These traits impact every aspect of our business from recruitment to retention to performance.

I AM Nawaloka

Our open-door policy encourages active engagement with our staff, and we welcome suggestions from all our employees. We demonstrate appreciation towards our team by giving them due recognition while motivating them to reach their full potential. Career progression is encouraged by giving our employees the opportunities they require to work towards their aspirations.

OUTLOOK

We will continue to invest in technology and digitization with the aim of enhancing our services while driving efficiency. Upskilling our existing talent pool through training and development programs while retaining expertise within the organization will be another area of focus. This will also strengthen our brand presence while enriching the overall customer experience.

Implementing PACS has been a key milestone supporting our transition to the future of healthcare and we will continue to widen our scope in supporting patient convenience and facilitating the efficiency of busy consultants who are able to now access necessary records with ease and in more detail.

ENGAGED TEAM



"Employees play a pivotal role in fulfilling our customer needs and the customer experience while creating a competitive advantage over our competitors."

**WE FOCUS ON BUILDING
STRONG RELATIONSHIPS
WITH OUR TEAM BY
OFFERING THEM A HOLISTIC
VALUE PROPOSITION.**

HIGHLIGHTS 2019/20

- +** 618 New Recruits inducted under the 'I am Nawaloka' programme
- +** Focused training on driving customer oriented behaviour
- +** Focus on team building

Rs. 3,712,121
REVENUE
PER EMPLOYEE

83%
RETENTION
RATE

TOTAL
NO. OF
EMPLOYEES
2,305

STRATEGIC PRIORITIES

- Talent retention to combat high employee turnover.
- Safeguarding the workforce during the pandemic.

MANAGEMENT APPROACH

- Effective screening process at recruitment stage.
- Competitive remuneration and other benefits.
- Opportunities for career progression.

Relevance to Capitals



TEAM PROFILE

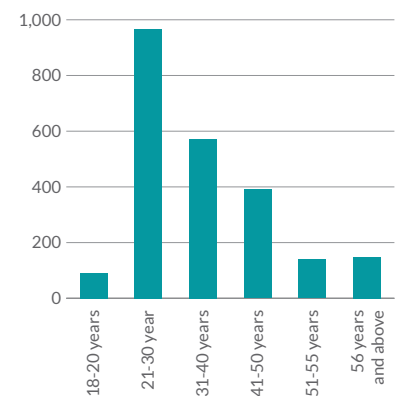
Our human capital of 2,305 employees as at the year end, consists of medical officers, nurses, medical support staff and administrative staff. Depicted below is an analysis of our team based on several criteria.

Grade	Male		Female		Total
	No.	%	No.	%	
Executive Director	4	80%	1	20%	5
Executive	92	66%	48	34%	140
General	415	33%	849	67%	1,264
Medical	18	49%	19	51%	37
Nursing	23	4%	502	96%	525
Other	120	36%	214	64%	334
Total	672	29%	1,633	71%	2,305

OUR APPROACH TO MANAGING HUMAN CAPITAL

The Healthcare sector in the country continues to experience high employee turnover due to intense competition. Our vision of being the 'hospital of tomorrow' is dependent on having the right people with the right skillsets. Consequently, we are focused on talent retention, development through training and implementing strategies that will ensure a highly engaged workforce.

By Age



Rs. 1.8 Mn.
INVESTMENT
IN TRAINING AND
DEVELOPMENT

ENGAGED TEAM

Our formalised HR framework comprises a suite of policies that seek to embed equal opportunity, fair remuneration and a conducive workplace for all our employees. It complies with all relevant labour regulations and incorporates industry best practices.

The Code of conduct clearly sets out the expectations for employee behaviour, reflecting our core values and the Nawaloka culture nurtured over decades. It also defines the consequences of any breach and reporting procedure for any unethical

conduct. The Healthcare industry necessitates a high level of diligence and attention to detail due to the potential consequences of mistakes and negligence on human life. Accordingly, our Code of Ethics emphasizes the importance of this by including strict ethical standards, values, protection of patients' interests and requirements to uphold professional integrity.

Our zero-tolerance approach to any discrimination encourages gender parity while promoting a performance driven culture. This is also reflected in our

remuneration policy where there is no discrimination in pay between genders. The Group's female representation was at 71% as of the year end including 34% at executive level and above.

In adherence to the HR policy and as an ethical corporate citizen we do not engage in any form of child labour or forced labour.

As illustrated below we offer a holistic value proposition to our employees, providing opportunities to realise their personal aspirations while working towards organizational goals.

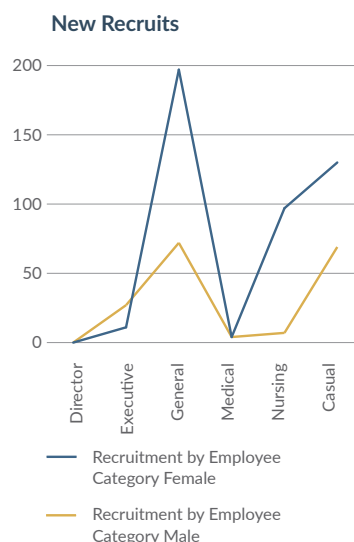
Employee Value Proposition				
COMPENSATION	BENEFITS	CAREER PROGRESSION	WORK ENVIRONMENT	CULTURE
<ul style="list-style-type: none"> Salary Incentives Fairness 	<ul style="list-style-type: none"> Time off Retirement 	<ul style="list-style-type: none"> Career path Career development Training & development 	<ul style="list-style-type: none"> Leadership Recognition Work-life balance Health and safety 	<ul style="list-style-type: none"> Mission Values Teamwork Social responsibility

RECRUITMENT

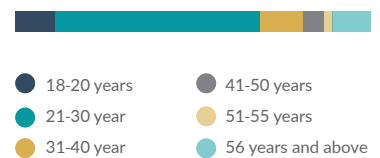
Employee turnover rate for the year was 33% while we added 618 new members to our team. This is compared to a turnover rate of 37.07% and new recruits of 953 in the previous year. Majority of the new recruits (249) were absorbed into the general category, while 293 were absorbed as casual workers.

High employee turnover is common across the healthcare sector due to the paucity of skilled talent in the industry. We strive to overcome this by offering our employees competitive remuneration packages combined with benefits.

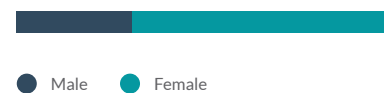
All vacancies are advertised, and suitable candidates are chosen based on their merit. The final decision is made by the Interview Board.



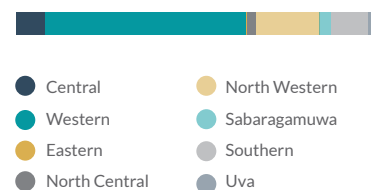
By Age



By Gender



By Region



EMPLOYEE ENGAGEMENT AND GRIEVANCES

A working environment where employees feel valued and appreciated has a direct impact on retaining top talent within the organization. Our open-door policy encourages employees to bring forward their grievances and concerns with the superiors. Numerous other formal and informal mechanisms are carried out to encourage and facilitate a high level of engagement with our employees.

- Daily briefs at each department
- Employee feedback session conducted each quarter
- Annual trip

We have provided a safe environment for our employees to raise their grievances by having a systematic process. All complaints are given a fair hearing and appropriate action is taken promptly. Given below are grievances handled during the year.

Identified and fulfilled

Grievances	Priority	Addressed	Remarks
Employee accommodation	186	179	All these basic needs already addressed
Employee vehicle parking	3	3	
Staff meals	117	115	
Long shifts	2	2	

- The “Best Employee of the year” award – to give recognition to committed employees and award their excellence.
- The “Best Suggestion Award” – to encourage employees to give feedback and an opportunity to have their opinion valued.

- Annual bonus based on Company performance
- Travelling, fuel and vehicle allowance
- Marriage allowance
- Staff loans at concessionary rates
- Staff accommodation
- Staff meals at subsidized prices
- Scholarships for children of employees
- Medical camps
- Subsidized medical entitlements

REMUNERATION AND BENEFITS

	2019/20	2018/19
Staff Cost (Rs.Mn.)	1,533	1,545
Defined Benefit contribution Schemes (Rs.Mn.)	167	170
Gratuity (Rs.Mn.)	62	46

Group remuneration is competitive to attract and retain talent and comply with all regulatory requirements. Compensation packages are evaluated regularly by the Remuneration Committee and revisions made when necessary.

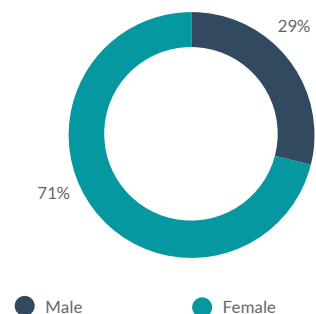
FOSTERING A PATIENT FIRST CULTURE

A key focus area this year was developing behavioural standards to drive a patient-first culture through-

out the organization. Several programs were held with tailormade training interventions to establish professional and positive behaviours expected from every ‘Nawalokian’.

Employees were assessed on the standard expected by their immediate supervisors on a quarterly basis through formal appraisal programmes. One to one feedback ensured reinforcement of the behaviours expected.

Gender Representation



ENGAGED TEAM

I AM NAWALOKA

I am Nawaloka is the recently introduced induction process where all new recruits are integrated into our organization together with our culture and values. A three-day program is conducted at inception based on our vision to be “the hospital of tomorrow” and in nurturing behavioural standards for a patient- centric culture. This is followed by thirty days of departmental orientation where recruits become acquainted with the operational processes in their respective role. Each recruit will be assigned an immediate superior to guide and educate him or her on departmental processes. At the conclusion of the program all recruits are evaluated via a written test and individuals who underperform are given further training.



OCCUPATIONAL SAFETY PLAYS A VITAL ROLE IN OUR EMPLOYEE VALUE PROPOSITION ESPECIALLY DUE TO THE INHERENT RISKS INVOLVED IN THE HEALTHCARE INDUSTRY. OUR APPROACH TO PROVIDING A SAFE WORKING ENVIRONMENT FOCUSES ON IDENTIFYING ANY POTENTIAL RISKS AND MITIGATING EXPOSURE FOR OUR EMPLOYEES.

TRAINING AND DEVELOPMENT

We support our team to achieve their career aspirations through advancement of their skillsets. Areas of development are identified through performance evaluation processes and input from departmental heads.

A summary of training and development programs conducted during the year are given below,

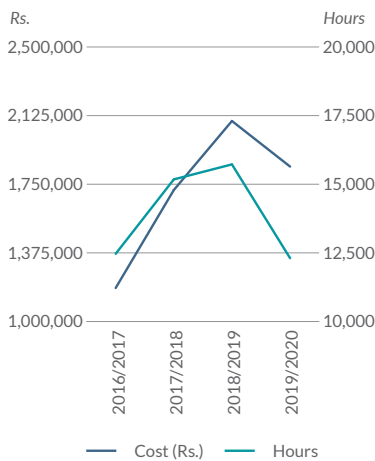
- Basic life support
- Continuing medical education
- Staff safety
- Patient safety
- Pharmacy management
- Nutrition
- Soft skills

	2019/20	2018/19
Investment in training (Rs.Mn.)	1.8	2
Total No. of training hours	12,308	15,723
Average hours of training/ employee	4.9	5.6

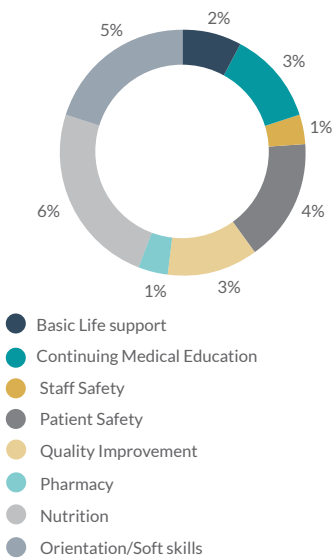
Several outbound training programs were also conducted during the year for a total of 700 front line workers. The purpose of these programs were to impart education on leadership, strategic thinking, conflict management, team building, effective communication and skill development.

Apart from regular on the job training, our medical staff participate in monthly technical sessions conducted by the consultants to bring them up to date on new developments in the medical field.

Investment in Training and Number of Hours



Breakdown of Training Spend



WORKPLACE SAFETY

Occupational safety plays a vital role in our employee value proposition especially due to the inherent risks involved in the healthcare industry. Our approach to providing a safe working environment focuses on identifying any potential risks and mitigating exposure for our employees.

We comply with the health and safety requirements of the JCI accreditation and conduct regular training programs on work place safety. Adequate testing is conducted before introducing any new service/procedure or product while relevant staff receive comprehensive training.

CAREER PROGRESSION

Career progression plays a crucial role in retaining a good quality team within the Group. Existing employees are given priority with in applying for vacancies while career progression is supported by succession planning and performance appraisals.

All employees are subjected to quarterly performance appraisals conducted by the Head of HR with the presence of their immediate supervisor. Employees are appraised based on the following criteria, particularly to drive behavioural changes in nurturing.

- Quality of work
- Reliability
- Work attitude
- Leadership
- Inter-personal relationships
- Public relations
- General conduct

These performance appraisals assist us in recognizing employees with potential and providing them with the necessary career development opportunities.

OUTLOOK

The ongoing COVID-19 pandemic has changed the operating landscape not only for the healthcare industry but for the entire economy. We will continue to focus on offering a safe workplace for our employees with continued efforts in combating this pandemic. Adequate training will be provided on the necessary precautions and protocols stipulated by the Health Authorities.

We will continue to combat high labour turnover by enhancing our employee value proposition by focusing on effective screening at the recruitment stage, developing existing talent and succession planning while offering them competitive remuneration.

RESPECT FOR THE ENVIRONMENT



HIGHLIGHTS 2019/20

- + Reduction in material waste 2.96%
- + Practice of 3R
 - Reduce
 - Reuse
 - Recycle

"We are conscious of the impact of our business has on the environment in which we operate and constantly explore ways to minimize any negative impact through responsible consumption and efficient technology."

218,153
UNITS

TOTAL WATER
CONSUMPTION

10,417,425
kWh

TOTAL
ENERGY
CONSUMPTION



2.96%
REDUCTION
IN MATERIAL WASTE

STRATEGIC PRIORITIES

- Use of technology to drive efficiency and effective use of resources.
- Managing and disposing medical and hazardous waste in the most effective manner.
- Comply with all environmental legislation and standards relevant to the business.

MANAGEMENT APPROACH

- Effective consumption of energy and water through continuous monitoring.
- Continuous investment in upgrading and maintaining equipment.

Relevance to Capitals



The Sustainability of our business is reliant on environmental sustainability. We understand that resources are finite and strive towards effective and efficient use of same while minimising our waste and managing its disposal in a responsible manner. Our focus areas are can be categorized in to:



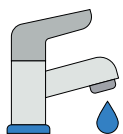
Material & Waste management

- Ensuring all suppliers comply with environmental regulations.
- Practice 3R - Reduce, Reuse, Recycle.
- Minimize damage in disposing waste.



Energy Consumption

- Monitoring energy consumption.
- Conducting awareness programs.
- Introducing energy saving initiatives.



Water Consumption

- Awareness programs.
- Water saving initiatives.
- Monitoring consumption.



Controlling Emissions

- Minimizing carbon emissions.

RESPECT FOR THE ENVIRONMENT

WASTE MANAGEMENT

Waste is managed in line with international waste disposal guidelines and according to the local regulations. Infectious and hazardous medical waste is disposed in line with regulatory requirements while an incinerator is used when disposing needles, injections, and scissors. All toxic waste is treated prior to incineration. Other waste such as plastics, cans and paper are segregated and sent to a third party for recycling.

ENERGY CONSUMPTION

Apart from the solar energy used to provide hot water for the hospital rooms, the energy requirement for Nawaloka Hospitals PLC is sourced through the national grid. Consumption is recorded and monitored accurately through the Building Management System (BMS) and ISO 14001 guidelines are followed for electricity conservation. Our other initiatives include,

- Use of LED and sensor lights
- Installation of high-performance chillers
- Conducting awareness programs on energy efficiency.

WATER CONSUMPTION

Water consumption is monitored closely at a departmental level and any unusual consumption levels require a justification from the respective department head. Various other measures are in place to minimize water consumption including staff awareness programs on water conservation and installation of sensor taps.


CONTROLLING EMISSIONS

We have been successful in reducing our emission levels due to our on-going efforts to reduce consumption through various energy saving initiatives.

GOING FORWARD

We will continue to minimise our environmental footprint through energy saving initiatives, by driving innovation and creating awareness among our staff members. Additionally, continuous and effective monitoring of consumption of electricity and water through BMS is expected to lead to minimizing waste and making our operations more environmentally sustainable.

ESTABLISHED IN TRUST



Nawaloka Hospitals PLC is established on the foundation of the trust and faith of its people which is driven by a core vision to protect the health of the nation.

RISK AND GOVERNANCE

Risk Management

Corporate Governance

Annual Report of the Board of Directors

The Board Remuneration Committee Report

Audit Committee Report

Related Party Transactions Review Committee Report

Directors' Responsibility In Financial Reporting

Senior Independent Director's Statement

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

Directors' Statement on Internal Controls

RISK MANAGEMENT

IN AN INCREASINGLY CHALLENGING AND COMPETITIVE BUSINESS LANDSCAPE, WE BELIEVE MANAGING THE ASSOCIATED RISKS PROACTIVELY AND EFFECTIVELY IS KEY TO CREATING AND PROTECTING VALUE, FOR ALL OUR STAKEHOLDERS.

Our Risk Management Framework ensures risks are managed consistently across the Group with appropriate oversight and accountability. The framework defines how we identify, understand, and mitigate risks, and realize their related opportunities. The framework has also been designed to accommodate the risk monitoring requirements of Joint Commission International (JCI) and other accreditations as well as requirements of statutory bodies including Sri Lanka Medical Council (SLMC), Private Health Services Regulatory Council (PHSRC) and Central Environmental Authority (CEA).

RISK GOVERNANCE



The Board bears ultimate responsibility for ensuring the effectiveness and adequacy of the Group’s risk management practices. The Board is assisted in the discharge of duties by the Audit Committee and Risk Management Committee.

The Audit Committee has oversight responsibility for matters relating to risk and internal control.

Responsibility for effective execution of risk management lies with the Risk Management Committee, fostering a high level of risk awareness and control across the Group. The Risk Management Committee meets monthly and regularly reports to the Board on key risks identified, evaluated, and managed.

Risk Management Committee

Composition	Areas of Oversight
Vidya Jyothi Professor Lal Chandrasena – <i>Chairman (DGM/ED)</i>	<ul style="list-style-type: none"> • Comprehensive Risk Management Framework • Risk measurement, monitoring and management • Compliance with regulatory and internal prudential requirements
Mr U Harshith Dharmadasa – <i>ED</i>	
Mr A G Dharmadasa – <i>ED</i>	
Ms A G Dharmadasa – <i>ED</i>	
Mr Nalaka Nirosana – <i>Head of Finance and Corporate Planning</i>	
Dr Tissa Perera – <i>Medical Superintendent</i>	
Mrs R M Jayarathne – <i>Chief Nursing Officer</i>	
Mr Kanishka Warusavitarana – <i>Senior Manager – Operations</i>	

RISK ASSURANCE

We follow a combined assurance process with three lines of defence to ensure accountability, distinguish between owning and managing risks, overseeing risks, and providing independent assurance. Embedding risk management processes into our day-to-day operations ensures that the Group is better equipped to identify events impacting our objectives and to manage risks in line with our strategy.



PRINCIPAL RISKS

Risk Factor/Description	Potential impact	Mitigating actions
<p>● COVID-19 Pandemic Outbreak</p>		
<ul style="list-style-type: none"> • Social distancing measures implemented by the Government and heightened concerns over virus contagiousness has a significant impact on hospital footfall. • Potential impact on employee and patient safety. • Interruptions to the Hospital’s supply chain could affect the continuity of operations. • Reduction in medical tourism following international travel restrictions. 	<ul style="list-style-type: none"> • Reduction in footfall and inpatient days places pressure on revenue, squeezing margins and reducing profits. 	<ul style="list-style-type: none"> • Following latest guidance and recommendations from Ministry of Health and the World Health Organization on implementation of appropriate health and safety measures on employees, visitors, and patients to curb the spread of disease. • Adhering to latest protocols on hygiene and cleaning of Group properties. • Raising awareness among employees, visitors, and patients. • Nurturing relationships with a diverse pool of suppliers thereby limiting exposure to a single party.

RISK MANAGEMENT

Risk Factor/Description	Potential impact	Mitigating actions
● Evolving to Changing Patient Needs		
<ul style="list-style-type: none"> • Fear over contraction of COVID -19 and avoidance of public places post COVID-19, pay cuts and financial difficulties etc. has resulted in a shift in consumer mindsets towards more frugal lifestyles and safer experiences. • Proactively responding to changing customer preferences and offering a patient experience that meets their needs is essential in increasing customer satisfaction and growing market share. 	<ul style="list-style-type: none"> • Erosion of market share. • Impact on profitability margins. 	<ul style="list-style-type: none"> • Promote safety activities implemented by the hospital. • Initiate online services such as video channelling, pharmacy delivery. • Understanding customer needs better through a high level of patient engagement from satisfaction surveys, social media platforms, face to face interactions, tracking loyalty programme metrics. • Reviewing and innovating service offerings to cater to evolving requirements such as increasing digitalized product and service offerings including enhancing NawalokaApp features, facilitating lab tests from home, 'Whatsapp' and delivery of prescription medicine and drive through lab facilities. • Building brand loyalty through enhanced offerings on loyalty programs. • Driving organization wide cost efficiencies to maintain affordability of services.
● Competition		
<ul style="list-style-type: none"> • Increased competition from new entrants with reputed brand names and capacity expansions by existing players. 	<ul style="list-style-type: none"> • Decreased market share resulting in pressure on revenue and profitability margins. • Difficulties in building brand loyalty. 	<ul style="list-style-type: none"> • Investing in customer value propositions to enhance patient healthcare experience including retaining reputed consultants and skilled nurses, investing in technology and specialty services, service delivery, affordable pricing. • Marketing and developing brand based on customer value proposition. • Identifying growth areas relating to both services and location. • Promotion of Customer loyalty programme. • Rewards for frequent patronage.
● Macro-Economic Pressures		
<ul style="list-style-type: none"> • The macro economic environment in Sri Lanka has changed dramatically since the outbreak of the COVID 19 pandemic. The effectiveness and efficiency of measures taken by the Government will be a key consideration on how fast the economy recovers. 	<ul style="list-style-type: none"> • Fluctuations in interest rates, exchange rates, and inflation directly impacts profitability. • Recession and reduction in disposable incomes may result in delaying non-urgent medical treatments. 	<ul style="list-style-type: none"> • Monitoring economic trends and outlook on an ongoing basis. Giving due consideration when formulating Strategic Corporate plans. • Hedging exposure to currency fluctuations on imports through forward contracts.

Risk Factor/Description	Potential impact	Mitigating actions
● Financial and Liquidity risk		
<ul style="list-style-type: none"> Nawaloka Hospitals PLC has increased exposure to high levels of gearing following increased debt from funding of capital expenditure on the Speciality Centre and refurbishment projects. This has been exacerbated by cash flow constraints from impacts of the Easter Sunday attacks and COVID-19 pandemic. 	<ul style="list-style-type: none"> Possible constraints in meeting liability obligations. 	<ul style="list-style-type: none"> Restructure of long-term debt to support cashflows. Obtaining debt moratorium offered by the Central Bank of Sri Lanka as COVID-19 relief. Organisation wide cost reduction initiatives to improve margins and cash flows. Strategy in place to improve business volumes, operational efficiencies and margins.
● Shortage of Skilled Healthcare Professionals		
<ul style="list-style-type: none"> Attracting and retaining consultants of high repute. Shortage of technically skilled staff such as nurses, laboratory technicians and pharmacists in the country could negatively affect the quality of care provided by the Hospital Group. 	<ul style="list-style-type: none"> Affects ability to deliver quality patient care and service, impacting growth prospects, and ultimately, the sustainability of operations. 	<ul style="list-style-type: none"> Proactively identifying the next generation of consultants and attracting them prior to competitors. Ensuring consultant satisfaction through a superior value proposition including provision of facilities, technology, staff quality. Maintaining competitive remuneration packages for skilled staff. Ongoing investments in the Nurse Training School.
● Clinical and patient safety risk		
<ul style="list-style-type: none"> Failure to deliver safe, high-quality care to our patients. Associated risks include reputation risk and legal risk. 	<ul style="list-style-type: none"> Customer dissatisfaction could lead to loss of reputation and loss of market share impacting revenue and profits. 	<ul style="list-style-type: none"> Commitment to maintaining global standards of quality and safety of healthcare services through international accreditations. Regular maintenance and upgrade of equipment. Regular training and upskilling of employees.
● Technological obsolescence		
<ul style="list-style-type: none"> Inability to acquire latest technology and maintain high technological standards as well as technological obsolescence. 	<ul style="list-style-type: none"> loss of competitive edge and market share impacting revenue and profits. 	<ul style="list-style-type: none"> Ongoing investments in the latest technology for specific areas. Keeping abreast of current developments in medical technology and evaluating the possibilities of adopting same.

RISK MANAGEMENT

Risk Factor/Description	Potential impact	Mitigating actions
● IT and Cyber Risk		
<ul style="list-style-type: none"> Following the drive towards electronic health records and digitization. Possibility of cyber security breaches and threat to compromising confidential patient information. Possibility of system failures and breakdowns and negative impact on operations. 	<ul style="list-style-type: none"> Impact on customer privacy in the event of a potential loss event. Potential loss of information assets and the hospital loss in reputation. 	<ul style="list-style-type: none"> Well-defined cyber security incident response process. Training employees and creating staff awareness on the importance of maintaining information security and handling of sensitive information. Comprehensive IT and information systems security policy. Implementation and regular testing and verification of network protection technology.
● Reputation Risk		
<ul style="list-style-type: none"> In the healthcare industry, consumer trust and reputation are key factors distinguishing players within the same industry. Incidents including adverse events while performing clinical procedures, cyber-attacks and breach in security and customer confidentiality could negatively affect Nawaloka Hospitals PLC's reputation and its relationships with its key stakeholders. 	<ul style="list-style-type: none"> Loss in market position and share. Impact on profitability margins. 	<ul style="list-style-type: none"> Standard operating protocols. Quality audits. Accreditations and awards provide assurance to stakeholders regarding the quality of our offering. Procedures to ensure responsible marketing communications. Nurturing and maintaining strong relationships with key stakeholders and ensuring needs are satisfied.
● Terrorism and heightened security concerns		
<ul style="list-style-type: none"> The hospital was significantly impacted following the Easter Sunday attacks by way of a decrease in footfall, given security concerns at places of public gathering. 	<ul style="list-style-type: none"> Lower patient volumes placed pressure on revenue and margins, reducing profits. 	<ul style="list-style-type: none"> Increased security checks on vehicles and guests. Property risk insurance in place.

CORPORATE GOVERNANCE

The Board bears responsibility to ensure NHPLC pursues its strategic goals in accordance with sound corporate governance principles, safeguarding its reputation, values and assets while balancing stakeholder interests.

OUR APPROACH TO CORPORATE GOVERNANCE

Listed on the Colombo Stock Exchange with a public holding of 35%, the NHPLC remains largely a family owned business. Yet, in the belief that high standards of corporate governance is fundamental to the sustainability of the business, the Board has set in place a governance framework and structure that balances the interests of the Nawaloka Group and its stakeholders, while strengthening Board and management accountability.

1.0 FRAMEWORK AND STRUCTURE

The Board bears responsibility to ensure NHPLC pursues its' strategic goals in accordance with sound corporate governance principles, safeguarding its reputation, values and assets while balancing stakeholder interests.

Effective control is retained through the governance framework which comprises an organizational structure, reporting mechanisms, internal controls and compliance and risk management processes. The Governance framework is bound by several external and internal steering instruments.

GOVERNANCE STEERING INSTRUMENTS

EXTERNAL

- Companies Act No. 7 of 2007
- Private Medical Institutions Act No.21 of 2006
- Continued listing requirements of the Colombo Stock Exchange
- Code of Best Practice on Corporate Governance (2017) issued jointly by the Institute of Chartered Accountants of Sri Lanka and the Securities and Exchange Commission of Sri Lanka
- Integrated Reporting Framework issued by the International Integrating Reporting Council (IIRC)
- GRI Standards for Sustainability reporting issued by the Global Reporting Initiative

INTERNAL

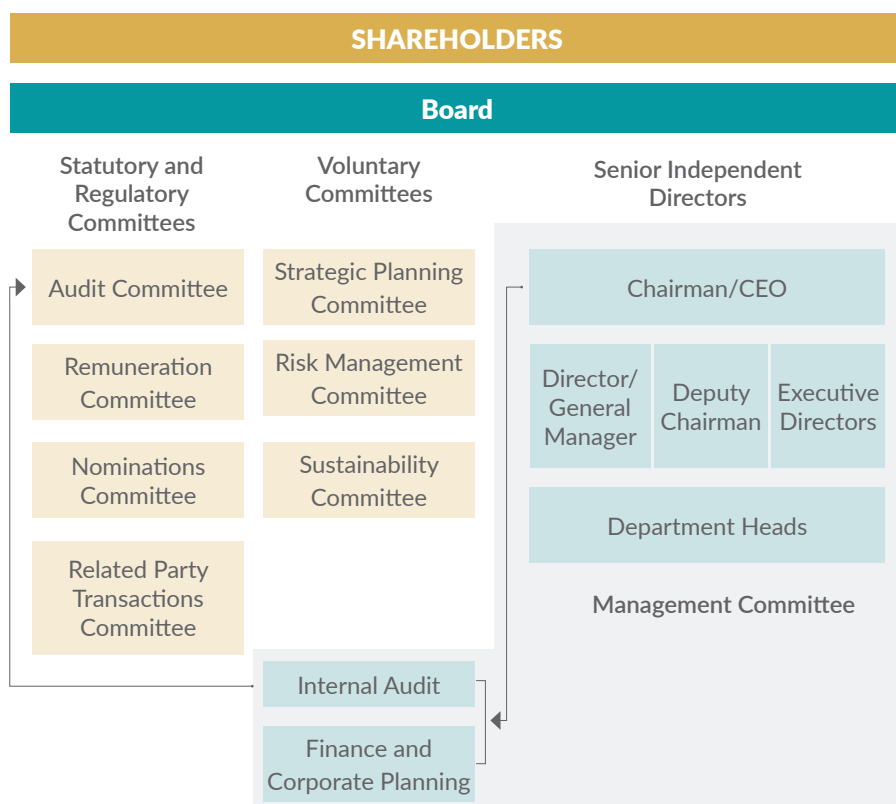
- Articles of Association
- Board and Sub-Committees Charters
- Policy framework
- Risk Management Framework

CORPORATE GOVERNANCE

COMPLIANCE SUMMARY

REGULATION/CODE	ADOPTION	ADHERENCE	DISCLOSURE
The Companies Act No.7 of 2007 (Companies Act)	Mandatory	Compliant	Page 134
Listing Rules of the Colombo Stock Exchange (CSE)	Mandatory	Compliant	Pages 96 and 97
Securities and Exchange Commission Act No.36 of 1987, including directives and circulars	Mandatory	Compliant	Pages 105 and 106
Code of Best Practice on Corporate Governance (2013) issued jointly by the Institute of Chartered Accountants of Sri Lanka (ICASL) and the Securities and Exchange Commission of Sri Lanka	Voluntary	Compliant	Page 105

ORGANIZATION STRUCTURE



GOVERNANCE HIGHLIGHTS 2019/20

- Following the uncertainty and unprecedented challenges following the Easter Sunday attacks in April 2019 and subsequently the COVID 19 pandemic from March 2020, the Board regularly assessed the impact and risks to the business and monitored implementation of the Group business plan.
- Approved capital expenditure of Rs. 1.129 Bn, for the hospital renovation and upgrade.
- Appointment of Dr. Chandima De Mel and Vidya Jyothi Prof Arjuna De Silva as Non-Executive Directors with effect from March 16, 2020.
- Resignation of Mr. Rienzie Wijetilleke (Independent Director/Vice Chairman) with effect from November 27, 2019.
- Appointment of Mr Harshith Dharmadasa (Executive Director) as Deputy Chairman, wef November 27, 2019.

NAVIGATING THE REPORT

This report has been structured under the following governance principles.

1. Framework and Structure
2. An Effective Board
3. Responsible and Fair Remuneration
4. Board Accountability
5. Relations with Shareholders

Details of Compliance with respective statutes and codes as described in the Compliance Summary on page 92 tabled at the end of the report.

The Board bears ultimate responsibility for the performance of the Group and is accountable to the shareholders who appoint the Directors. To assist in the discharge of duties, the Board has delegated functions warranting greater attention to 8 Board Sub-committees, with oversight responsibility to oversee the same. The terms of reference for the Committees outline their respective roles and responsibilities.

The Management Committee (MC) led by the Chairman and comprising the Deputy Chairman, Director/General Manager, Executive Directors and department heads formulates and oversees the execution of strategy within the policy framework set out by the Board. The MC meets weekly and is supported by executive committees responsible for operational management of the Group. Regular reporting on key matters enables effective oversight by the Board and MC respectively.

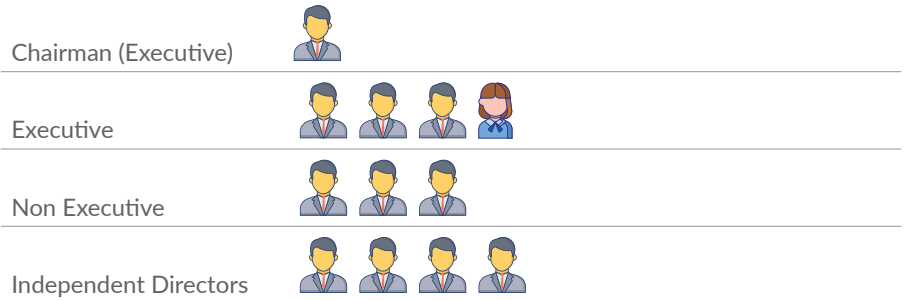
2.0 AN EFFECTIVE BOARD

2.1 Board Composition

The Board comprises 12 members as at March 31, 2020, whose profiles are from page 16 onwards.

7 Directors are Non-Executive of whom 4 are deemed independent. NED are eminent professionals in their respective fields. Appointment of Deshabandu Tilak De Zoysa as Senior Independent Director, strengthens the independence of the Board further. Sufficient balance of power minimizes the tendency for one or few members of the Board to dominate the Board

Board Composition



processes or decision making. Although four Executive Directors - Dr. H K Jayantha Dharmadasa (Chairman/ CEO) Mr Harshith Dharmadasa (Deputy Chairman), Mr Anisha Dharmadasa and Ms Ashani Dharmadasa are related to each other, they act in the best interests of the Group with focus in purpose and attitude.

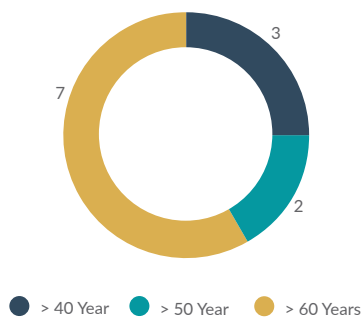
The Board is diverse in its experience, age and expertise contributing varied perspectives to boardroom deliberations and exercising independent judgment to bear upon matters set before them.

The Directors possess financial acumen and knowledge gained through experience from leading large enterprises. Three Directors of the Board are finance professionals.

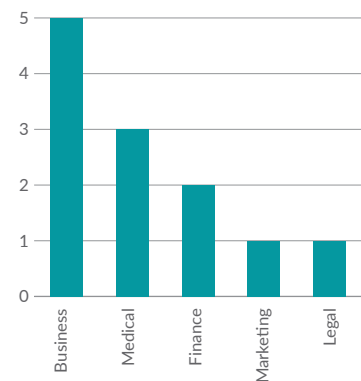
2.2 Directors Independence

Directors exercise their independent judgement, promoting constructive board deliberations and objective evaluation of the performance of the Group.

Age Diversity



Expertise



CORPORATE GOVERNANCE

Definition

Independence is determined against criteria set out in the Listing Rules of the Colombo Stock Exchange.

Assessment

Independent assessment of Directors is conducted annually by the Board, based on an annual declaration and other information submitted by Non Executive Directors.

Outcome

The Board is satisfied that there are no relationships or circumstances likely to affect or appear to affect, the Directors' judgement during the period under review.

The Board is of the view that the period of service as Board Members in relation to Deshabandu Tilak De Zoysa and Mr Tissa Bandaranayake, which exceeds nine years do not compromise their independence and objectivity in discharging their functions as Directors. Therefore, the Board determined that Deshabandu Tilak De Zoysa and Mr Tissa Bandaranayake are 'independent' as per the Listing Rules.

DIRECTORS ARE APPOINTED BY THE SHAREHOLDERS AT THE ANNUAL GENERAL MEETING (AGM), FOLLOWING A FORMAL PROCESS AND BASED ON RECOMMENDATIONS MADE BY THE BOARD OF DIRECTORS.

2.3 Appointment, Re-Election and Resignation

Directors are appointed by the shareholders at the Annual General Meeting (AGM), following a formal process and based on recommendations made by the Board of Directors. Recommendations are based on the collective decision of the Board having considered the combined skills, knowledge, experience and diversity of the Board and any gaps therein.

In compliance with the Articles of Association, 1/3rd of the Non-Executive Directors will retire from office at each Annual General Meeting, and on recommendation by the Board, be eligible to stand for re-election by the shareholders at the AGM. The Nomination Committee recommends the Directors for re-election, and approval by the Board.

A Director appointed by the Board to fill a casual vacancy that arises since the previous AGM, will offer himself for election at the next AGM. Appointments are communicated to the CSE and shareholders through announcements through the CSE website and press releases and include a brief résumé of the Director.

Resignations or removal of Directors if any and the reasons thereof are informed promptly to the Colombo Stock Exchange together with a statement confirming whether there are any matters that need to be brought to the attention of the shareholders.

Appointments, Retirements and Re-Election

- Appointments of Dr Chandima De Mel and Vidya Jyothi Prof Arjuna De Silva as Non-Executive Directors w.e.f March 16,2020.
- Resignation of Mr Rienzie T Wijetilleke (Deputy Chairman) w.e.f November 27,2019.
- Appointment of Mr. Harshith Dharmadasa as Deputy Chairman, w.e.f November 27,2019
- Mr. Deshabandu Tilak De Zoysa & Mr. Tissa K. Bandaranayake , will retire by rotation in terms of Article 74 and Dr. W. Chandima P. De Mel and Vidya Jyothi Professor S. K. A. Arjuna P. De Silva will retire by rotation in terms of Article 81 at the AGM to be held on 16th December, 2020 and will offer themselves for re-election.
- Dr Jayantha Dharmadasa, Vidya Jyothi Professor Lal Chandrasena, Deshabandu Tilak De Zoysa, Mr Tissa K Bandaranayake and Mr D Sunil AbeyRatna who have exceeded the age of 70 years and being eligible for re-election in terms of Section 211 of the Companies Act No. 07 of 2007, have also offered themselves to be reappointed as Directors of the Company.

KEY BOARD RESPONSIBILITIES

- Ensure formulation and implementation of business strategy.
- Meet shareholders, employees and other stakeholder obligations, balancing their interests in a fair manner.
- Establish systems of risk management, internal control and compliance.
- Ensuring optimal resource allocation for sustainable value creation.
- Safeguard assets. Ensure legitimate use.
- Present a balanced and understandable assessment of the Group's position and prospects.
- Ensure compliance with all laws, regulations and ethical requirements.
- Ensure succession planning and the continued ability of the Group to operate without any disruption.

2.4 Board Responsibilities

The Board provides ethical and effective leadership to the organization and bears ultimate responsibility for the economic, social and environmental performance of the Group. The Board determines overall strategy and oversees implementation of same. Key responsibilities are summarized alongside.

The Directors and Key Management Personnel are indemnified by the Company in respect of liabilities incurred as a result of their office in terms of Section 218 of the Companies Act.

The Board seeks independent professional advice from external parties when necessary, in the discharge of its' duties.

2.5 Chairman, Chief Executive Officer and Senior Independent Director (SID)

The Functions of the Chairman and the Chief Executive are vested in one person, namely Dr. Jayantha Dharmadasa, as the Board is of the opinion that it is the most appropriate arrangement for the Group, considering

1. His exposure and immense experience in the operations of the Group which makes him the ideal CEO.
2. The superior skills he possesses in mediating and communication between the Board and its' Shareholders. He also acts as the main pivot of communication between the Board and its' Management.

The Board has appointed a Senior Independent Director (SID), Deshabandu Tilak de Zoysa, in compliance with Best Practices in Corporate Governance which requires the appointment of a SID when the role of Chairman and CEO are not separate. The SID strengthens the independence and effectiveness of the Board by providing leadership and advice. The SID has made himself available for any material discussion with any of the other Directors.

Key Roles and Responsibilities

Chairman	Chief Executive Officer	Senior Independent Director
<ul style="list-style-type: none"> • Leads the Board, preserving good corporate governance and ensuring that the Board acts in the best interests of the Group • Builds and maintains stakeholder trust and confidence. • Ascertains views of all Directors on issues under consideration • Ensures a balance of power is maintained between Executive and Non-Executive Directors (NED). 	<ul style="list-style-type: none"> • Develops Group Strategy and ensures its implementation • Establishes a Group organizational structure, appropriate for execution of strategy. • Monitors and reports performance of the Group and its compliance with applicable laws • Ensures proper succession planning of the corporate management team • Ensures the Group operates within the approved risk appetite. 	<ul style="list-style-type: none"> • Supports executive leadership whilst monitoring their conduct • Promotes high standards of corporate governance and compliance • Be available to shareholders for discussion of matters of their concern

CORPORATE GOVERNANCE

2.6 Board Committees

The Board has appointed Sub-Committees to assist in the discharge of its duties and in pursuance of the Listing Rules of the Colombo Stock Exchange. Areas of overview and the composition of these committees are given below.

Board Committee	Areas of Overview	Composition	Further Information
Audit Committee	<ul style="list-style-type: none"> Financial Reporting Internal Controls Internal Audit External Audit 	Mr. Tissa K. Bandaranayake – Chairman (INED) Deshabandu Tilak De Zoysa – Member (INED) Mr. D. Sunil AbeyRatna – Member (INED)	Report of the Audit Committee on page 115
Nominations Committee	<ul style="list-style-type: none"> Appointment of Key Management Personnel/ Directors Succession Planning Effectiveness of the Board and its Committees 	Deshabandu Tilak De Zoysa – Chairman (INED) Mr. Tissa K. Bandaranayake – Member (INED) Mr. D. Sunil AbeyRatna – Member (INED)	Report of the Nominations Committee on page 94
Remuneration Committee	<ul style="list-style-type: none"> Remuneration policy for Key Management Personnel Goals and targets for Key Management Personnel Performance evaluation 	Deshabandu Tilak De Zoysa – Chairman (INED) Mr. Tissa K. Bandaranayake – Member (INED) Mr. D. Sunil AbeyRatna – Member (INED)	Report of the Remuneration Committee on page 114
Related Party Transactions Review Committee	<ul style="list-style-type: none"> Review of related party transactions 	Mr. Tissa K. Bandaranayake – Chairman (INED) Deshabandu Tilak De Zoysa – Member (INED) Mr. D. Sunil AbeyRatna Member (INED) Vidya Jyothi Professor Lal Chandrasena – Member (DGM/ED) Mr. Palitha Kumarasinghe, PC – Member (INED)	Report of the Related Party Transactions Review Committee on page 117

Board Committee	Areas of Overview	Composition	Further Information
Risk Management Committee (Voluntary Committee)	<ul style="list-style-type: none"> • Development of contingency plans • Training and professional development • Information technology and cyber risks • Risk mitigation, including insurance where this is cost-effective 	<p>Vidya Jyothi Professor Lal Chandrasena – Chairman (DGM/ED)</p> <p>Mr. U. Harshith Dharmadasa – Member (ED)</p> <p>Mr. A. G. Dharmadasa – Member (ED)</p> <p>Ms. A. G. Dharmadasa – Member (ED)</p>	Page 86
Strategic Planning Committee (Voluntary Committee)	<ul style="list-style-type: none"> • The Strategic Planning Committee assists the Board with its responsibilities for the organization's mission, vision and strategic direction. 	<p>Dr H K Jayantha Dharmadasa – Chairman/CEO</p> <p>Vidya Jyothi Prof Lal Chandrasena – Member (DGM/ED)</p> <p>Mr U Harshith Dharmadasa – Member (ED)</p> <p>Mr A G Dharmadasa – Member (ED)</p>	Page 111
Sustainability Committee (Voluntary Committee)	<ul style="list-style-type: none"> • The Sustainability Committee will assist the Board to meet its oversight responsibilities in relation to the Company's sustainability policies and practices. 	<p>Dr H K Jayantha Dharmadasa – Chairman/CEO</p> <p>Vidya Jyothi Prof Lal Chandrasena – Member (DGM/ED)</p> <p>Mr U Harshith Dharmadasa – Member (ED)</p> <p>Mr A G Dharmadasa – Member (ED)</p>	Page 111

CORPORATE GOVERNANCE

2.7 Meetings & Minutes

Agenda and Board papers are sent in advance of the Board meetings, allowing members sufficient time to review same. The Company Secretaries prepare the Board Agenda in consultation with the Chairman. Care is taken to ensure that the Board spends sufficient time considering matters critical to the Group's success, as well as compliance and administrative matters.

Board meetings are held on a monthly basis with the flexibility to arrange additional meetings when required. The Board met nine (9) times during the year. Minutes are circulated to the Directors and is formally approved at the subsequent Board meetings. Directors' concerns regarding matters which are not resolved unanimously are recorded in the minutes.

Attendance at Meetings

Directors	Status	Date of Appointment	Eligible to Attend/Attended									
			Board	Audit	Remuneration	Nominations	Related Party Transaction Review	Risk Management	Strategic Planning	Sustainability		
Dr H K J Dharmadasa	EXED		9/9									
Mr Rienzie T Wijetilleke **	INED		5/9	2/4								
Deshabandu Tilak de Zoysa	SID/INED		8/9	6/7			4/4					
Vidya Jyothi Prof. Lal Chandrasena	EXED*		8/9				4/4					
Mr Tissa K Bandaranayake	INED		9/9	7/7			4/4					
Mr U H Dharmadasa	EXED		9/9									
Mr A G Dharmadasa	EXED		7/9									
Ms A G Dharmadasa	EXED		9/9									
Mr D Sunil AbeyRatna	INED		9/9	7/7			4/4					
Mr Palitha Kumarasinghe, PC	INED		8/9				2/4					
Mr Victor R Ramanan	NED		7/9									
Dr Chandima De Mel *	NED		-									
Prof Arjuna De Silva *	NED		-									

EXE D – Executive Director NED – Non-Executive Director INED – Independent NED SID – Senior Independent Director

*Appointed to the Board on March 16, 2020 **Resigned from the Board on November 27, 2019

2.8 Other Business Commitments/Directors Interests/Conflicts of Interest

All Directors allocate sufficient time from their schedule to enable them to discharge their duties and responsibilities. Directors declare their business interests at appointment

and annually thereafter. Details are maintained in a Register by the Company Secretaries and are available for inspection in terms of the Companies Act. Directors excuse themselves from the meeting(s) when the Board considers any matters in which a conflict may arise, thereby abstaining from voting.

2.9 Related Party Transactions

The Related Party Transactions Review Committee considers all transactions that require approval in compliance with regulations. Related party transactions are disclosed in Note 41 to the financial statements on page 202.

2.10 Company Secretaries

Secretarial services to the Board are provided by M & A Company Secretaries (Private) Limited, an associate company of Nithi Murugesu & Associates, Attorneys-at-Law & Notaries Public 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. The Company Secretaries guide the Board on discharging its their duties and responsibilities and keep members abreast of relevant changes in legislation. All Directors have access to the advice and services of the Company Secretaries, as necessary.

2.11 Induction and Training for Directors

On appointment, Directors are provided with an orientation pack with all relevant external and internal regulation, documents and a tour of the hospital premises.

The Board of Directors recognize the need for continuous training and expansion of knowledge and skills required to effectively perform their duties. They undertake training and professional development in their personal capacity as they consider necessary.

2.14 Board appraisal

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 Board Performance

The Board should appraise their own performance in order to ensure that the Board responsibilities are satisfactorily discharged.

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.
A.9.2	Adopted	Please refer above comment. (A.9.1)
A.9.3	Adopted	Please refer above comment. (A.9.1)

2.12 Board access to information and resources

Directors have unrestricted access to management and organization information to clarify matters in the effective discharge of their duties and responsibilities. Regular presentations by the Executive Management on matters including progress in implementation of the strategic goals, financial, social and environmental performance, compliance, risk management, changes and challenges presented by the operating environment ensure that the Board is apprised of developments impacting the Group.

Access to independent professional advice is co-ordinated through the Company Secretaries and is available to Directors at Group expense.

2.13 Executive Committees

These committees meet monthly and are responsible for delivering strategic goals. These cross functional teams are managed through delegation and reporting obligations and are key to enhancing employee engagement and empowerment.

3.0 RESPONSIBLE AND FAIR REMUNERATION

3.1 Remuneration Policy

The Nawaloka Group Remuneration Policy seeks to motivate and reward performance while meeting regulatory requirements, market expectations and corporate values. The Remuneration Committee (RC) consisting of NED is responsible for making recommendations to the Board regarding the remuneration of the Executive Directors within agreed terms of reference and in accordance with the remuneration policies of the Company.

The Board as a whole determines the remuneration of the NED's who receive a fee for being a Director of the Board. Services of HR professionals are sought when required, by the Board and Risk Committee in discharging their responsibilities.

3.2 Level and Make Up of Remuneration

The Remuneration packages of Executive Directors are designed to attract eminent professionals as directors with the requisite skills and experience. Remuneration is structured taking into consideration performance and risk factors entailed in the job and aligned to corporate and individual performance.

Remuneration of Executive Directors comprises two components, fixed remuneration and variable remuneration comprising of an annual performance bonus. No special early termination clauses are included in the contract of employment of Executive Directors that would entitle them to extra compensation. However, such compensation, if any, would be determined by the Board of Directors.

Please refer page 202 - Notes to Financial Statements for the total Directors' Remuneration.

CORPORATE GOVERNANCE

4.0 BOARD ACCOUNTABILITY

4.1 Compliance

Directors are conscious of their duty to comply with the laws, regulations, regulatory guidelines, internal controls and approved policies. The Group is compliant with all relevant legal and statutory requirements.

4.2 Risk Management and Internal control

The Board is responsible for formulating and implementing effective risk management and internal control systems to safeguard shareholder interests and the assets of the Company. These systems cover all controls, including financial, operational and compliance and are monitored and regularly reviewed for effectiveness by the Board. The Internal Audit Department supports the Audit Committee, reviewing the adequacy and effectiveness of the internal control systems and reporting to the Audit Committee on a regular basis.

Role of Risk 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.

4.3 Accountability & Audit

Every effort has been made to present the Annual Report, Quarterly Financial Statements and all other price sensitive public reports, with a balanced and understandable assessment of the Group's financial position, performance and prospects and in compliance with the various legal and regulatory requirements and voluntary codes and frameworks adopted. The Group's position and prospects have been discussed in detail in the following sections of this annual report.

- Chairman's Review on pages 28 to 29
- Deputy Chairman's Review on pages 30 to 33

- Director/General Manager's Review on pages 34 to 36
- The Capitals Report on pages 56 to 84
- Way Forward on page 33
- Managing Risk on pages 88 to 90
The following reports provide further information required by the Code:
- The Directors' Report on pages 110 to 113 (including the declaration that the Company is a going concern)
- The Statement of Directors' responsibilities on page 118
- Report of the Auditors on page 123

4.4 External Auditor

The Audit Committee (AC) makes recommendations to the Board for the appointment, re-appointment or removal of the External Auditor in-line with professional and ethical standards, legislative and regulatory requirements. The AC monitors and reviews the External Auditor's independence, objectivity and the effectiveness of the audit process considering relevant professional, legislative and regulatory requirements.

In the assignment of non-audit services to External Auditors, the AC ensures that the External Auditor has the necessary skills and experience for the assignment and ascertains that independence and

objectivity of the External Auditor in carrying out his duties and responsibilities will not be impaired.

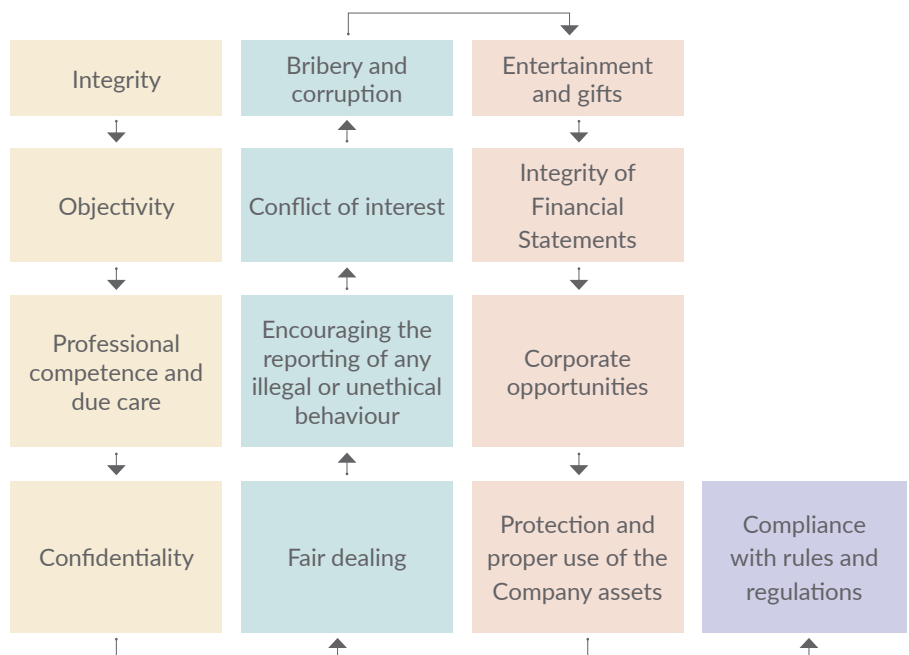
On the recommendation of the Board, the shareholders approved the reappointment of Messrs KPMG (Chartered Accountants) as the External Auditor for 2019/20 at the last AGM. In compliance with Section 163 (3) of the Companies Act No. 07 of 2007, the External Auditors submit a statement annually confirming their independence in relation to the external audit.

4.5 Major or Material Transactions

During the year, there were no major or material transactions as defined in Section 185 of the Companies Act No. 07 of 2007 which materially affect the net asset base of the Company.

4.6 Code of Conduct and Ethics

The Group is committed to conducting its business operations with honesty, integrity and with respect to the rights and interests of all stakeholders. The Group's Code of Conduct and Ethics articulates the standards of conduct expected of its' employees. Key topics covered are given alongside. The Board is not aware of any material violations of any of the provisions of the Code by any Director or employee of the Group.



4.7 Clinical Governance

The Group is committed to the continuous improvement in the quality of services and safe-guarding high standards of patient care. Obtaining Joint Commission Inter-annual accreditation this year is a reflection of this commitment, as the Group invests in technology and training, automation and streamlining processes to comply with the International Patient Safety Goals, as detailed on page 61. The Quality Improvement and Patient Safety Committee monitors performance and ensures compliance with the Goals, while the Board Ethics Committee reviews the ethical challenges which have been raised during clinical practice.

Quality Improvement and Patient Safety Committee

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
- In 2019 we Have won JCI Standards

4.8 Digital Governance

Smart technology has been transforming the healthcare industry over the past few years. Nawaloka Hospitals PLC has

invested in advanced technology to enhance customer experience, improve operational efficiency and reduce costs. Consequently, IT governance has been a key focus area of the Board.

4.9 Sustainability Governance

The Group places significant emphasis on sustainable value creation. Sustainability principles are embedded in the business strategy and endorsed throughout its operations. Such activities undertaken are presented in the Integrated Annual Report as follows;

- Economic Sustainability – pages 54 to 57
- Environment – pages 82 to 84
- Labour Practices – pages 76 to 81
- Society – page 67
- Service Responsibility – page 58
- Shareholder identification, engagement and effective communication – Investor Relations on page 212

5.0 RELATIONS WITH SHAREHOLDERS

The Board is conscious of their responsibility towards stakeholders and is committed to fair disclosure, with emphasis on the integrity, timeliness and relevance of the information provided.

5.1 Communication with Shareholders

Shareholders are engaged through multiple channels of communication, including the Annual General Meeting (AGM) (detailed below), annual report, interim financial statements, a dedicated investor relations page on the Company's website and notification of key events through announcements in the CSE website.

Shareholders also have the opportunity to ask questions, make comments and

suggestions to the Board through the Company Secretaries whose contact details are provided on page 99 of this report and the Investor Relations page of our website. All significant issues and concerns of the respective Shareholders are always referred to the Board of Directors with the views of the Management

5.2 Constructive use of Annual General Meeting (AGM)

The AGM is the main mechanism for the Board to interact with and account to its' shareholders and provides an opportunity for shareholders' views to be voiced. Notice of the AGM, the Annual Report and Accounts and any other resolution together with the corresponding information that may be set before the shareholders at the AGM, are circulated to shareholders a minimum of 15 days prior to the AGM. Shareholders are encouraged to participate at the AGM and exercise their voting rights. The Company proposes a separate resolution for each item of business, giving shareholders the opportunity to vote on each of issue, separately. Voting procedures at the AGM are circulated to the shareholders in advance. The Company has an effective mechanism to record and count all proxy votes lodged for each resolution.

At the AGM, the Board provides an update to shareholders on the Group's performance and shareholders have the opportunity to ask questions and vote on resolutions. The Board Chairman, Board members particularly the Chairman of the respective Board of the Board Committees on the request of the Board Chairman, and External Auditors, are present and available to answer questions. 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 all Shareholder issues are resolved systematically.

CORPORATE GOVERNANCE

Appendix I - Statement of Compliance under Section 7.10 of the Listing Rules of the CSE on Corporate Governance

Rule No.	Subject	Requirement	Complied	Action/Reference (within the Report)	Page
7.10 (a – c)	Compliance	Compliance with Corporate Governance Rules			92
7.10.1(a)	Non-Executive Directors (NED)	At least 2 or 1/3 of the total number of Directors on the Board whichever is higher should be NEDs.	Yes	Board Composition	93
7.10.2(a)	Independent Directors (ID)	2 or 1/3 of NEDs, whichever is higher, should be independent.	Yes	Board Composition	93
7.10.2(b)	Independent Directors (ID)	Each NED should submit a signed and dated declaration of his/her independence or non-independence.	Yes	Directors Independence	98
7.10.3(a)	Disclosure relating to Directors	The Board shall annually determine the independence or otherwise of the NEDs, and the names of all the IDs should be disclosed in the Annual Report (AR).	Yes	Directors Independence Board Profiles	16, 18 and 19 16-21
7.10.3(b)	Disclosure relating to Directors	The basis for the Board's determination of ID, if criteria specified for independence is not met.	Yes	Directors Independence	16-21
7.10.3(c)	Disclosure relating to Directors	A brief resume of each Director should be included in the AR including the Directors' areas of expertise.	Yes	Board Profiles	16-21
7.10.3(d)	Disclosure relating to Directors	Provide a brief resume of new Directors appointed to the Board with details specified in 7.10.3(a), (b) and (c) to the CSE.	Yes	Board Profiles	16-21
7.10.4 (a-h)	Criteria for defining Independence	Requirements for meeting criteria to be an Independent Director.	Yes	Directors Independence	16-21
7.10.5	Remuneration Committee (RC)	A listed company shall have a Remuneration Committee.	Yes	Remuneration Committee Report	114
7.10.5(a)	Composition of Remuneration Committee	RC Shall comprise of NEDs, a majority of whom will be independent. One NED shall be appointed as Chairman of the committee by the Board of Directors.	Yes	Remuneration Committee Report	114
7.10.5.(b)	Functions of Remuneration Committee	The RC shall recommend the remuneration of Executive Directors.	Yes	Remuneration Committee Report	114
7.10.5.(c)	Disclosure in the Annual Report relating to Remuneration Committee	Names of Directors comprising the RC. Statement of Remuneration Policy. Aggregated remuneration paid to Executive and NEDs, Should be included in the Annual Report.	Yes	Remuneration Committee Report Note 41 to the Financial Statements	114 202

Rule No.	Subject	Requirement	Complied	Action/Reference (within the Report)	Page
7.10.6	Audit Committee (AC)	The Company shall have an Audit Committee.	Yes	Audit Committee Report	115
7.10.6(a)	Composition of Audit Committee	<p>Shall comprise of Non-Executive Directors, a majority of whom are Independent.</p> <p>Chief Executive Officer and the Chief Financial Officer should attend Audit Committee Meetings.</p> <p>The Chairman of the Audit Committee or one member should be a member of a professional accounting body.</p>	Yes	Audit Committee Report	115
7.10.6(b)	Audit Committee Functions	<p>Overseeing of the –</p> <p>Preparation, presentation and adequacy of disclosures in the financial statements in accordance with Sri Lanka Accounting Standards (SLFRS/LKAS).</p> <p>Compliance with financial reporting requirements of the Companies Act and related regulations and requirements.</p> <p>Processes to ensure that the internal controls and risk management are adequate to meet the requirements of the Sri Lanka Auditing Standards (SLFRS/LKAS).</p> <p>Assessment of the independence and performance of the External Auditors.</p> <p>Make recommendations to the Board pertaining to appointment, re-appointment and removal of External Auditors, and approve the remuneration and terms of engagement of the external auditor.</p>	Yes	Audit Committee Report	115
7.10.6(c)	Disclosure in Annual Report relating to Audit Committee	<p>The Annual Report shall contain.</p> <p>Names of Directors comprising the Audit Committee.</p> <p>The AC shall make a determination of the independence of the Auditors and disclose the basis for such determination.</p> <p>Report of the AC setting out the manner of compliance with their functions.</p>	Yes	Audit Committee Report	115

CORPORATE GOVERNANCE

Appendix II: Statement of Compliance under Section 9.3.2 of the Listing Rules of the CSE on Corporate Governance

Rule	Requirement	Complied	Reference (within the Report)	Page
(a)	Details pertaining to Non-Recurrent Related Party Transactions (RPT).	Yes	Report of the Related Party Transactions Review Committee	117
(b)	Details pertaining to Recurrent RPTs.	Yes	Notes to the Financial Statements	117
(c)	Report of the Related Party Transactions Review Committee.	Yes	Report of the Related Party Transactions Review Committee	117
(d)	Declaration by the Board of Directors in the Annual Report as an affirmative statement of compliance with the rules pertaining to RPT, or a negative statement otherwise.	Yes	Annual Report of the Board of Directors	16-21

Appendix III: Statement of Compliance pertaining to Companies Act No. 7 of 2007

Rule	Requirement	Complied	Reference (within the Report)	Page
168 (1) (a)	The nature of the business together with any change thereof.	Yes	Annual Report of the Board of Directors	16-21
168 (1) (b)	Signed financial statements of the Group and the Company.	Yes	Financial Statements & Annual Report of the Board of Directors	122
168 (1) (c)	Auditors' Report on financial statements.	Yes	Independent Auditor's Report & Annual Report of the Board of Directors	126
168 (1) (d)	Accounting policies and any changes therein.	Yes	Notes to the Financial Statements & Annual Report of the Board of Directors	110
168 (1) (e)	Particulars of the entries made in the Interests Register.	Yes	Annual Report of the Board of Directors	110
168 (1) (f)	Remuneration and other benefits paid to Directors of the Company.	Yes	Notes to the Financial Statements & Annual Report of the Board of Directors	110
168 (1) (g)	Corporate donations made by the Company.	Yes	Notes to the Financial Statements & Annual Report of the Board of Directors	110
168 (1) (h)	Information on the Directorate of the Company and its subsidiaries during and at the end of the accounting period.	Yes	Board Profiles	16-21
168 (1) (i)	Amounts paid/payable to the External Auditor as audit fees and fees for other services rendered.	Yes	Notes to the Financial Statements	134
168 (1) (j)	Auditors' relationship or any interest with the Company and its Subsidiaries.	Yes	Report of the Audit Committee/ Financial Statements & Annual Report of the Board of Directors	115
168 (1) (k)	Acknowledgement of the contents of this Report and signatures on behalf of the Board.	Yes	Financial Statements/Annual report of the Board of Directors	110

Appendix IV: Compliance with The Code Of Best Practice On Corporate Governance Issued Jointly by the Institute of Chartered Accountants Of Sri Lanka and The Securities and Exchange Commission of Sri Lanka, 2013

Code Ref.	Requirement	Complied	Reference within the Report	Page
A	Directors			
A.1	An effective Board should direct, lead and control the company.			
A.1.1	Regular Board meetings, provide information to the Board on a structured and regular basis.	Yes	Meetings & Minutes	98
A.1.2	Role and Responsibilities of the Board.	Yes	Board Responsibilities	95
A.1.3	Act in accordance with laws of the Country.	Yes	Board Responsibilities Compliance	95
A.1.4	Access to advice and services of the Company Secretary.	Yes	Company Secretary	
A.1.5	Independent judgement.	Yes	Directors Independence	119
A.1.6	Dedicate adequate time and effort to matters of the Board and the Company.	Yes	Other Business Commitments/ Related Party Transactions/ Conflicts of Interests	117
A.1.7	Board induction and Training.	Yes	Induction and training for Directors	99
A.2	Chairman and CEO.	Yes	Chairman, Chief Executive Officer and Senior Independent Director (SID)	95
A.3	Chairman's role in preserving good corporate governance.	Yes	Chairman, Chief Executive Officer and Senior Independent Director (SID)	95
A.4	Availability of financial acumen.	Yes	Board Composition	93
A.5	Board Balance.	Yes	Board Composition	93
A.5.1	The Board should includes sufficient number of NEDs.	Yes	Board Composition	93
A.5.2	If the Board include only 2 NEDs, both should be independent.	N/A	7 NEDs	93
A.5.3	Independence of Directors.	Yes	Director Independence	119
A.5.4	Annual declaration of independence by Directors.	Yes	Director Independence	119
A.5.5	Annual determination of independence of NEDs.	Yes	Director Independence	119
A.5.6	Alternate Directors.	N/A	(No Alternate Directors appointed)	
A.5.7 & A.5.8	Senior Independent Directors.	N/A	Chairman, Chief Executive Officer and Senior Independent Director (SID)	93

CORPORATE GOVERNANCE

Code Ref.	Requirement	Complied	Reference within the Report	Page
A.5.9	Annual meeting by the Chairman with NED.	Yes	Chairman/Chief Executive Officer	98
A.5.10	Recording of dissent in minutes.	Yes	Meetings and minutes	98
A.6	Supply of Information.	Yes	Board access to information and resources	99
A.7	Appointments to the Board and Re-election.	Yes	Appointment, Re-election and Resignation	110
A.7.1	Establishing a Nomination Committee, Chairman and Terms of Reference.	Yes	Nomination Committee Report	
A.7.2	Annual assessment of Board composition.	Yes	Board Evaluation	114
A.7.3	Disclosures on appointment of new directors.	Yes	Appointment, Re-election and Resignation	110
A.8	Directors to submit themselves for re-election.	Yes	Appointment, Re-election and Resignation	110
A.9	Appraisal of Board and sub-Committee Performances.	Yes	Board Evaluation	114
A.10	Annual Report to disclose specified information regarding Directors.	Yes	Board Profiles Meeting Attendance Directorships in Other Companies Membership in Committees	98
A.11	Appraisal of the CEO	Yes		
B.1	Establish process for developing policy on executive and director remuneration.		Responsible and Fair Remuneration	202
B.2	Level and make up of Remuneration.	Yes	Responsible and Fair Remuneration	202
B.3	Disclosures related to remuneration in Annual Report - Remuneration Policy statement. - Aggregate Board remuneration paid. - HRRC report.	Yes	Responsible and Fair Remuneration Note 41 to Financial Statements Remuneration Committee report	202
C.1.	Constructive use of the AGM & Other General Meetings.	Yes	Constructive use of the Annual General Meeting (AGM)	101
C.2.	Communication with shareholders.	Yes	Communication with Shareholders	101

Code Ref.	Requirement	Complied	Reference within the Report	Page
C.3	Disclosure of major and material transactions.	Yes	There were no transactions which would materially alter the Company's or Group's net asset base nor any major related party transactions apart from those disclosed in Note 2.5 to the Financial Statements on page 135	
D. 1	Present a balanced and understandable assessment of the Company's financial position, performance and prospects.	Yes	Communication with Shareholders	101
D.2.	Process of risk management and a sound system of internal control to safeguard shareholders' investments and the Company's assets.	Yes	Risk Management and Internal control	90
D.3.	Audit Committee.	Yes	Audit Committee Report	115
D.4	Code of Business Conduct and Ethics.	Yes	Code of Conduct	
D.5	Corporate Governance Disclosures.	Yes	Corporate Governance Report	91
E & F	Institutional and other investors encourage voting at AGM.	Yes	Relations with Shareholders	
G	Principals of Sustainability Reporting.	Yes	Sustainability Governance	101

ANNUAL REPORT OF THE BOARD OF DIRECTORS

The Directors have pleasure in presenting to the members, their Annual Report together with the Audited Financial Statements for the year ended 31st March 2020.

The details set out herein provide the pertinent information required under the Companies Act No. 7 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 Company with limited liability incorporated in Sri Lanka on 1st July 1982 under the Companies Ordinance No. 51 of 1938 and re-registered on 07th September 2007 under the provisions of the Companies Act No. 7 of 2007, and assigned the Company Re-Registration No. PQ 78. It's shares have been quoted at the Colombo Stock Exchange since 2004. This information is disclosed as required by Section 168 of the Companies Act No. 7 of 2007, which also requires the following information to be disclosed:

PRINCIPAL BUSINESS ACTIVITIES

Nature of the business of the Company and the Group are described below as required by Section 168 (1) (a) of the Companies Act No. 7 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 are to provide health care 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. 7 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 is a Private Company with limited liability incorporated in Sri Lanka under the provisions of the Companies Act No. 17 of 1982 and re-registered under the New Companies Act No. 7 of 2007. It is also domiciled in Sri Lanka and is a wholly owned subsidiary of Nawaloka Hospitals PLC.

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

A new Private Company with limited liability incorporated in Sri Lanka in the year 2017 under the provisions of the New Companies Act No. 7 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 Greencross 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. 7 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 review/Chief Executive Officer's Performance Review and the Director/General Manager's Operational & Management review on pages 34, 35 and 36 respectively of this report. These reviews form an integral part of this report and together with the Financial Statements described in detail represent 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 on pages 128 to 210 and have been prepared in conformity with the Sri Lanka Accounting Standards and the requirements of Section 168 (1) (b) of the Companies Act No. 7 of 2007 and the Listing Rules of the Colombo Stock Exchange.

AUDITOR'S REPORT

The Financial Statements for the period under review were audited by Messrs KPMG (Chartered Accountants) for the year ended 31st March 2020 and the Independent Auditor's Report issued thereon appears on page 123 of this Annual Report as required by Section 168 (1) (c) of the Companies Act No. 7 of 2007.

FINANCIAL RESULTS

(All figures in Sri Lanka Rupees)	Group		Company	
	2019/2020 Rs.	2018/2019 Rs.	2019/2020 Rs.	2018/2019 Rs.
Profit/(loss) before Taxation	(166,262,398)	(388,613,578)	17,169,213	(236,751,320)
Less : Taxation	182,243,138	(198,539,583)	81,852,838	(14,880,083)
Net Profit after Taxation	15,980,740	(587,153,161)	99,022,051	(251,631,403)
Profit attributable to Equity Holders of the Company	15,980,740	(587,153,161)	99,022,051	251,631,403
Earnings per share	0.01	(0.42)	0.07	(0.18)

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 on pages 138 to 139 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 depreciation rates.

ENTRIES IN THE INTERESTS REGISTER

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

DIRECTORATE

The Directors, who served on the Board during the financial year are as 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 & Chief Executive Officer)	Executive	
Mr. Rienzie T. Wijetilleke (Non Executive Vice Chairman) (Resigned w.e.f 27/11/2019)	Non -Executive	Independent
Deshabandu Tilak de Zoysa (Senior Independent Director)	Non -Executive	Independent

DIRECTORS' REMUNERATION AND OTHER BENEFITS

Directors' remuneration and other benefits of Directors are given in Note 41 to the Financial Statements at page 202 as required by Section 168(1) (f) of the Companies Act No. 07 of 2007.

DONATIONS

Total donations made by the Group during the year amounted to Rs. 4,392,151 and is disclosed as required by Section 168(1)(g) of the Companies Act No. 07 of 2007. 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 31st March 2020, stood at Rs. 3,430 Mn. The total Shareholders' Funds of the Company as at 31st March 2019 stood at Rs. 3,442 Mn. The movements are shown in the Statement of Changes in Equity.

INTERIM DIVIDEND

No interim dividend was declared or paid during the financial year. Further no dividend was declared in the 2018/2019 financial year as the financial year ended with a loss of Rs. 587 Mn.

ANNUAL REPORT OF THE BOARD OF DIRECTORS

Name of Director	Executive/Non Executive status	Status of Independence
Vidya Jyothi Prof. Lal Chandrasena (General Manager)	Executive	
Mr. Tissa K. Bandaranayake (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	
Dr. W. Chandima P. De Mel (Appointed w.e.f 16/03/2020)	Non-Executive	
Vidya Jyothi Prof S. K. A. Arjuna P. De Silva (Appointed w.e.f 16/03/2020)	Non-Executive	

The qualifications and experience of each of the Directors, are given in the individual profiles of the Board of Directors on pages 16 to 21 of the 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 within 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. 7 of 2007.

New Appointments and Resignation

There were two new appointments to the Board during the financial year under review and one resignation. The details

are given below:-

1. Dr. W. Chandima P. De Mel
– Appointed on 16th March 2020;
2. Vidya Jyothi Prof S. K. A. Arjuna P. De Silva
– Appointed on 16th March 2020; and
3. Mr. Rienzie T. Wijetilleke
– Resigned on 27th November 2019.

Recommendations for Re-election

In terms of Article 74 of the Articles of Association of the Company, Deshabandu Tilak de Zoysa and Mr. Tissa Kumara Bandaranayake who retire from the Board by rotation at the forthcoming Annual General Meeting and being eligible for re-election, have offered themselves for re-election.

Further, Dr. Hewa Komanage Jayantha Dharmadasa, Vidya Jyothi Professor Lal Chandrasena, Deshabandu Tilak de Zoysa, Tissa Kumara Bandaranayake and Damian Sunil AbeyRatna who have exceeded the age of 70 years and being eligible for re-election in terms of Section 211 of the Companies Act No. 7 of 2007, have offered themselves to be re-appointed as Directors of the Company.

Dr. W. Chandima P. De Mel who retires in terms of Article 81 of the Articles of Association of the Company, has offered himself to be re-appointed as a Director of the Company.

Vidya Jyothi Prof S. K. A. Arjuna P. De Silva who also retires in terms of Article 81 of the Articles of Association of the Company, has offered himself to be re-appointed as a Director of the Company.

Independent Directors

Deshabandu Tilak De Zoysa and Mr. Tissa K. Bandaranayake who were appointed as Independent Directors of the Company, have 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 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 re-appointed 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 28th February 2012 and 24th March 2016 respectively.

Board Sub-committees

The three Board Sub-Committees 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 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 Sub-Committees during the Financial year under review are as follows:

Audit Committee Members

Mr. Tissa K. Bandaranayake
– Chairman (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)

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)

Nomination Committee Members

Deshabandu Tilak De Zoysa
– Chairman (INED)

Mr. Tissa K. Bandaranayake
– Member (INED)

Mr. D. Sunil AbeyRatna
– Member (INED)

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)

Ms. A. G. Dharmadasa
– Member (ED)

Strategic Planning Committee

Dr. H. K. Jayantha Dharmadasa
– Chairman/CEO

Vidya Jyothi Professor 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 Sub-Committee 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 98 of this Annual Report.

ANNUAL REPORT OF THE BOARD OF DIRECTORS

Directors' Shareholding

The aggregate shareholding of the Directors for the year ended 31st March 2020 and the previous year, are as follows:-

	2019/2020 Ordinary	2018/2019 Ordinary
Mr. H.K. J. Dharmadasa	462,736,332	462,736,182
Mr. Rienzie T. Wijetilleke (resigned w.e.f 27.11.2020)	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
Dr. W. Chandima P. De Mel	NIL	NIL
Vidya Jyothi Prof S. K. A. Arjuna P. De Silva	NIL	NIL

STATED CAPITAL

The Stated Capital of the Company amounts to 1,409,505,596 ordinary shares. There were no changes in the Stated Capital during the year.

	Group		Company	
	2019/2020 Rs.	2018/2019 Rs.	2019/2020 Rs.	2018/2019 Rs.
Issued & Fully Paid	-	-	-	-
At the beginning of the year	1,207,388,876	1,207,388,876	1,207,388,876	1,207,388,876
At the end of the year	1,207,388,876	1,207,388,876	1,207,388,876	1,207,388,876

SHARE INFORMATION

The composition of shareholders and the information relating to share trading, net assets and market value per share are given on pages 212 of this Annual Report.

MAJOR SHAREHOLDERS

The 20 largest shareholders of the Company as at 31st March 2020 are given on page 213 of this Annual Report.

EMPLOYMENT POLICY

The Company's Employment Policy is non-discriminatory and equal opportunities are given to all employees irrespective of ethnicity, 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.

Related Party transactions

The Directors have also disclosed their transactions if any, that could be classified as 'Related Party transactions' in terms of LKAS 24 - "Related Party Disclosures" and have 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 & Equipment and their movements in the Company and the Group during the year, are listed in Note 19 to the accounts on pages 160 and 164.

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 31st March 2020 was 2,305.

GROUP REVENUE

The Revenue of the Group was Rs. 8,556 Mn (2019 – Rs. 8,534). 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 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, the 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 occurred after the reporting date which had any material effect on the Company or on the Group that required 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 re-appointment, 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. 7 of 2007.

For and on behalf of the Board,



Dr. Jayantha Dharmadasa
Chairman/Chief Executive Officer



Mr. Harshith Dharmadasa
Deputy Chairman

By Order of the Board,

Sgd.

M & A Company Secretaries (Private)
Limited

20th November 2020

THE BOARD REMUNERATION COMMITTEE REPORT

FORMATION, COMPOSITION AND STRUCTURE

The Remuneration Committee is a Sub-committee, 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)

The Committee meetings held during the financial year are subject to the following criteria:-

DUTIES AND RESPONSIBILITIES

The Remuneration Committee reviews and recommends 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 or any of their associates are involved in setting their own remuneration or any other benefit.
2. Establishing transparent procedures 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 ;
- d. Business performance,
- e. Industry standards,

in declaring the overall remuneration policy of the Group.

3. Recommending corporate management appointments to the Board.
4. Approving remuneration levels for 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 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 challenge faced by the Group.

EVALUATION OF THE EFFECTIVENESS OF THE COMMITTEE

The Board reviews and updates the Committee Charter annually. The minutes of meetings and other reports from the Remuneration Committee are submitted to the Board of Directors, and in addition, plans are initiated for the Non-Committee members to evaluate the Committee on an annual basis by way of a checklist.

The Remuneration Committee wishes to highlight that in this regard that the Company is compliant with the provisions of the Companies Act No. 7 of 2007.



Deshabandu Tilak De Zoysa
Chairman

20th November 2020

AUDIT COMMITTEE REPORT

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, authorities 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 ensure 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, thus ensuring the integrity of Financial Statements.

FORMATION AND COMPOSITION OF THE COMMITTEE

The Audit Committee was established by the Board and comprises three Independent Non- Executive Directors.

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

MEMBERS OF THE AUDIT COMMITTEE

Name of Director	Non-Executive	Independent
Mr. Tissa K. Bandaranayake - Chairman	✓	✓
Mr. Rienzie T. Wijetilleke (Resigned w.e.f 27.11.2019)	✓	✓
Deshabandu Tilak De Zoysa	✓	✓
Mr. D. Sunil AbeyRatna	✓	✓

BROAD PURPOSE OF THE AUDIT COMMITTEE

The Audit Committee assisted the Board in the following manner:-

- Ensured that the preparation, presentation and adequacy of disclosure in the Financial Statements were in accordance with LKAS/ SLFRS and with the requirement of the Companies Act No. 7 of 2007 and other relevant financial reporting related regulatory requirements.
- Reviewed 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 were adequate and functioning properly.
- Assessed the Company's ability to continue as a going concern in for the foreseeable future, ensuring compliance with all relevant statutory and regulatory requirements.
- Oversaw the 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

- Examine any non-audit work performed by the Auditors together with the fees thereon and other relevant criteria to ensure that their objectivity and independence is not impaired.
- Reviewing the scope and performance of the audit and its effectiveness.
- Hold a discussion with the Auditors at appropriate stages of the audit, the audit plan, key audit issues and their resolution together with management responses.
- Based on the above evaluation, recommending the re-appointment or otherwise of the current Auditors for the financial year ending 31st March 2021.

Internal controls and internal audit

- Reviewing the internal audit function and making recommendations.
- Ensuring that there are satisfactory arrangements for monitoring internal control in keeping with delegated authorities.
- Reviewing mechanisms for the confidential receipt and treatment of complaints alleging fraud received

AUDIT COMMITTEE REPORT

from internal/external sources and pertaining to internal control, accounting or other such matters.

Risk Management

- Monitoring the policies and practices relating 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.

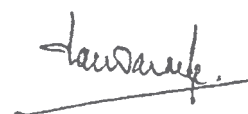
Financial Statements

- Reviewing the Company's quarterly unaudited and annually Audited Financial Statements and if approved, making recommendations to the Board for their adoption and release.

MEETINGS

The Audit Committee held seven (7) 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:-

The Committee has provided the Chairman of the Audit Committee with all powers to convene regular meetings with the Head of Finance, Internal Auditor, Sectional Heads and Company's External Auditors, separately and periodically.



Mr. Tissa K. Bandaranayake
Chairman

20th November 2020

Name of Director	No. of Meetings Attended	Attendance Percentage %
Mr. Tissa K. Bandaranayake	7/7	100%
Mr. Rienzie T Wijetilleke	0/7	0% (Resigned w.e.f 27.11.2019)
Deshabandu Tilak de Zoysa	6/7	85.7%
Mr. D. Sunil AbeyRatna	7/7	100%

RELATED PARTY TRANSACTIONS REVIEW COMMITTEE REPORT

THE OBJECTIVE

The "Related Party Transaction Review Committee" (RPTRC) will take into account the interests of shareholders as a whole when entering into Related Party Transactions. Further, the Committee takes certain measures to prevent Directors, Chief Executive Officers or Substantial Shareholders taking advantage of their positions.

COMPOSITION OF THE COMMITTEE

The Board appointed a 'Related Party Transactions Review Committee' (RPTRC), comprising of 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 of the following members:

Mr. Tissa K. Bandaranayake – Chairman
(Independent Non-Executive Director)

Deshabandu Tilak De Zoysa – Member
(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 1st 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 RPT of each of the related parties of the Group.
- 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.

The Committee scheduled quarterly meetings to review and report to the Board, on matters involving RPT falling under its Terms of Reference.

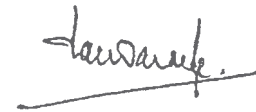
ACTIVITIES DURING THE YEAR

All related party transactions which took place during the financial year 2019/2020 were reviewed by the members of the Committee at the committee meetings held on 12/6/2019, 12/08/2019, 13/11/2019 and 11/2/2020 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. The Committee examines fairness and transparency in all related party transactions entered by the company with related parties.

Proceedings of the Committee meetings were regularly reported to the Board of Directors. The Members of the Committee noted 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 or immediate disclosure was not required.

All related party transactions for the year ended 31st March 2020 are disclosed in the Financial Statements.



Mr. Tissa K. Bandaranayake
Chairman

20th November 2020

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. 7 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. 7 of 2007.

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

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

The Financial Statements of the Company and the Group have been certified by the Company's Chief Financial Officer, the person responsible for its preparation, as required by the Act. Financial Statements of the Company and the Group have been signed by two Directors on 20th November 2020 as required by Sections 150(1)(c) and 152(1)(c) of the Companies Act. Accordingly, the Board of Directors wish to confirm that they have complied with all the requirements of the Companies Act No. 7 of 2007 and have also met all the requirements under Section 7 of the Listing Rules of the Colombo Stock Exchange.

The Directors also have taken reasonable steps to safeguard the assets of the Company and to prevent and detect frauds and other irregularities. In this regard, the Directors have instituted an effective and comprehensive system of internal controls and an effective system of monitoring its effectiveness, internal audit being one of them. The Board has been provided additional assurance on the reliability of the Financial Statements through a process of independent and objective reviews conducted by the Audit Committee. The Report of the Audit Committee is on pages 115 and 116 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. 7 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

20th November 2020

SENIOR INDEPENDENT DIRECTOR'S STATEMENT

The Securities and Exchange Commission and The Institute of Chartered Accountants of Sri Lanka have published a Code of Best Practice on Corporate Governance 2017 (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.

I have been entrusted with the tasks as specified in the Code, as the Senior Independent Non-Executive Director, to make my services available for advice and guidance to the Board including to the Chairman so that at all times the principles of good Governance, are observed.



Deshabandu Tilak De Zoysa
Senior Independent Director

20th November 2020

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 2020 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 in compliance with the rules of Central Bank of Sri Lanka (CBSL) and those financial outcomes are circulated amongst the shareholders on a quarterly basis.

Significant accounting policies applied consistently by the Group and the complicated estimates that involve high degree of judgment 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 pertaining to as material financial conditions, and cash flows contained in this Annual Report were acquired legitimately. We confirm that the Group has mandatory resources to pursue its operations and have justification to be classified as a going concern basis in 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 to safeguard its 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 including through Company's Internal Audit Department of which we are satisfied and 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 at page 123 to 127. The Board Audit Committee (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 Programs 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 at pages 115 to 116. 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 recognized in weighing the assurances provided in 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, regulations and guidelines and there are no material litigation against the Company/Group.



Dr. Jayantha Dharmadasa
Chairman/Chief Executive Officer



Mr. Nalaka Niroshana
Head of Finance

20th November 2020

EXCELLENCE IN PERFORMANCE



As an entity committed to reaching our goals, we're geared to move steadily forward, delivering powerful performance and agility year on year.

FINANCIAL REPORTS

Financial Calendars

Independent Auditors' Report

Income Statement

Statement of Profit or Loss and Other Comprehensive Income

Statement of Financial Position

Consolidated Statement of Changes in Equity

Statement of Changes in Equity

Statement of Cash Flows

Notes to the Financial Statements

FINANCIAL CALENDAR

1st Quarter Results	August 2019
2nd Quarter Results	November 2019
3rd Quarter Results	February 2020
4th Quarter Results	September 2020
Annual Report	November 2020
Annual General Meeting	December 2020

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 31st March 2020, 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 128 to 210 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 31st March 2020, 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.

Emphasis of Matter – Restatement of Comparative Balances

We draw our attention to Note 46.1 to the Group financial statements, which describes that amounts reported in the previously issued Group financial statements have been restated and disclosed as comparatives in these financial statements. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, 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.

1. Revenue Recognition

(Refer Note 10 to the financial statements)

Risk Description	Our response
The Company and the Group has recognized a revenue of Rs 3,679 Mn and Rs. 8,556 Mn respectively for the year ended 31st March 2020.	Our audit procedures included; <ul style="list-style-type: none"> • Obtaining an understanding of and testing of key controls in respect of the Group's revenue recognition basis; • Testing invoices on a sample basis, to ensure revenue is recognized and measured in accordance with the contractual terms of the contracts and the Group's accounting policies; • Assessing the appropriateness of the recognition of revenue and related discounts including carrying out substantive testing in respect of revenue cut off procedures at the end of the year; and • Assessing the adequacy of financial statements disclosures.
Revenue is a key performance indicator used to evaluate the performance of the Group and the Company. Given the significance of the total value, the number of transactions, judgement involved in the timing of recognition and the dependence on IT systems over recognition of revenue, the recognition of revenue was considered as a key area 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.

M.R. Mihular FCA
T.J.S. Rajakarier FCA
Ms. S.M.B. Jayasekara ACA
G.A.U. Karunaratne FCA
R.H. Rajan FCA
A.M.R.P. Alahakoon ACA
Principals - S.R.I. Perera FCMA(UK), LL.B, Attorney-at-Law, H.S. Goonewardene ACA, Ms. P.M.K.Sumanasekara FCA
P.Y.S. Perera FCA
W.W.J.C. Perera FCA
W.K.D.C. Abeyrathne FCA
R.M.D.B. Rajapakse FCA
M.N.M. Shameel ACA
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Ms. S. Joseph FCA
S.T.D.L. Perera FCA
Ms. B.K.D.T.N. Rodrigo FCA
Ms. C.T.K.N. Perera ACA

INDEPENDENT AUDITORS' REPORT



2. Measurement of inventories

(Refer Note 24 to the financial statements)

Risk Description	Our response
<p>The Company and the Group has recorded an inventory of Rs. 205 Mn and Rs, 462 respectively Mn as at 31st March 2020.</p> <p>Inventories are considered as one of the key components in evaluating the working capital status of a Company. Valuation of inventories involves additional judgments and estimates due to the nature of products and stringent quality requirements of the industry.</p> <p>In addition, the business model of the Group requires the inventories to be sold and allocated among companies within the Group. As such, both existence and valuation of inventories are key areas of focus.</p>	<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/Company's inventory provisioning policy; On a sample basis, compared the carrying amounts of the Group's/Company's inventories with net realization value of those inventories Validating the cost allocation within Group entities; and Agreeing the physically counted inventory balances with the records in the inventory management system on sample basis and performing roll back procedures where applicable. Assessing the adequacy of disclosures made in the financial statements.

3. Recoverability of deferred tax assets on Accumulated Tax Losses

(Refer Note 33 to the financial statements)

Risk Description	Our response
<p>The Group and the Company has recorded a deferred tax asset of Rs. 561 Mn and Rs. 176 Mn respectively as at 31st March 2020 on deductible temporary differences arising from accumulated tax losses.</p> <p>In recognizing this deferred tax asset, the management has considered expected utilization or recovery in the future through generation of future taxable profits by the Group entities or set off against deferred tax liabilities. This consideration involves significant judgment and estimates of the management in respect of assessing the sufficiency of future taxable profits and the probability of such future taxable profits being generated by the entities within the Group.</p> <p>As such, due to the significance of the amount of deferred tax asset recognized on deductible temporary differences relating to accumulated tax losses and the level of estimation uncertainties involved in the determination, we have considered the recognition of deferred tax assets on accumulated tax losses to be a key audit matter for the year ended 31st March 2020.</p>	<p>Our audit procedures included;</p> <ul style="list-style-type: none"> Assessing the Group's approach for evaluating the likelihood of the recoverability of deferred tax assets on accumulated tax losses. Challenging the key assumptions included in forecasting the future taxable profits for each Group entity after considering the accumulated, unutilized 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 forecasts used by the management; and Assessing the adequacy of disclosures in the financial statements as required by the relevant accounting standards



4. Adoption and Transition to SLFRS 16 – “Leases”

(Refer Notes 7, 20 and 35 to the financial statements)

Risk Description	Our response
<p>The Group has adopted SLFRS 16 ‘Leases’ with effect from 1st April 2019, which resulted in changes to its accounting policies. The Group elected not to restate comparative information as permitted by the transitional provisions contained SLFRS 16.</p> <p>This change in accounting policies resulted in a recognition of a right-of-use assets of Rs. 608.4 Mn and a lease liability of Rs. 596.7 Mn in the financial statements of the Group as at 1st April 2019. Further, a right-of-use asset of Rs. 68.4 Mn and a lease liability of Rs.61.8 Mn were recognized in the financial statements of the Company as at the date of transition. In measuring the present value of lease liabilities, the Group used incremental borrowing rates (IBR) applicable to each component to discount future cash flows.</p> <p>We considered adoption and transition to SLFRS 16 as key audit matter because of the significant judgments applied and complexity of computations used in determining the impact of transition to SLFRS 16.</p>	<p>Our audit procedures included;</p> <ul style="list-style-type: none"> • Obtaining an understanding of the Group’s approach on adoption of SLFRS 16. • Assessing the appropriateness of the selection of accounting policies and management approach over adoption and transition applied for SLFRS 16, including the key accounting estimates and judgements made by the management. • Challenging the accuracy of the underlying cash flows by agreeing a sample of lease data to original contracts. • Assessing the mathematical accuracy of the computation of transition impact of a sample of contracts through recalculation. • Assessing the adequacy of the disclosures made in the financial statements pertaining to leases, including disclosures relating change in accounting policy for leases.

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 auditor’s 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.

INDEPENDENT AUDITORS' REPORT



Auditor's 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 auditor's 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 judgment 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 auditor's 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 auditor's 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 auditor's report is 3029.

A handwritten signature in black ink, appearing to be 'KPMG' written in a stylized, cursive script.

Chartered Accountants

Colombo, Sri Lanka

20th November 2020

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the Year Ended 31st March	Note	GROUP		COMPANY	
		2020 Rs.	2019 Rs. (Restated)*	2020 Rs.	2019 Rs.
Revenue	10	8,556,440,080	8,534,267,449	3,678,885,918	3,471,447,762
Cost of Services		(3,768,791,573)	(4,143,850,942)	(1,656,889,821)	(1,805,766,151)
Gross Profit		4,787,648,507	4,390,416,507	2,021,996,097	1,665,681,611
Other Income	11	149,388,093	244,851,729	205,770,909	250,304,480
Staff Costs	12.1	(1,762,425,847)	(1,707,541,111)	(560,551,041)	(704,275,267)
Administrative Expenses		(1,873,023,494)	(2,052,752,836)	(784,072,239)	(747,782,717)
Other Operating Expenses		(70,819,263)	(68,460,099)	(73,469,092)	(36,823,104)
Impairment of Financial Assets	26.1 & 25.1	(51,033,652)	(4,156,285)	(37,423,544)	(4,156,285)
Profit from Operations	12	1,179,734,344	802,357,905	772,251,090	422,948,718
Finance Income	13	44,166,904	97,770,310	7,873,779	64,598,034
Finance Costs	13	(1,390,163,646)	(1,288,741,793)	(762,955,656)	(724,298,072)
Net Finance Costs		(1,345,996,742)	(1,190,971,483)	(755,081,877)	(659,700,038)
(Loss)/Profit before Tax		(166,262,398)	(388,613,578)	17,169,213	(236,751,320)
Income Tax Reversal/(Expense)	14.1	182,243,138	(198,539,583)	81,852,838	(14,880,083)
Profit/(Loss) for the year		15,980,740	(587,153,161)	99,022,051	(251,631,403)
Other Comprehensive Income					
Items that will not be reclassified to profit or loss					
Remeasurement of retirement benefit liability	32	(31,360,706)	(19,613,483)	(8,044,058)	(23,693,301)
Tax on components of OCI	14.2	8,780,996	5,491,776	2,252,336	6,634,124
Change in fair value of investments in FVOCI	23.1	(4,935,000)	-	(4,935,000)	-
Other comprehensive expense for the year, net of tax		(27,514,710)	(14,121,707)	(10,726,722)	(17,059,177)
Total comprehensive (expenses)/income for the year		(11,533,970)	(601,274,868)	88,295,329	(268,690,580)
Earnings/(Loss) per share					
Basic Earnings/(Loss) per share (Rs.)	15.1	0.01	(0.42)	0.07	(0.18)
Diluted Earnings/(Loss) per share (Rs.)	15.2	0.01	(0.42)	0.07	(0.18)

Figures in brackets indicate deductions.

*See Note 46

The Group has initially adopted SLFRS 16 from 1 April 2019. Under the transition methods chosen, comparative information have not been restated.

The notes to the financial statements on pages 134 to 210 are integral part of these consolidated financial statements.

STATEMENT OF FINANCIAL POSITION

As At	Note	GROUP			COMPANY	
		31/3/2020 Rs.	31/3/2019 Rs. (Restated)*	1/4/2018 Rs. (Restated)*	31/3/2020 Rs.	31/3/2019 Rs.
ASSETS						
Non Current Assets						
Property, Plant and Equipment	19	13,987,485,135	13,710,485,784	13,641,936,088	1,790,553,032	1,983,544,707
Leasehold Right Over Land	20.1	-	216,028,835	219,004,788	-	45,870,889
Right of Use Assets	20.2	710,949,840	-	-	111,081,796	-
Investment Property	21	-	-	-	192,417,100	192,417,100
Investment in Subsidiaries	22	-	-	-	2,016,985,386	2,016,985,386
Other Investments	23.1	14,805,000	19,740,000	-	14,805,000	19,740,000
Total Non Current Assets		14,713,239,975	13,946,254,619	13,860,940,876	4,125,842,314	4,258,558,082
Current Assets						
Inventories	24	462,391,285	489,254,828	556,576,847	204,821,663	232,126,124
Trade and Other Receivables	25	924,370,687	909,353,913	937,596,386	739,073,021	692,928,778
Current Tax Receivables	37	-	991,937	-	-	-
Amounts due from Related Parties	26	712,619,787	416,816,784	270,598,111	5,525,598,159	3,859,010,919
Other Investments	23.2	306,016,897	283,881,242	1,344,188,074	102,706,849	36,346,825
Cash and Cash Equivalents	27	585,063,208	157,962,595	177,722,754	132,786,692	106,440,391
Total Current Assets		2,990,461,864	2,258,261,299	3,286,682,172	6,704,986,384	4,926,853,037
Assets Classified as Held for Sale	28	-	136,693,775	136,693,775	-	2,500,000
Total Assets		17,703,701,839	16,341,209,693	17,284,316,823	10,830,828,698	9,187,911,119
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	1,207,388,876
Revaluation Reserve	30	1,083,455,968	1,083,455,968	1,083,455,968	38,201,724	38,201,724
Retained Earnings		1,139,284,641	1,150,818,611	1,822,568,759	(222,374,235)	(310,669,564)
Total Equity		3,430,129,485	3,441,663,455	4,113,413,603	1,023,216,365	934,921,036
Non Current Liabilities						
Debentures	31	186,646,835	186,165,926	448,334,169	186,646,835	186,165,926
Retirement Benefit Obligation	32	305,875,255	246,273,733	226,814,276	223,862,270	202,174,044
Deferred Tax Liabilities	33	992,417,338	1,217,975,234	1,106,437,508	1,278,432	85,383,606
Borrowings	34	4,937,060,441	6,105,923,111	5,146,678,509	3,167,092,742	3,683,727,267
Lease Liabilities	35	429,152,719	91,285,335	92,000,000	38,326,916	10,064,433
Total Non Current Liabilities		6,851,152,588	7,847,623,339	7,020,264,462	3,617,207,195	4,167,515,276

STATEMENT OF FINANCIAL POSITION

As At	Note	GROUP			COMPANY	
		31/3/2020 Rs.	31/3/2019 Rs. (Restated)*	1/4/2018 Rs. (Restated)*	31/3/2020 Rs.	31/3/2019 Rs.
Current Liabilities						
Debentures	31	-	269,059,213	1,045,931,717	-	269,059,213
Trade Creditors and Other Payables	36	1,635,007,816	1,480,094,195	992,870,641	1,383,810,274	1,257,621,043
Unclaimed Dividends		4,608,151	21,706,126	4,265,482	4,608,120	21,706,075
Current Tax Liabilities	37	18,594,851	-	16,890,277	-	-
Amounts due to Related Companies	38	49,138,764	186,777,683	196,954,049	384,935,760	319,616,309
Borrowings	34	4,110,096,850	1,457,310,675	2,275,560,740	3,418,132,851	1,075,849,235
Lease Liabilities	35	158,030,124	11,803,776	8,000,000	28,464,569	2,414,227
Bank Overdrafts	27	1,446,943,210	1,625,171,231	1,610,165,852	970,453,564	1,139,208,705
Total Current Liabilities		7,422,419,766	5,051,922,899	6,150,638,758	6,190,405,138	4,085,474,807
Total Liabilities		14,273,572,354	12,899,546,238	13,170,903,220	9,807,612,333	8,252,990,083
Total Equity and Liabilities		17,703,701,839	16,341,209,693	17,284,316,823	10,830,828,698	9,187,911,119
Net Assets Per Share		2.43	2.44	2.92	0.73	0.66

*See Note 46

The Group has initially adopted SLFRS 16 from 1 April 2019. Under the transition methods chosen, comparative information have not been restated.

The notes to the financial statements on pages 134 to 210 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.



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. H.K. Jayantha Dharmadasa
Chairman/Chief Executive Officer



Mr. Harshith Dharmadasa
Deputy Chairman

Colombo
20th November 2020

STATEMENT OF CHANGES IN EQUITY

For the Year Ended 31st March GROUP	Stated Capital Rs.	Revaluation Reserve Rs.	Retained Earnings Rs.	Total Equity Rs.
Balance as at 31 March 2018	1,207,388,876	1,083,455,968	1,967,659,949	4,258,504,793
Correction of prior period error (Note 46.1)	-	-	(145,091,190)	(145,091,190)
Restated Balance as at 01 April 2018	1,207,388,876	1,083,455,968	1,822,568,759	4,113,413,603
Loss for the year	-	-	(587,153,161)	(587,153,161)
Other Comprehensive Expense (net of tax)	-	-	(14,121,707)	(14,121,707)
Transaction with the owners of the Company				
Dividends Paid (Note 16.1)	-	-	(70,475,280)	(70,475,280)
Restated Balance as at 31 March 2019	1,207,388,876	1,083,455,968	1,150,818,611	3,441,663,455
Restated Balance as at 01 April 2019	1,207,388,876	1,083,455,968	1,150,818,611	3,441,663,455
Profit for the year	-	-	15,980,740	15,980,740
Other Comprehensive Expense (net of tax)	-	-	(27,514,710)	(27,514,710)
Balance as at 31 March 2020	1,207,388,876	1,083,455,968	1,139,284,641	3,430,129,485
COMPANY				
Balance as at 01 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 Expense (net of tax)	-	-	(17,059,177)	(17,059,177)
Transaction with the owners of the Company				-
Dividends Paid (Note 16.1)	-	-	(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
Balance as at 01 April 2019	1,207,388,876	38,201,724	(310,669,564)	934,921,036
Profit for the year	-	-	99,022,051	99,022,051
Other Comprehensive Loss (net of tax)	-	-	(10,726,722)	(10,726,722)
Balance as at 31 March 2020	1,207,388,876	38,201,724	(222,374,235)	1,023,216,365

Notes form an integral part of these Financial Statements.

Figures in brackets indicate deductions.

CASH FLOW STATEMENT

For the Year Ended 31st March	Note	GROUP		COMPANY	
		2020 Rs.	2019 Rs. (Restated)	2020 Rs.	2019 Rs.
Cash flows from Operating Activities					
Profit/(Loss) before Tax		(166,262,398)	(388,613,578)	17,169,213	(236,751,320)
Adjustments for :					
Depreciation & Amortization of Property Plant and Equipments	19	832,564,965	874,687,449	357,081,352	366,829,162
Foreign Exchange Loss	13	25,723,395	58,007,252	21,186,612	57,006,585
Finance Cost	13	1,403,125,296	1,293,301,642	775,917,306	728,857,922
Interest Income	13	(44,166,904)	(97,770,310)	(7,873,779)	(64,598,034)
Amortization of Right of Use assets	20	150,820,412	2,975,953	30,593,985	909,428
Profit on disposal of Assets held for sale		-	-	(134,193,775)	-
Profit on disposal of Property, Plant & Equipment	11	(16,608,308)	(4,291,190)	(16,608,308)	(4,291,190)
Provision for Employee Benefits	32	62,238,287	45,763,014	37,108,314	33,795,282
Provision for Impairment of trade receivables	25	26,261,263	-	23,338,029	4,156,285
Provision for Impairment of Related party receivable	26	24,772,389	4,156,285	14,085,514	-
Dividend Income	11	-	-	-	(199,999,989)
Operating Profit before Working Capital Changes		2,298,468,397	1,788,216,518	1,117,804,463	685,914,131
Changes in Working Capital					
Decrease in Inventories		26,863,544	67,322,018	27,304,462	47,127,938
(Increase) in Debtors, Deposits & Advances		(58,021,491)	(55,331,716)	(76,144,525)	(68,632,326)
(Increase)/Decrease in Related Party Balances		(340,725,559)	(160,551,324)	(1,486,353,348)	224,972,250
Increase in Creditors & Other Payables		154,913,621	480,089,747	126,189,231	432,117,388
		(216,969,885)	331,528,725	(1,409,004,180)	635,585,250
Cash Generated from/(Used in) Operating Activities		2,081,498,512	2,119,745,243	(291,199,717)	1,321,499,381
Interest Paid		(1,229,269,995)	(1,230,734,542)	(687,814,651)	(667,291,487)
Gratuity Paid	32	(33,997,471)	(45,917,040)	(23,464,146)	(32,660,414)
Current Tax Paid	37	-	(4,059,669)	-	-
Net cash Generated from/(Used In) Operating Activities		818,231,046	839,033,992	(1,002,478,514)	621,547,480
Cash flows from Investing Activities					
Purchase of Property, Plant & Equipment	19	(1,129,005,086)	(943,945,953)	(180,970,698)	(206,923,325)
Proceeds From sale of Property, Plant and Equipment		23,736,746	5,000,000	21,177,000	5,000,000
Other Investment	23.1	-	(19,740,000)	-	(19,740,000)
Interest Received	13	32,528,004	91,879,378	5,166,930	64,127,984
Withdrawal/(Investment) in Short Term Deposits	23.2	(10,496,755)	1,060,306,832	(63,653,175)	1,112,106,485
Dividend Income		-	-	-	199,999,989
Net cash Generated from/(Used in) Investing Activities		(1,083,237,091)	199,391,189	(215,573,094)	1,155,041,183

For the Year Ended 31st March	Note	GROUP		COMPANY	
		2020 Rs.	2019 Rs. (Restated)	2020 Rs.	2019 Rs.
Cash flows from Financing Activities					
Proceeds from Long Term Borrowings	34	5,323,969,602	1,890,502,572	5,013,278,483	1,169,774,419
Proceeds from Commercial Papers	34.2	1,488,000,000	-	1,488,000,000	-
Proceeds from Leases	35	-	14,580,000	-	14,580,000
Repayments of Long Term Borrowings	34	(5,427,177,660)	(1,870,147,165)	(4,770,224,175)	(1,621,686,551)
Repayments of Lease Principal	35	(227,759,296)	(11,490,889)	(31,203,303)	(2,101,340)
Repayment of Debentures		(269,600,000)	(1,043,600,597)	(269,600,000)	(1,043,600,597)
Dividends Paid		(17,097,965)	(53,034,642)	(17,097,955)	(53,034,647)
Net cash Generated from/(Used in) Financing Activities		870,334,681	(1,073,190,721)	1,413,153,050	(1,536,068,716)
Net Increase/(Decrease) in Cash & Cash equivalents during the year		605,328,634	(34,765,539)	195,101,442	240,519,957
Cash & Cash equivalents at the beginning of the year		(1,467,208,636)	(1,432,443,097)	(1,032,768,314)	(1,273,288,271)
Cash and Cash equivalents at the end of the year		(861,880,002)	(1,467,208,636)	(837,666,872)	(1,032,768,314)
Analysis of Cash and Cash equivalents at the end of the year					
Cash at Bank & in Hand		393,469,427	157,962,595	132,786,692	106,440,391
Short-term Investments		191,593,781	-	-	-
Bank Overdrafts		(1,446,943,210)	(1,625,171,231)	(970,453,564)	(1,139,208,705)
	27	(861,880,002)	(1,467,208,636)	(837,666,872)	(1,032,768,314)

Notes form an integral part of these Financial Statements.

Figures in brackets indicate deduction.

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 02.

1.2 Consolidated financial statements

The Consolidated Financial Statements as at and for the year ended March 31, 2020, 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-Mar-20	Ownership as at 31-Mar-19
New Nawaloka Hospitals (Pvt) Ltd		100%	100%
New Nawaloka Medical Centre (Pvt) Ltd	Provide health care services	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	485	(2019 - 543)
Group	2,305	(2019 - 2,765)

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. This is the first set of financial statements in which SLFRS 16 " Leases" have been applied. Changes to significant accounting policies are described in Note 7 to these financial statements.

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 7 on pages 136 to 139.

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 108, 118 and 120 respectively.

These Financial Statements include the following components:

- an Income Statement and a Statement of Profit or Loss and Other Comprehensive Income. Refer page 128;
- a Statement of Financial Position. Refer pages 129 and 130;
- a Statement of Changes in Equity. Refer page 131;
- a Statement of Cash Flows. Refer pages 132 and 133;
- Notes to the Financial Statements comprising Significant Accounting Policies and other explanatory information. Refer pages 134 to 210.

2.3 Approval of Financial Statements by the Board of Directors

The Financial Statements of the Group and the Company for the year ended March 31, 2020 (including comparatives for 2019), were approved and authorised for issue by the Board of Directors in accordance with Resolution of the Directors on November 20, 2020.

2.4 Going Concern

The management has made an assessment of its ability to continue as a going concern (as set out in Note 45.2) 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 1st April 2018 to 31st March 2019. In this circumstance, 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.

A detailed note on changes to comparative amounts is given on Note 46 to the Financial Statements.

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 JUDGMENTS AND ESTIMATES

In preparing these consolidated financial statements, management has made judgments, 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 Judgment

Information about judgments made in applying accounting policies that have the most significant effects on the amounts recognized in the consolidated financial statements is included in the following notes:

Note 20 – leases: whether an arrangement contains a lease and lease classification; and

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 2020 is included in the following notes:

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 19 – measurement of the useful lifetime of property, plant and equipment

Notes 43 – recognition and measurement of provisions and contingencies: key assumptions about the likelihood and magnitude of an outflow of resources; and

NOTES TO THE FINANCIAL STATEMENTS

Note 45.2 - Uncertainties involved in the use of going concern assumption and impact of COVID-19 pandemic.

Note 23.1 - Fair valuation of investments classified as FVOCI.

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 follow.

Note Reference	Note	Page reference
6.1	Basis of Consolidation	137
6.2	Foreign currency translation	137
19	Property, Plant & Equipment	158
20	Leased Assets	164
21	Investment Property	167
24	Inventories	170
28	Assets held for sale	176
18	Financial instruments	156
6.3	Impairment of Assets	137
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14	Income Tax Expenses	147
41	Related party transactions	202

Note Reference	Note	Page reference
44	Events after the Reporting Date	205
15	Earnings Per Share	151
16	Dividends on Ordinary Shares	151
9	Segmental Information	140
27	Cash Flow Statement	173
39	Fair value measurement	193

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

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 Group's 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).

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.

NOTES TO THE FINANCIAL STATEMENTS

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 initially applied SLFRS 16 - "Leases" from 1st April 2019."

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.

The Group applied the SLFRS 16 using the modified retrospective approach, under which the Right of use assets is measured to be equal to lease liability as at 1st April 2019 without restating comparative information. The details of the changes in accounting policies are described below. Additionally, the disclosure requirements in SLFRS 16 have not generally been applied to comparative information.

(a) Definition of a lease

Previously, the Group determined at contract inception whether an arrangement is or contains a lease under LKAS 17. Under SLFRS 16, the Group assesses whether a contract is or contains a lease based on the definition of a lease.

On transition to SLFRS 16, the Group elected to apply the practical expedient to grandfather the assessment of which transaction are leases. It applied SLFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under LKAS 17 and IFRIC 4 were not reassessed for whether there is a lease. Therefore, the definition of a lease under SLFRS 16 was applied only to contracts entered into or changed on or after 1st April 2019.

(b) Accounting treatment by lessee

As a lessee, the Group previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the Group. Under SLFRS 16, the Group recognises right-of-use assets and lease liabilities for the leases - i.e. these leases are on-balance sheet.

Lease classified as operating lease under LKAS 17

At transition, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Group's incremental borrowing rate as at 1st April 2019. Right-of-use assets are measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments. The Group applied this approach to all the leases.

The Group used the following practical expedients when applying SLFRS 16 to leases previously classified as operating leases under LKAS 17.

- Did not recognize right -of- use assets and liabilities for leases for which the lease term ends within 12 months of the date of initial application;
- Did not recognize right -of- use assets and liabilities for leases of low value assets;
- Applied a single discount rate to a portfolio of leases with similar characteristics.
- Excluded initial direct costs from measuring the right-of-use asset at the date of initial application
- Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

On transition, for these leases, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Group's incremental borrowing rate at the date of initial application (i.e, 1st April 2019). Refer note 35 to the Financial Statements for the impact as at 1st April 2019.

8 STANDARDS ISSUED BUT NOT YET EFFECTIVE

"The Institute of Chartered Accountants of Sri Lanka has issued following amendments to Sri Lanka Accounting Standards (SLFRSs/LKASs) which will become applicable for financial periods beginning on or after 1st April 2020. Accordingly, the Group has not applied the following amendments in preparing these Financial Statements.

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

8.1 Amendments to references to conceptual framework in Sri Lanka Financial Reporting Standards

These amendments are effective 1 January 2020 and include limited revisions of definitions of an asset and a liability, as well as new guidance on measurement and derecognition, presentation and disclosure. The concept of prudence has been reintroduced with the statement that prudence supports neutrality.

8.2 Definition of material (Amendments to LKAS 1 and LKAS 8)

Definition of Material Amendments to LKAS 1
Presentation of Financial Statements and LKAS 8
Accounting Policies, Changes in Accounting Estimates and Errors (the amendments) to align the definition of 'material' across the standards and to clarify certain aspects of the definition. None of the amendments above are expected to result in a material impact on the Group's financial statements.

8.3 Definition of a Business (Amendments to SLFRS 03)

These amendments are effective from 1st January 2020 on a prospective basis and assist entities in determining whether a transaction should be accounted as a business combination or asset acquisition.

NOTES TO THE FINANCIAL STATEMENTS

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.

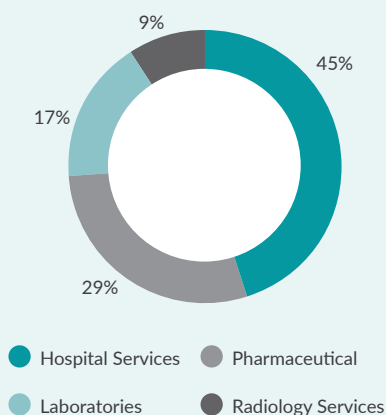
The following summary describes the operations of each reportable segment.

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

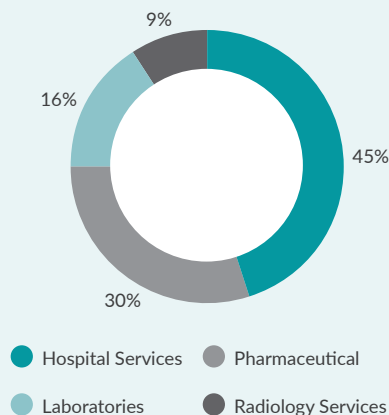
The Group's chief executive officer reviews the internal management reports of each division at least quarterly.

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.

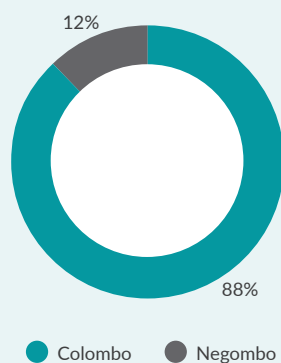
Segment Revenue 2020



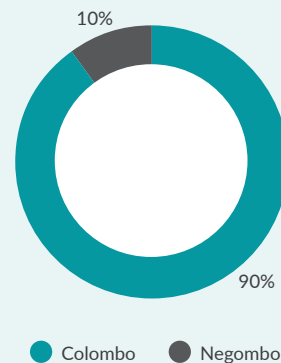
Segment Revenue 2019



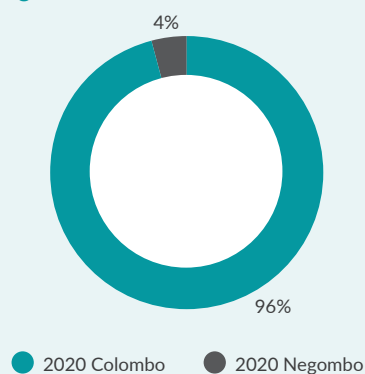
Segment Assets 2020



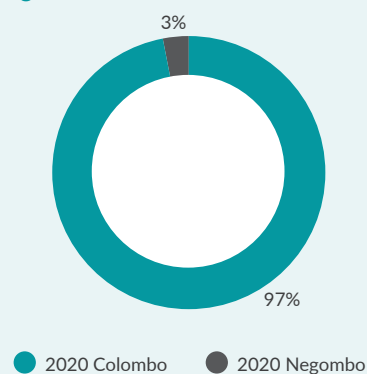
Segment Assets 2019



Segment Liabilities 2020



Segment Liabilities 2019



9.2 Geographic allocation of Segment information

For the Year Ended 31st March	Colombo		Negombo		Unallocated/eliminations		Total	
	2020 Rs.	2019 Rs.	2020 Rs.	2019 Rs.	2020 Rs.	2019 Rs.	2020 Rs.	2019 Rs.
External operating income								
Revenue	7,217,639,185	7,371,696,507	1,338,800,895	1,162,570,942	-	-	8,556,440,080	8,534,267,449
Other income	215,058,108	233,679,560	68,523,760	11,172,169	(134,193,775)	-	149,388,093	244,851,729
Total operating income	7,432,697,293	7,826,827,079	1,407,324,655	1,173,743,111	(134,193,775)	-	8,705,828,173	8,779,119,178
Depreciation and amortisation	882,147,687	781,002,321	101,237,690	96,661,089	-	-	983,385,377	877,663,410
Segment profit (loss) before tax	(378,233,137)	(589,549,573)	256,674,173	200,935,994	(44,703,435)	-	(166,262,398)	(388,613,578)
Income tax expenses							182,243,138	(198,539,583)
Net profit/(loss) for the year, attributable to equity holders of the parent							15,980,740	(587,153,161)
Segment Assets	15,633,197,450	14,776,922,312	2,070,504,385	1,564,287,379	-	-	17,703,701,836	16,341,209,691
Segment Liabilities	13,688,477,357	12,585,374,207	585,094,996	314,172,029	-	-	14,273,572,351	12,899,546,236
Capital Expenditure	1,060,490,987	876,398,558	68,514,095	82,372,394	-	-	1,129,005,082	943,945,952

NOTES TO THE FINANCIAL STATEMENTS

The following table presents the income, profit, asset and liability information on the Group's strategic business divisions for the year ended March 31, 2020 and comparative figures for the year ended March 31, 2019.

For the Year Ended 31st March	Hospital services		Pharmaceutical	
	2020 Rs.	2019 Rs.	2020 Rs.	2019 Rs.
External operating income				
Revenue	3,712,452,498	3,772,033,192	2,540,090,687	2,608,836,082
Other income				
Total operating income	3,712,452,498	3,772,033,192	2,540,090,687	2,608,836,082
Depreciation and amortisation				
Profit/(loss) before tax				
Income tax reversals/(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.

10.1 Revenue streams

The Group generates revenue primarily from health and laboratory services.

For the Year Ended 31st March	GROUP		COMPANY	
	2020 Rs.	2019 Rs.	2020 Rs.	2019 Rs.
Revenue from contracts with customers	8,556,440,080	8,534,267,449	3,678,885,918	3,471,447,762
	8,556,440,080	8,534,267,449	3,678,885,918	3,471,447,762

Laboratories		Radiology services		Unallocated/eliminations		Total	
2020	2019	2020	2019	2020	2019	2020	2019
Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
1,498,639,961	1,374,465,136	807,230,818	797,202,975	(1,946,884)	(18,269,936)	8,556,440,080	8,534,267,449
				149,388,093	244,851,729	149,388,093	244,851,729
1,498,639,961	1,374,465,136	807,230,818	797,202,975	147,441,209	226,581,793	8,705,828,173	8,779,119,178
						832,564,965	877,663,410
						(166,262,398)	(388,613,578)
						182,243,138	(198,539,583)
						15,980,740	(587,153,161)

10.2 Disaggregation of revenue from contracts with customers

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.

For the Year Ended 31st March	GROUP		COMPANY	
	2020 Rs.	2019 Rs.	2020 Rs.	2019 Rs.
Primary Geographic Markets				
Colombo	7,217,639,185	7,371,696,507	3,678,885,918	3,471,447,762
Negombo/Gampaha	1,338,800,895	1,162,570,942	-	-
	8,556,440,080	8,534,267,449	3,678,885,918	3,471,447,762
Major product/service lines				
Hospital Revenue	3,712,452,498	3,772,033,192	1,624,968,839	1,559,324,905
Pharmacy Revenue	2,540,090,687	2,608,836,082	1,504,501,732	1,524,049,131
Laboratory Revenue	1,498,639,961	1,374,465,136	193,603,991	120,531,455
Radiology services	807,230,818	797,202,975	357,702,236	276,734,715
Deferred Revenue	(1,946,884)	(18,269,936)	(1,890,880)	(9,192,444)
	8,556,440,080	8,534,267,449	3,678,885,918	3,471,447,762
Timing of revenue recognition				
Products transferred at a point in time	3,899,078,423	3,376,250,905	1,156,532,854	745,822,210
Products and services transferred over time	4,657,361,657	5,158,016,544	2,522,353,064	2,725,625,552
Revenue from contracts with customers	8,556,440,080	8,534,267,449	3,678,885,918	3,471,447,762
Other revenue	-	-	-	-
External revenue as reported in Note 9	8,556,440,080	8,534,267,449	3,678,885,918	3,471,447,762

NOTES TO THE FINANCIAL STATEMENTS

10.3 Contract balances

These refer to the Group's rights to consideration for work completed but not billed at the reporting date. Contract balances as at 31st March 2020 of the Group is Rs. 12,227,348 (2019: Rs. 34,753,598) and for the Company is Rs. 3,177,914 (2019: Rs. 20,160,032).

10.4 Performance obligations and revenue recognition policies

Revenue is measured based on the consideration specified in a contract with a customer. The Group recognizes 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
Healthcare service	Revenue primarily comprises fees charged for inpatient and outpatient hospital services. Services include charges for accommodation, theatre, medical professional services, equipment, radiology, laboratory and pharmaceutical goods used.	Revenue is recognized 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.
	The service revenue are presented net of related doctor fees and diagnostic charges in cases where the Group is not the primary obligator and does not have the pricing latitude.	
Sale of Goods	Pharmacy 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.

11 OTHER INCOME

Accounting policy

a. Dividend income

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

b. Other Income

Other income is recognized 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 31st March	GROUP		COMPANY	
	2020 Rs.	2019 Rs.	2020 Rs.	2019 Rs.
Dividend Income	-	-	-	199,999,989
Rental Services	44,627,215	127,320,419	28,331,275	32,960,916
Profit on Sale of Asset Held for Sale	-	-	134,193,775	-
Profit on Sale of Assets	16,608,308	4,291,190	16,608,308	4,291,190
Car Park Income	45,654,067	46,340,950	-	-
Corporate Medical Centres	4,455,232	27,473,187	-	-
Other Sundry Income	38,043,271	39,425,983	26,637,551	13,052,385
	149,388,093	244,851,729	205,770,909	250,304,480

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 recognized 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 capitalized as part of the cost of that asset.

NOTES TO THE FINANCIAL STATEMENTS

The operating profit has been arrived after charging all expenses including the following.

For the Year Ended 31st March	GROUP		COMPANY	
	2020 Rs.	2019 Rs.	2020 Rs.	2019 Rs.
Staff Costs	1,762,425,847	1,707,541,111	560,551,041	704,275,267
Emoluments Paid to Directors	95,112,000	84,764,898	90,782,000	84,764,898
Auditor's Remuneration				
- Statutory Audit	2,895,000	2,695,000	1,000,000	940,500
- Non audit services	100,000	2,000,000	100,000	2,000,000
Depreciation of Property Plant and Equipment	832,564,965	874,687,449	357,081,352	366,829,162
Amortization of right-of-use assets	150,820,412	2,975,953	30,593,985	909,428
Charity and Donation	4,392,151	9,099,114	3,699,451	9,099,114

12.1 Staff Costs

For the Year Ended 31st March	GROUP		COMPANY	
	2020 Rs.	2019 Rs.	2020 Rs.	2019 Rs.
Salaries & Wages	1,597,162,086	1,545,669,163	489,723,736	621,581,172
Contribution to Employees' Provident Fund	82,420,379	81,959,247	26,975,193	34,516,809
Contribution to Employees' Trust Fund	20,605,095	34,149,687	6,743,798	14,382,004
Provision for retirement benefit liability (Note 32.2.b)	62,238,287	45,763,014	37,108,314	33,795,282
	1,762,425,847	1,707,541,111	560,551,041	704,275,267

13 NET FINANCE COSTS

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 recognized 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 amortized 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 amortized 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 amortized 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 31st March	GROUP		COMPANY	
	2020 Rs.	2019 Rs.	2020 Rs.	2019 Rs.
Finance Income				
Interest on fixed deposits	44,166,904	97,770,310	7,873,779	64,598,034
Finance Costs				
Overdraft Interest	137,847,834	167,094,588	86,902,225	132,547,729
Foreign Exchange Loss	25,723,395	58,007,252	21,186,612	57,006,585
Debenture Interest	52,077,148	142,614,141	52,077,148	142,614,141
Interest on borrowings	981,620,812	914,961,510	493,877,036	387,021,509
Bank Charges	29,410,095	4,773,214	26,818,647	3,817,020
Interest on Commercial Papers	73,408,169	-	73,408,169	-
Interest on Leases	90,076,193	1,291,088	8,685,819	1,291,088
	1,390,163,646	1,288,741,793	762,955,656	724,298,072
Net finance costs	1,345,996,742	1,190,971,483	755,081,877	659,700,038

14 INCOME TAX EXPENSES

Accounting policy

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in Statement of Profit or Loss except to the extent that it relates to a business combination, or items recognized 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.

NOTES TO THE FINANCIAL STATEMENTS

14 INCOME TAX EXPENSES (CONTD.)

Accounting policy

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 judgments about future events. New information may become available that causes the Group to change its judgment 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.

14.1 Amount recognized in profit or loss

For the Year Ended 31st March	GROUP		COMPANY	
	2020 Rs.	2019 Rs. (Restated)	2020 Rs.	2019 Rs.
Current tax expense				
Tax on Current Year Profit (Note 14.4)	28,118,993	5,928,240	-	-
Over provision during Prior Year (Note 37)	(3,440,298)	(7,000,410)	-	5,514,402
Unclaimable Economic Service Charges (ESC)	9,855,067	82,582,251	-	65,008,901
	34,533,762	81,510,081	-	70,523,303
Deferred tax expense				
(Reversal from)/transfer to Deferred Taxation (Note 33)	(216,776,900)	117,029,502	(81,852,838)	(55,643,220)
	(216,776,900)	117,029,502	(81,852,838)	(55,643,220)
Total Tax expenses	(182,243,138)	198,539,583	(81,852,838)	14,880,083

Company

In terms of the Inland Revenue Act No 24 of 2017 the Company is liable for income tax at 28%. Pursuant to the IRD notice No PN/IT/2020-03 dated 12th February 2020, the income tax rate for provision of healthcare services has been reduced to 14% with effect from 1st January 2020. Income from other sources which were liable for tax at 28% previously has been reduced to 24% based on the above gazette notification. (2019:28%)

Group

In accordance with the provision of the Inland Revenue Act No 24 of 2017 and subsequent gazette notification PN/IT/2020-03 dated 12th February 2020, the subsidiary companies within the Group are liable for income tax at the following rates.

Company	Tax rate
New Nawaloka Hospitals (Pvt) Ltd	28% on the taxable profits - from 1st April 2019 to 31st December 2019 14% on the taxable profits - from 1st January 2020 to 31st March 2020
New Nawaloka Medical Centre (Pvt) Ltd	28% on the taxable profits - from 1st April 2019 to 31st December 2019 14% on the taxable profits - from 1st January 2020 to 31st March 2020
Nawaloka Green Cross Laboratories (Pvt) Ltd	28% on the taxable profits - from 1st April 2019 to 31st December 2019 14% on the taxable profits - from 1st January 2020 to 31st March 2020
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 of the Group is liable for taxation at the rate of 28% up to 31st December 2019 and 24% thereafter. (2019: 28%).

Through the legislative process relating to the amendments to laws need to be completed in order for the tax rate to be substantively enacted as at the reporting date, the subsidiary company Nawaloka Green Cross Laboratories (Pvt) Limited has calculated the income tax for the business profit for the period from 1st January 2020 to 31st March 2020 at the proposed rate of 14% as the difference between the application of the proposed tax rate of 14% and 28% amounting to Rs. 3,289,584/- is considered as immaterial to the consolidated financial statements for the year ended 31st March 2020. New Nawaloka Hospitals (Private) Limited and New Nawaloka Medical Centre (Private) Limited has not earned a taxable profit liable for income tax during the year ended 31st March 2020.

14.2 Amount recognized in OCI

For the Year Ended 31st March	GROUP		COMPANY	
	2020 Rs.	2019 Rs. (Restated)	2020 Rs.	2019 Rs.
Items that will not be reclassified to profit or loss				
Deferred tax impact on retirement benefit obligation	8,780,996	5,491,776	2,252,336	6,634,124
	8,780,996	5,491,776	2,252,336	6,634,124

14.3 Amounts recognized directly in equity

There were no items recognized directly in equity during the year ended 31 March 2020.

NOTES TO THE FINANCIAL STATEMENTS

14.4 Reconciliation between the accounting profit and tax expense

For the Year Ended 31st March	GROUP		COMPANY	
	2020 Rs.	2019 Rs.	2020 Rs.	2019 Rs.
Accounting (loss)/profit before tax	(166,262,398)	(388,613,578)	17,169,213	(236,751,320)
Add: Aggregate disallowable Expenses	1,535,906,461	1,065,663,222	773,853,777	645,508,120
Less: Aggregate allowable Expenses	(1,542,581,557)	(722,237,991)	(196,004,013)	(204,996,584)
Less: Income not subject to income tax	(158,711,607)	(268,889,213)	(158,711,606)	204,291,179
Less: Other Sources of Income	(44,166,904)	(10,216,101)	(7,873,779)	(64,598,034)
Other consolidation adjustments	44,703,435	350,589,405	-	-
Total statutory loss incurred	(1,026,082,570)	(204,549,519)	-	65,128,997
Income from business liable for tax	694,970,000	230,845,263	428,433,592	-
Income exempt from income taxes due to tax holidays	(172,548,305)	(132,334,871)	-	-
Other sources of income liable for tax	44,166,904	10,216,101	7,873,779	-
Tax loss claimed during the year (Note 14.5)	(454,415,112)	(87,554,207)	(436,307,371)	(64,598,034)
Income tax at 28%	24,829,410	5,928,240	-	-
Income tax at 14%	3,289,583	-	-	-
Total income tax	28,118,993	5,928,240	-	-

14.5 Tax losses carried forward

For the Year Ended 31st March	GROUP		COMPANY	
	2020 Rs.	2019 Rs.	2020 Rs.	2019 Rs.
Reconciliation of Tax Losses				
Tax Losses brought forward	1,351,261,148	1,265,678,084	1,019,891,782	1,036,386,209
Adjustment due to finalization of taxes of previous years	79,855,359	(31,412,248)	46,710,969	(17,025,390)
Tax Loss claimed during the year	(454,415,112)	(87,554,207)	(436,307,371)	(64,598,034)
Tax Loss for the year	1,026,082,570	204,549,519	-	65,128,997
Tax loss carried forward	2,002,783,965	1,351,261,148	630,295,380	1,019,891,782

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/(Loss) Per Share

The earnings/(loss) per share is computed on the profit/(loss) attributable to ordinary shareholders after tax and Non Controlling Interest divided by the weighted average number of ordinary shares during the year.

For the Year Ended 31st March	GROUP		COMPANY	
	2020	2019 (Restated)	2020	2019
Profit/(Loss) for the year (Rs.)	15,980,740	(587,153,161)	99,022,051	(251,631,403)
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 (Rs.)	0.01	(0.42)	0.07	(0.18)

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 not declared any dividend during the year ended 31st March 2020 (2019 : Rs.0.05 cash per share).

	2020	2019
Dividend declared (Rs.)	-	70,475,280
Number of ordinary shares	1,409,505,596	1,409,505,596
Dividend per share (Rs.)	-	0.05

NOTES TO THE FINANCIAL STATEMENTS

16.1 Dividend paid during the year

	2020 Rs.	2019 Rs.
Dividend paid	-	70,475,280

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 finance costs, depreciation and amortization.

Adjusted EBITDA is not a defined performance measure in Sri Lanka Accounting Standards. 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

	2020 Rs.	2019 Rs. (Restated)
Profit/(Loss) for the year	15,980,740	(587,153,161)
Income tax (reversal)/expense	(182,243,138)	198,539,583
Loss before tax	(166,262,398)	(388,613,578)
Adjustments for:		
Net finance costs	1,345,996,742	1,190,971,483
Depreciation	832,564,965	874,687,449
Amortization	150,820,412	2,975,953
Adjusted EBITDA	2,163,119,721	1,680,021,307

18 FINANCIAL ASSETS AND LIABILITIES

Accounting policy

a. Financial Assets

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).

18 FINANCIAL ASSETS AND LIABILITIES

Accounting policy

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.

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. 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 - 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.

NOTES TO THE FINANCIAL STATEMENTS

18 FINANCIAL ASSETS AND LIABILITIES (Contd.)

Accounting policy

Financial assets - Subsequent measurement and gains and losses

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.
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.

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.

NOTES TO THE FINANCIAL STATEMENTS

18 FINANCIAL ASSETS AND LIABILITIES (Contd.)

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.

	2020				GROUP			2019		
	Amortised cost Rs.	FVOCI - equity instruments Rs.	Other financial liabilities Rs.	Total Rs.	Amortised cost Rs.	FVOCI - equity instruments Rs.	Other financial liabilities Rs.	Amortised cost Rs.	FVOCI - equity instruments Rs.	Other financial liabilities Rs.
Financial assets										
Trade and Other Receivables	677,188,490	-	-	677,188,490	588,964,706	-	-			
Amounts due from Related Companies	712,619,787	-	-	712,619,787	416,816,784	-	-			
Short Term Investments	306,016,897	-	-	306,016,897	283,881,242	-	-			
Cash and Cash Equivalents	585,063,208	-	-	585,063,208	157,962,595	-	-			
Other long Term Investments	-	14,805,000	-	14,805,000	-	19,740,000	-			
Total financial assets	2,280,888,382	14,805,000	-	2,295,693,382	1,447,625,327	19,740,000	-			
Financial liabilities										
Debentures	-	-	186,646,835	186,646,835	-	-	455,225,139			
Borrowings	-	-	9,047,157,291	9,047,157,291	-	-	7,563,233,784			
Trade Creditors and Other Payables	-	-	1,034,745,610	1,034,745,610	-	-	943,073,847			
Unclaimed Dividends	-	-	4,608,151	4,608,151	-	-	21,706,126			
Amounts Due to Related Companies	-	-	49,138,764	49,138,764	-	-	186,777,683			
Bank Overdrafts	-	-	1,446,943,210	1,446,943,210	-	-	1,625,171,231			
Total financial Liabilities	-	-	11,769,239,861	11,769,239,861	-	-	10,795,187,810			

Total Rs.	COMPANY							
	2020				2019			
	Amortised cost Rs.	FVOCI - equity instruments Rs.	Other financial liabilities Rs.	Total Rs.	Amortised cost Rs.	FVOCI - equity instruments Rs.	Other financial liabilities Rs.	Total Rs.
588,964,706	587,267,584	-	-	587,267,584	506,943,838	-	-	506,943,838
416,816,784	5,525,598,159	-	-	5,525,598,159	3,859,010,919	-	-	3,859,010,919
283,881,242	102,706,849	-	-	102,706,849	36,346,825	-	-	36,346,825
157,962,595	132,786,692	-	-	132,786,692	106,440,391	-	-	106,440,391
19,740,000	-	14,805,000	-	14,805,000	-	19,740,000	-	19,740,000
1,467,365,327	6,348,359,284	14,805,000	-	6,363,164,284	4,508,741,973	19,740,000	-	4,528,481,973
455,225,139	-	-	186,646,835	186,646,835	-	-	455,225,139	455,225,139
7,563,233,786	-	-	6,585,225,593	6,585,225,593	-	-	4,759,576,502	4,759,576,502
943,073,847	-	-	906,539,682	906,539,682	-	-	870,758,785	870,758,785
21,706,126	-	-	4,608,120	4,608,120	-	-	21,706,075	21,706,075
186,777,683	-	-	384,935,760	384,935,760	-	-	319,616,309	319,616,309
1,625,171,231	-	-	970,453,564	970,453,564	-	-	1,139,208,705	1,139,208,705
10,795,187,810	-	-	9,038,409,554	9,038,409,554	-	-	7,566,091,515	7,566,091,515

NOTES TO THE FINANCIAL STATEMENTS

19 PROPERTY, PLANT & 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 as 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	lower of land lease term or 60 years
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.

Accounting policy

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.

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 recognized in the statement of comprehensive income unless it reverses a previous revaluation surplus for the same asset.

NOTES TO THE FINANCIAL STATEMENTS

19 PROPERTY, PLANT & EQUIPMENT

19.1 Reconciliation of carrying amount

	Free Hold Land Rs.	Buildings Constructed on Free Hold Land Rs.	Buildings Constructed on Lease Hold Land Rs.	Work In Progress Rs.	Fixture & Fittings Rs.
GROUP					
Cost/Valuation					
Balance as at 1st April	252,092,750	666,203,392	9,997,834,105	22,116,641	658,119,751
Transferred to right- of- use assets (Note 20.2)	-	-	-	-	-
Adjusted Balance as at 1st April	252,092,750	666,203,392	9,997,834,105	22,116,641	658,119,751
Additions	6,400,000	13,980,310	440,658,437	399,045,313	31,713,574
Transfers	-	-	403,740,956	(405,405,956)	-
Disposal	-	-	-	-	-
Balance as at 31st March	258,492,750	680,183,702	10,842,233,498	15,755,998	689,833,325
Accumulated Depreciation					
Balance as at 1st April	-	47,990,618	330,458,745	-	328,387,563
Transferred to right- of- use assets (Note 20.2)	-	-	-	-	-
Adjusted Balance as at 1st April	-	47,990,618	330,458,745	-	328,387,563
Charge for the year	-	13,148,656	213,134,602	-	48,808,275
Disposals	-	-	-	-	-
Balance as at 31st March	-	61,139,274	543,593,347	-	377,195,838
Carrying Value					
As at 31st March 2020	258,492,750	619,044,428	10,298,640,151	15,755,998	312,637,487
As at 31st March 2019	252,092,750	618,212,774	9,667,375,360	22,116,641	329,732,188
COMPANY					
Cost/Valuations					
Balance as at 1st April	42,188,000	-	695,415,760	7,291,642	206,581,002
Transfer to right- of- use assets (Note 20.2)	-	-	-	-	-
Adjusted Balance as at 1st April	42,188,000	-	695,415,760	7,291,642	206,581,002
Additions	-	-	86,140,833	-	6,085,636
Transfers	-	-	7,291,642	(7,291,642)	-
Disposal	-	-	-	-	-
Balance as at 31st March	42,188,000	-	788,848,235	-	212,666,638
Accumulated Depreciation					
Balance as at 1st April	-	-	48,575,984	-	133,572,213
Transferred to right- of- use assets (Note 20.2)	-	-	-	-	-
Adjusted Balance as at 1st April	-	-	48,575,984	-	133,572,213
Charge for the year	-	-	29,456,927	-	15,684,884
Disposal	-	-	-	-	-
Balance as at 31st March	-	-	78,032,911	-	149,257,097
Carrying Value					
As at 31st March 2020	42,188,000	-	710,815,324	-	63,409,541
As at 31st March 2019	42,188,000	-	646,839,776	7,291,642	73,008,789

Plant & Machinery Rs.	Motor Vehicles Rs.	Hospital Equipment Rs.	Medical Equipment Rs.	Computer Equipment Rs.	Furniture Fittings Rs.	Total 2020 Rs.	Total 2019 Rs.
125,137,255	565,696,117	656,040,470	5,042,190,023	307,168,208	254,931,666	18,547,530,378	17,609,008,232
-	(15,000,000)	-	-	-	-	(15,000,000)	-
125,137,255	550,696,117	656,040,470	5,042,190,023	307,168,208	254,931,666	18,532,530,378	17,609,008,232
-	15,250,000	25,090,273	168,328,927	19,218,659	9,319,593	1,129,005,086	943,945,952
-	-	-	1,665,000	-	-	-	-
-	(34,881,120)	-	(5,187,900)	-	-	(40,069,020)	(5,423,806)
125,137,255	531,064,997	681,130,743	5,206,996,050	326,386,867	264,251,259	19,621,466,444	18,547,530,378
99,857,403	388,894,845	337,019,474	2,985,123,769	212,200,426	107,111,755	4,837,044,597	3,967,072,144
-	(2,687,671)	-	-	-	-	(2,687,671)	-
99,857,403	386,207,174	337,019,474	2,985,123,769	212,200,426	107,111,755	4,834,356,926	3,967,072,144
11,577,533	61,748,577	53,065,802	371,129,996	38,665,827	21,285,697	832,564,965	874,687,449
-	(30,312,428)	-	(2,628,154)	-	-	(32,940,582)	(4,714,996)
111,434,936	417,643,323	390,085,276	3,353,625,611	250,866,253	128,397,452	5,633,981,309	4,837,044,597
13,702,319	113,421,674	291,045,467	1,853,370,439	75,520,614	135,853,807	13,987,485,135	
25,279,852	176,801,272	319,021,000	2,057,066,254	94,967,782	147,819,911		13,710,485,784
11,332,408	476,205,914	341,861,736	2,579,091,119	142,053,009	111,491,339	4,613,511,929	4,412,012,410
-	(15,000,000)	-	-	-	-	(15,000,000)	-
11,332,408	461,205,914	341,861,736	2,579,091,119	142,053,009	111,491,339	4,598,511,929	4,412,012,410
-	15,250,000	8,798,278	56,230,289	6,400,476	2,065,186	180,970,698	206,923,325
-	-	-	-	-	-	-	-
-	(34,881,120)	-	-	-	-	(34,881,120)	(5,423,806)
11,332,408	441,574,794	350,660,014	2,635,321,408	148,453,485	113,556,525	4,744,601,507	4,613,511,929
11,332,408	314,118,873	210,037,942	1,734,731,562	121,276,376	56,321,864	2,629,967,222	2,267,853,056
-	(2,687,671)	-	-	-	-	(2,687,671)	-
11,332,408	311,431,202	210,037,942	1,734,731,562	121,276,376	56,321,864	2,627,279,551	2,267,853,056
-	54,925,347	28,008,249	209,296,122	10,271,728	9,438,095	357,081,352	366,829,162
-	(30,312,428)	-	-	-	-	(30,312,428)	(4,714,996)
11,332,408	336,044,121	238,046,191	1,944,027,684	131,548,104	65,759,959	2,954,048,475	2,629,967,222
-	105,530,673	112,613,824	691,293,721	16,905,382	47,796,565	1,790,553,032	
-	162,087,041	131,823,794	844,359,557	20,776,633	55,169,474		1,983,544,707

NOTES TO THE FINANCIAL STATEMENTS

19.2 Details of buildings on leasehold land 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 31 March 2017.

Location	Extent Building (Square feet)	No of Buildings	Revalued amount - Buildings Rs.	Carrying Value after revaluation Rs.	Carrying Value if carried at cost Rs.
Nawaloka Hospitals PLC	89,984	1	613,975,000	710,815,324	672,613,600
New Nawaloka Hospitals (Pvt) Ltd	126,998	1	888,986,000	853,200,738	71,607,274
New Nawaloka Medical Centre (Pvt) Ltd					
- Old Building	140,788	2	1,385,600,000	1,291,338,637	830,988,721
- Specialist Centre (Not revalued)	450,738	1	-	-	7,425,069,497

The Directors of the Group have determined that there is no significant change in the fair value reported in these Financial Statements.

Above buildings on leasehold lands are located at No. 23, Deshamanya H K Dharmadara Mawatha, Colombo 02.

19.3 The details of freehold land and buildings which are stated at cost - Group

Property	Extent (Perches)	Number of Buildings	Square feet (Building)	Carrying value Rs.
Land & Building situated at Thalgahawatta, Kurana, Negombo.	8.02	1	3,168	16,857,161
Land situated at No. 15, Nelson lane, Kollupitiya, Colombo 03	20.2	-	-	42,188,000
Land & Building situated at No 169, Colombo Road, Negombo	135.1	1	43,296	626,074,919

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 Group acquired property, plant and equipment to the aggregate value of Rs.1,129 Mn. (2019- Rs. 943.94 Mn.). Cash payments amounting to Rs. 1,129 Mn. (2019- Rs.944 Mn.). were made during the year for purchase of property, plant and equipment.

19.6 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. (2019: Nil)

19.7 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 2020. 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.

19.8 Property, plant and equipment pledged as security

Refer Note 34.

19.9 Temporarily idle property, plant and equipment

There are no temporarily idle property, plant and equipment as at the reporting date.

19.10 Fully depreciated assets

Details of fully depreciated assets in property, plant and equipment are as follows;

As at 31st March	GROUP		COMPANY	
	2020 Rs.	2019 Rs.	2020 Rs.	2019 Rs.
Fixture & Fittings	132,278,389	106,705,449	47,745,082	26,677,890
Plant & Machinery	108,003,890	54,001,945	22,664,816	11,332,408
Motor Vehicles	253,205,552	209,134,120	176,659,379	132,587,947
Hospital Equipment	110,172,844	81,327,021	67,859,655	52,232,890
Medical Equipment	1,374,009,107	1,208,016,073	579,792,786	469,779,840
Computer Equipment	115,245,834	95,939,177	97,016,440	78,419,427
Furniture & Fittings	19,410,446	14,454,191	31,634,145	26,677,890
	2,112,326,062	1,769,577,976	1,023,372,303	797,708,292

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' buildings constructed on leasehold lands every 3-5 years.

Valuation techniques and significant unobservable inputs

The table below sets out the significant unobservable inputs used in measuring buildings constructed on leasehold lands categorized as Level 3 in the fair value hierarchy as at 31 March 2017.

Location and address of the property	Method of valuation	Significant unobservable inputs	Range of estimates for unobservable inputs	Estimated fair value would increase (decrease) if.
No. 23, Deshamanya H. K. Dharmadasa Mawatha, Colombo 2	Direct Capital Comparison Method	Building - Price per square feet	LKR 1,500 - LKR 12,500	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

19.14 Borrowing costs

No Borrowing costs were capitalized during the year under Property Plant and Equipment (2019: Nil)

NOTES TO THE FINANCIAL STATEMENTS

19.15 Capital work in progress

Capital work in progress includes cost incurred by the Group in the construction of a building in Negombo.

20 LEASES

Accounting policy

Leased Assets

The Group/Company has applied SLFRS 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under LKAS 17 and IFRIC 4. The details of accounting policies under LKAS 17 and IFRIC 4 are disclosed separately if they are different from those under SLFRS 16 and the impact of changes are disclosed in Note 35.

(a) Policy applicable from 1st April 2019

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

- the contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- the Group/Company has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- the Group/Company has the right to direct the use of the asset. The Group/Company has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the Group/Company has the right to direct the use of the asset if either:
 - the Group/Company has the right to operate the asset; or
 - the Group/Company designed the asset in a way that predetermines how and for what purpose it will be used.

This policy is applied to contracts entered into, or changed, on or after 1st April 2019.

At inception or on reassessment of a contract that contains a lease component, the Group/Company allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices.

(i) As a lessee

The Group/Company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made on or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently amortized using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property, plant and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain re-measurements of the lease liability.

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

Accounting policy

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

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

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

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

Short Term Leases and Leases of Low Value Assets

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

(b) Policy applicable before 1st April 2019

For contracts entered into before 1st April 2019, the Group/Company determined whether the arrangement was or contained a lease as follows.

Leases in terms of which the Group/Company assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon 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 that asset. Other leases are operating leases and, the leased assets are not recognized in the Company's statement of financial position.

Leasehold Right Over Land

Leasehold right over land are amortized over the lease term in accordance with the pattern of benefits provided.

20.1 Leasehold Right Over Land

As at 31st March	GROUP		COMPANY	
	2020 Rs.	2019 Rs.	2020 Rs.	2019 Rs.
Balance as at beginning of the year	216,028,835	219,004,788	45,870,889	46,780,317
Transfer to right of use assets (Note 20.2)	(216,028,835)	-	(45,870,889)	-
Amortization for the year	-	(2,975,953)	-	(909,428)
Balance as at the end of the year	-	216,028,835	-	45,870,889

NOTES TO THE FINANCIAL STATEMENTS

20.2 Right of Use Assets

As at 31st March	GROUP 2020 Rs.	COMPANY 2020 Rs.
Cost		
Transferred from leasehold right over land (Note 20.1)	245,536,472	54,883,150
Transferred from Property, plant and equipment (Note 19)	15,000,000	15,000,000
Adjustment due to initial application of SLFRS 16 (Note 35)	608,449,666	68,492,563
Adjusted balance as at 1st April	868,986,138	138,375,713
New Leases obtained during the year	24,979,422	15,000,000
Balance as at 31st March	893,965,560	153,375,713
Accumulated amortization		
Transferred from leasehold right over land (Note 20.1)	(29,507,637)	(9,012,261)
Transferred from Property, plant and equipment (Note 19)	(2,687,671)	(2,687,671)
Adjusted balance as at 1st April	(32,195,308)	(11,699,932)
Add: Amortization for the year	(150,820,412)	(30,593,985)
Balance as at 31st March	(183,015,720)	(42,293,917)
Net Carrying value	710,949,840	111,081,796

Assets obtained on lease and balance term of leases as at 31st March 2020 are as follows,

a) Nawaloka Hospitals PLC

Type of asset	Balance lease term (years)
Land	22 - 67 years
Buildings	2 - 5 years
Motor Vehicles	3 - 5 years

b) New Nawaloka Hospitals (Private) Limited

Type of asset	Balance lease term (years)
Land	72 years

c) New Nawaloka Medical Centre (Private) Limited

Type of asset	Balance lease term (years)
Land	83 years

d) Nawaloka Green Cross Laboratories (Private) Limited

Type of asset	Balance lease term (years)
Buildings	3- 5 years
Machineries	3- 5 years

e) Nawaloka Medicare (Private) Limited

Type of asset	Balance lease term (years)
Land	3- 28 years
Building	3- 13 years

21 INVESTMENT PROPERTY

Accounting policy

Recognition and measurement

Investment property is initially measured at cost. Investment property is subsequently 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 recognized 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 recognized as revenue on a straight-line basis over the term of the lease.

21.1 Reconciliation of carrying amount

As at 31st March	COMPANY	
	2020 Rs.	2019 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 a 99 year lease agreement. Nawaloka Medicare (Pvt) commenced its operations during 2014/2015.

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 under Investment Property

Location	Extent Land (Perches)
Land situated at No 169, Colombo Road, Negombo	135.1

21.3 Investment properties pledged as security

Investment Property has been pledged as security over Sampath Bank PLC Loan of Rs. 959 Mn obtained by Nawaloka Hospitals PLC.

NOTES TO THE FINANCIAL STATEMENTS

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

As at 31st March	COMPANY	
	2020 Rs.	2019 Rs.
Rent income from Investment Property (Note 11)	1,816,152	1,816,152
Direct Operating Expenses (including maintenance) generating Rent income	-	-
Net Profit from Investment Property carried at Fair Value	1,816,152	1,816,152

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 recognized 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 the difference between its carrying amount and recoverable amount.

As at 31st March	Holding %	No. of Shares	COMPANY	
			2020 Rs.	2019 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 Green Cross 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 2020. 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

As at 31st March	GROUP		COMPANY	
	2020 Rs.	2019 Rs.	2020 Rs.	2019 Rs.
Fair Value Through Other Comprehensive Income - FVOCI (Note 23.1)	14,805,000	19,740,000	14,805,000	19,740,000
Amortised cost (Note 23.2)	306,016,897	283,881,242	102,706,849	36,346,825
	320,821,897	303,621,242	117,511,849	56,086,825
Non-current Investments	14,805,000	19,740,000	14,805,000	19,740,000
Current Investments	306,016,897	283,881,242	102,706,849	36,346,825
	320,821,897	303,621,242	117,511,849	56,086,825

Information about the Group's exposure to credit and market risk, and fair value measurement, is included in Notes 39 & 40.

23.1 Fair Value through Other Comprehensive Income - FVOCI

The Group's financial instruments are summarised as follows:

Investment in Unquoted Shares	Holding %	GROUP		COMPANY	
		2020 Rs.	2019 Rs.	2020 Rs.	2019 Rs.
Digital Health (Private) Limited - cost	15	19,740,000	19,740,000	19,740,000	19,740,000
Change in fair value		(4,935,000)	-	(4,935,000)	-
		14,805,000	19,740,000	14,805,000	19,740,000

Digital Health (Private) Limited 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 dialling 990, or via the Doc990 app.

Digital Health (Private) Limited is a subsidiary of Dialog Axiata PLC and the balance infusion of equity by Asiri Hospital Holdings PLC, Nawaloka Hospitals PLC and Ceylon Hospitals PLC.

The Group invested in 15% of the shares of Digital Health (Private) Limited on 25th April 2018. The Group designated this investment as FVOCI because this investment represents, investment, that the Group intends to hold for the long term strategic purposes.

The company has carried out a valuation of the investment in Digital Health (Private) Limited using a market multiple based valuation technique. This fair valuation has been classified as Level 3 as per the fair value measurement principles.

This valuation method uses the market value of shares of a peer entity Listed in the Colombo Stock Exchange adjusted appropriately to reflect conditions applicable to Digital Health (Private) Limited. Following significant observable and unobservable inputs were used in this valuation.

Input	Range of the Variable	Fair Value would increase/(decrease) if
Market price per share	Rs. 4/- to Rs.6/- per share	market price per share increases/(decreases)
Discount	70% - 80%	discount decreases/(increases)

The Directors of the Company/Group determined that the market prices of listed entities as at 31st December 2019 would reflect the fair values as at 31st March 2020 considering the decrease in the volume/level of activity in the Colombo Stock Exchange in accordance with the 'Guidance on Accounting Considerations of the Covid-19 Outbreak' issued by the Institute of Chartered Accountants of Sri Lanka. As such the market prices as at 31st December 2019 were used in the valuation.

NOTES TO THE FINANCIAL STATEMENTS

23.2 Amortised cost

As at 31st March	GROUP		COMPANY	
	2020 Rs.	2019 Rs.	2020 Rs.	2019 Rs.
Fixed Deposits				
Hatton National Bank PLC	139,804,664	266,916,249	-	36,346,825
DFCC Bank PLC	-	10,535,839	-	-
Commercial Bank of Ceylon PLC	115,912,918	6,429,154	52,407,534	-
Nations Trust Bank PLC	50,299,315	-	50,299,315	-
	306,016,897	283,881,242	102,706,849	36,346,825

24 INVENTORIES

Accounting policy

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

Net realizable value is the price at which inventories can be sold in the normal course of business after allowing for cost of realization and/or cost of conversion from their existing state to saleable condition.

As at 31st March	GROUP		COMPANY	
	2020 Rs.	2019 Rs.	2020 Rs.	2019 Rs.
Pharmaceutical Items	401,802,683	440,572,334	202,376,149	229,971,386
General Stocks	22,932,376	20,999,018	5,775,783	5,485,007
Reagent Stock	40,986,495	31,013,745	-	-
	465,721,554	492,585,097	208,151,932	235,456,393
Provision for slow moving inventories (Note 24.1)	(3,330,269)	(3,330,269)	(3,330,269)	(3,330,269)
	462,391,285	489,254,828	204,821,663	232,126,124

24.1 Provision for slow moving inventories

As at 31st March	GROUP		COMPANY	
	2020 Rs.	2019 Rs.	2020 Rs.	2019 Rs.
Balance as at 1 April	3,330,269	3,330,269	3,330,269	3,330,269
Balance as at 31 March	3,330,269	3,330,269	3,330,269	3,330,269

Group/Company's practice is to return the Expired Drugs to respective suppliers. Hence no provision is required.

25 TRADE AND OTHER RECEIVABLES

See accounting policies in Note 18.

As at 31st March	GROUP		COMPANY	
	2020 Rs.	2019 Rs.	2020 Rs.	2019 Rs.
Financial Assets				
Trade Receivables				
- Key Management Personnel	54,352,470	8,018,327	54,352,469	8,018,327
- Other Related Companies	100,290,960	62,073,533	100,290,960	62,073,533
- Others	581,855,340	506,089,522	493,861,134	442,803,009
	736,498,770	576,181,382	648,504,563	512,894,869
Less: Provision for impairment (Note 25.1)	(85,237,140)	(58,975,877)	(81,803,077)	(58,465,048)
	651,261,630	517,205,505	566,701,486	454,429,821
Other Debtors	19,079,700	60,990,929	15,149,324	42,586,833
Staff Loans	6,847,160	10,768,272	5,416,774	9,927,184
	677,188,490	588,964,706	587,267,584	506,943,838
Non-Financial Assets				
ESC Recoverable	56,817,518	48,451,109	14,422,667	-
Import Control	5,839,451	64,957,623	5,839,451	35,169,690
Pre Payments	49,503,031	19,399,372	43,038,425	12,546,126
Other Deposits and Advances	135,022,197	187,581,103	88,504,894	138,269,124
	247,182,197	320,389,207	151,805,437	185,984,940
	924,370,687	909,353,913	739,073,021	692,928,778

25.1 Provision for impairment of trade receivables

As at 31st March	GROUP		COMPANY	
	2020 Rs.	2019 Rs.	2020 Rs.	2019 Rs.
Balance as at 1 April	58,975,877	58,975,877	58,465,048	58,465,048
Transfers/Provision for the year	26,261,263	-	23,338,029	-
Balance as at 31 March	85,237,140	58,975,877	81,803,077	58,465,048

NOTES TO THE FINANCIAL STATEMENTS

26 AMOUNTS DUE FROM RELATED PARTIES

See accounting policies in Note 18.

As at 31st March	GROUP		COMPANY	
	2020 Rs.	2019 Rs.	2020 Rs.	2019 Rs.
Alcobronz (Pvt) Ltd	11,000,000	-	11,000,000	-
Battaramulla Medical Centre *	36,271,514	24,539,933	36,271,514	26,234,941
Bernard Philkit (Ceylon) Limited	10,200,000	25,200,000	10,200,000	10,200,000
Ceyoka (Pvt) Ltd	48,171,059	48,171,059	-	-
CAFÉ 77	10,623,782	-	10,546,707	-
Ceylon Nutrinit (Pvt) Ltd	4,500,000	-	-	-
East West Marketing (Pvt) Ltd	161,871,329	104,109,413	3,355,137	11,493,221
Ja-Ela Medical Centre *	-	192,599	-	192,599
Kandana Medical Centre *	9,768,324	3,267,997	9,768,324	3,267,997
Kiribathgoda Medical Centre *	49,406,371	38,269,890	49,406,371	44,122,192
Karapitiya Medical Centre *	9,849,064	9,849,064	9,849,064	9,849,064
Panadura Medical Centre *	68,279,564	46,613,370	68,279,564	46,613,370
Redline (Pvt) Ltd	1,800,000	-	-	-
Kottawa Medical Centre *	1,873,071	1,971,352	1,873,071	1,971,352
Kolonnawa Medical Centre *	-	123,969	-	123,969
Mount Lavinia Medical Centre *	-	1,983	-	1,983
Nawata (Pvt) Ltd	1,800,000	-	-	-
Nawaloka Aviation (Pvt) Ltd	4,479,419	1,586,190	4,479,419	1,586,190
Nawaloka Trading (Pvt) Ltd	3,000,000	-	-	-
Nawaloka Institute of Health care (Pvt) Ltd	425,073	416,073	425,073	416,073
Nawaloka College of Higher Studies (Pvt) Ltd	83,508,397	76,508,397	83,508,397	76,508,397
Nawaloka Construction Company (Pvt) Ltd	6,600,000	11,099,996	-	1,246,576
Nawaloka Steel Industries (Pvt) Ltd	172,494,958	-	157,494,958	-
Nawaloka Engineering (Pvt) Ltd	1,566,510	866,510	-	-
New Ashford International (Pvt) Ltd	3,000,000	-	3,000,000	-
Nawaloka Polysacks Sharjah U.A.E.	22,429,200	22,429,200	22,429,200	22,429,200
Sasiri Polysacks (Pvt) Ltd	8,000,000	-	8,000,000	-
New Nawaloka Hospitals (Pvt) Ltd	-	-	2,396,166,677	1,886,883,847
New Nawaloka Medical Centre (Pvt) Ltd.	-	-	2,647,155,656	1,714,270,159
Nawaloka Care (Pvt) Ltd	14,229,749	11,554,996	14,229,749	11,554,995
M Branch (Pvt) Ltd	15,939,198	15,939,199	15,939,198	15,939,199
Nawaloka Research and Education Foundation	2,200,000	-	2,200,000	-
	763,286,582	442,711,190	5,565,578,079	3,884,905,324
Less: Provision for impairment (Note 26.1)	(50,666,795)	(25,894,406)	(39,979,920)	(25,894,405)
	712,619,787	416,816,784	5,525,598,159	3,859,010,919

* These medical centres are operated under the legal entity Nawaloka Medical Centres (Pvt) Ltd.

26.1 Provision for impairment

As at 31st March	GROUP		COMPANY	
	2020 Rs.	2019 Rs.	2020 Rs.	2019 Rs.
Balance as at 01 April	25,894,406	21,738,121	25,894,405	21,738,120
Provision for the year	24,772,389	4,156,285	14,085,515	4,156,285
Balance as at 31 March	50,666,795	25,894,406	39,979,920	25,894,405

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, cash in hand and fixed deposits 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 31st March	GROUP		COMPANY	
	2020 Rs.	2019 Rs.	2020 Rs.	2019 Rs.
Cash at Bank	360,170,193	151,806,776	102,988,424	101,727,526
Cash in Hand	33,299,234	6,155,819	29,798,268	4,712,865
Investment in fixed deposits maturity within 3 months	191,593,781	-	-	-
Cash and cash equivalents in the Statement of Financial Position	585,063,208	157,962,595	132,786,692	106,440,391
Bank overdrafts used for cash management purposes (Note 27.1)	(1,446,943,210)	(1,625,171,231)	(970,453,564)	(1,139,208,705)
Cash and cash equivalents for the purpose of Statement of Cash Flows	(861,880,002)	(1,467,208,636)	(837,666,872)	(1,032,768,314)

NOTES TO THE FINANCIAL STATEMENTS

27.1 Bank overdrafts used for cash management purposes

	Interest rate	Limit 2020 Rs.	31 March 2020 Rs.	31 March 2019 Rs.	Security
Group					
Hatton National Bank PLC	AWPLR+1.5%	650,000,000	780,845,381	1,291,463,951	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 130Mn) Over Leasehold Nawaloka Hospital Premises. Registered primary floating mortgage bond for Rs.775Mn over leasehold property at Sir James Peries Mw , 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 PLC	AWPLR+0.75%	90,000,000	237,184,498	268,502,915	Joint & several Guarantees of Directors-Dr. H K J Dharmadasa, Mr Ugitha Harshith Dharmadasa and Mr. Anisha Givantha Dharmadasa
Sampath Bank PLC	AWPLR+1.5%	50,000,000	-	50,570,385	Overdraft Agreement for Rs.50,000,000/-. Join & Several Guarantee of Dr. H K J Dharmadasa, Mr. U H Dharmadasa & Mr. G A Dharmadasa - Directors of the Company for Rs.50,000,000/-.
Peoples Bank		Not specify	-	6,021,685	
Commercial Bank of Ceylon PLC	AWPLR + 2%	45,000,000	420,949,985	1,561,990	Corporate guarantee of New Nawaloka Hospitals (Pvt) Ltd for Rs.75Mn
Bank of Ceylon		Not specify	-	7,050,305	
Seylan Bank PLC	AWPLR+2.5%	10,000,000	7,963,346	-	(i) Assignment over credit and debit card receivables of minimum of LKR 40Mn per Month (ii) assignment of insurance receipt of Ceylinco Suwasampatha and Softlogic insurance Totalling a Minimum of LKR 20 Mn per month (iii) minimum LKR 0.5 Mn per day to be transferred to margin build up account to be utilized for monthly loan settlement (iv) letter of set-off to recover the loan installment from the above savings account (v) corporate guarantee from New Nawaloka Hospital Pvt Ltd for LKR 500 Mn
			1,446,943,210	1,625,171,231	

27.1 Bank overdrafts used for cash management purposes

Company	Interest rate	Limit 2020 Rs.	31 March 2020 Rs.	31 March 2019 Rs.	Security
Hatton National Bank PLC	AWPLR+1.5%	650,000,000	361,940,299	832,711,480	Corporate Guarantee of New Nawaloka Hospitals (Pvt) Ltd for Rs.75 Mn.
DFCC Bank PLC	AWPLR+0.75%	240,000,000	215,103,014	242,854,850	Joint & several Guarantees of Directors-Dr. H K J Dharmadasa, Mr Ugitha Harshith Dharmadasa and Mr. Anisha Givantha Dharmadasa
Sampath Bank PLC	AWPLR+1.5%	50,000,000	-	50,570,385	Overdraft Agreement for Rs.50,000,000/=-.
Peoples Bank		Not specify	-	6,021,685	Join & Several Guarantee of Dr. H K J Dharmadasa, Mr. U H Dharmadasa & Mr. A G Dharmadasa - Directors of the Company for Rs.50,000,000/=-.
Bank of Ceylon		Not specify	-	7,050,305	
Seylan Bank PLC	AWPLR+2.5%	10,000,000	7,963,346	-	((i) Assignment over credit and debit card receivables of minimum of LKR 40Mn per Month (ii) assignment of insurance receipt of Ceylinco Suwasampatha and Softlogic insurance Totaling a Minimum of LKR 20 Mn per month (iii) minimum LKR 0.5 Mn per day to be transferred to margin build up account to be utilized for monthly loan settlement (iv) letter of set-off to recover the loan installment from the above savings account (v) corporate guarantee from New Nawaloka Hospital Pvt Ltd for LKR 500 Mn
Commercial Bank of Ceylon PLC	AWPLR + 2%	45,000,000	385,446,905	-	Corporate guarantee of New Nawaloka Hospitals (Pvt) Ltd for Rs.75Mn
			970,453,564	1,139,208,705	

NOTES TO THE FINANCIAL STATEMENTS

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 31st March	GROUP		COMPANY	
	2020 Rs.	2019 Rs.	2020 Rs.	2019 Rs.
Balance as at 1st April	-	136,693,775	-	2,500,000
Balance as at 31st March	-	136,693,775	-	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 Nawaloka Metropolis Laboratories (Pvt) Ltd held by Nawaloka Hospitals PLC to Nawaloka Metropolis Laboratories (Pvt) Ltd for a consideration of Rs.136,693,774. Accordingly, during 2020 the shares were disposed by the Company.

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 31st March	GROUP		COMPANY	
	2020 Rs.	2019 Rs.	2020 Rs.	2019 Rs.
1,409,505,596 Ordinary Shares	1,207,388,876	1,207,388,876	1,207,388,876	1,207,388,876

The holders' of the ordinary shares are entitled to receive dividends as declared from time to time and are entitled to vote at meetings of the Company.

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 31st March	GROUP		COMPANY	
	2020 Rs.	2019 Rs.	2020 Rs.	2019 Rs.
Balance as at 01st April	1,083,455,968	1,083,455,968	38,201,724	38,201,724
Balance as at 31st 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 31st March	GROUP		COMPANY	
	2020 Rs.	2019 Rs.	2020 Rs.	2019 Rs.
Debentures	186,646,835	455,225,139	186,646,835	455,225,139
Non-current	186,646,835	186,165,926	186,646,835	186,165,926
Current	-	269,059,213	-	269,059,213
	186,646,835	455,225,139	186,646,835	455,225,139

During the financial year 2013/2014 the Company has issued Rs.1.5 Bn Rated Unsecured Redeemable Debentures at a par value of Rs.100 and 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 2020 Rs.	Value As at 31 March 2019 Rs.	Comparative Government Bonds Rates %	Yield to Maturity %
B	Public	14.15%	Listed	Quarterly	9/30/13	9/30/19	2,696,000	269,600,000	-	269,059,213	11.17	13.33
D	Public	14.35%	Listed	Quarterly	9/30/13	9/30/21	1,645,500	164,550,000	163,766,853	163,331,481	11.55	11.96
E	Public	14.40%	Listed	Quarterly	9/30/13	9/30/22	120,000	12,000,000	11,916,256	11,890,371	11.77	12.14
F	Public	14.45%	Listed	Quarterly	9/30/13	9/30/23	110,600	11,060,000	10,963,726	10,944,074	11.80	12.47
									186,646,835	455,225,139		

NOTES TO THE FINANCIAL STATEMENTS

31.1 Market Summary

Class	Highest	Lowest	Last Traded	Traded Quantity	Last Traded Date
D	-	-	-	-	-
E	-	-	-	-	-
F	103.50	103.50	103.50	4,000.00	24th July 2019

31.2 Purpose of the Issue

Purpose of the debenture issue is for funding the construction of multi storied building with car park facilities, Channelling, Out Patient Department & 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- (Negative) which is read as [SL] triple B Minus.

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 Benefit'.

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 re-measurements of the net defined benefit liability, which comprise actuarial gains and losses are recognized in Other Comprehensive Income.

32.1 Contribution to Defined Contribution Plan

As at 31st March	GROUP		COMPANY	
	2020 Rs.	2019 Rs.	2020 Rs.	2019 Rs.
Employees' Provident Fund				
Employers' contribution	82,420,379	81,959,247	26,975,193	34,516,809
Employees' contribution	54,946,920	54,639,498	17,983,462	23,011,206
Employees' Trust Fund	20,605,095	34,149,687	6,743,798	14,382,004

32.2 Present Value of Defined Benefit Obligations

As at 31st March	GROUP		COMPANY	
	2020 Rs.	2019 Rs.	2020 Rs.	2019 Rs.
Present Value of Defined Benefit Obligations	305,875,255	246,273,733	223,862,270	202,174,044

32.2.a Movement in the Present Value of Defined Benefit Obligations (PV DBO)

As at 31st March	GROUP		COMPANY	
	2020 Rs.	2019 Rs.	2020 Rs.	2019 Rs.
Liability for Defined Benefit obligation at 1st April	246,273,733	226,814,276	202,174,044	177,345,875
Current service cost	35,342,285	19,722,734	15,063,276	12,021,051
Interest cost	26,896,002	26,040,280	22,045,038	21,774,231
Actuarial Losses on PV DBO	31,360,706	19,613,483	8,044,058	23,693,301
Payments made	(33,997,471)	(45,917,040)	(23,464,146)	(32,660,414)
Liability for Defined Benefit obligation at 31st March	305,875,255	246,273,733	223,862,270	202,174,044

32.2.b Amounts Recognized in the Income Statement

Company service cost	35,342,285	19,722,734	15,063,276	12,021,051
Interest cost	26,896,002	26,040,280	22,045,038	21,774,231
	62,238,287	45,763,014	37,108,314	33,795,282

32.2.c Amounts Recognized in Other Comprehensive Income

Actuarial Losses recognized during the year	31,360,706	19,613,483	8,044,058	23,693,301
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Present value of defined benefit obligation as at 31st March 2020 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 liability is not externally funded.

NOTES TO THE FINANCIAL STATEMENTS

32.2.d Actuarial Assumptions

As at 31st March	2020	2019
Retirement Age	55 Years	55 Years
Discount Rate	10.50%	11.00%
Salary Increment Rate	8%	8%
Staff Turnover Rate	14%	14%

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 31st March	GROUP		COMPANY	
	2020 Rs.	2019 Rs.	2020 Rs.	2019 Rs.
1% Increase in discount rate	(12,032,889)	(11,273,903)	(7,999,416)	(9,046,782)
1% decrease in discount rate	12,537,471	8,639,642	8,675,896	6,152,196
1% increase in salary increment rate	13,802,525	8,338,828	9,720,922	5,879,211
1% Decrease in salary increment rate	(13,398,362)	(11,156,085)	(9,107,100)	(8,918,232)

33 DEFERRED TAX LIABILITY

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 31st March	GROUP			COMPANY	
	31/3/2020 Rs.	31/3/2019 Rs. (Restated)	1/4/2018 Rs. (Restated)	31/3/2020 Rs.	31/3/2019 Rs.
Deferred Tax Assets	(776,322,975)	(445,523,712)	(416,925,340)	(362,369,467)	(342,178,432)
Deferred Tax Liabilities	1,768,740,313	1,663,343,706	1,523,362,848	363,647,899	427,562,038
Net Deferred Tax Liabilities	992,417,338	1,217,975,234	1,106,437,508	1,278,432	85,383,606

NOTES TO THE FINANCIAL STATEMENTS

33.1 Movement in deferred tax

For the Year end 31st March 2020

	GROUP					
	Net Balances as at 1st April (Restated)	Recognised in profit or loss	Recognised in OCI	Total	Deferred tax Assets	Deferred Tax Liabilities
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Deferred Tax Liabilities Property Plant and Equipment	1,663,498,946	105,241,367	-	1,768,740,313	-	1,768,740,313
Deferred Tax Assets						
Defined benefit obligation	(67,170,591)	(9,798,221)	(8,780,996)	(85,749,808)	(85,749,808)	-
Accumulated Tax Losses	(378,353,121)	(182,426,389)	-	(560,779,510)	(560,779,510)	-
Disallowed finance cost	-	(123,255,828)	-	(123,255,828)	(123,255,828)	-
Net Lease Liability	-	(6,537,829)	-	(6,537,829)	(6,537,829)	-
Net Tax Liabilities/(Assets)	1,217,975,234	(216,776,900)	(8,780,996)	992,417,338	(776,322,975)	1,768,740,313

For the Year end 31st March 2019

	GROUP					
	Net Balances as at 1st April Rs. (Restated)	Recognised in profit or loss Rs. (Restated)	Recognised in OCI Rs. (Restated)	Total Rs. (Restated)	Deferred tax Assets Rs. (Restated)	Deferred Tax Liabilities Rs. (Restated)
	Deferred Tax Liabilities Property Plant and Equipment	1,523,362,848	140,136,098	-	1,663,498,946	-
Deferred Tax Assets						
Defined benefit obligation	(62,535,477)	856,662	(5,491,776)	(67,170,591)	(67,170,591)	-
Accumulated Tax Losses	(354,389,863)	(23,963,258)	-	(378,353,121)	(378,353,121)	-
Net Tax Liabilities/(Assets)	1,106,437,508	117,029,502	(5,491,776)	1,217,975,234	(445,523,712)	1,663,498,946

As at 1st April 2018

	GROUP		
	Net Balances as at 1st April 2018 as previously reported Rs.	Adjustment due to restatement (Note 46.1) Rs.	Restated Balances as at 1st April 2018 Rs.
	Deferred Tax Liabilities Property Plant and Equipment	1,378,116,418	145,246,430
Deferred Tax Assets			
Defined benefit obligation	(62,380,237)	(155,240)	(62,535,477)
Accumulated Tax Losses	(354,389,863)	-	(354,389,863)
Net Tax Liabilities/(Assets)	961,346,318	145,091,190	1,106,437,508

COMPANY						
Net Balances as at 1st April	Recognised in profit or loss	Recognised in OCI	Total	Deferred tax Assets	Deferred Tax Liabilities	
Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
427,562,038	(63,973,143)	-	363,588,895	-	363,588,895	
(56,608,733)	(3,769,864)	(2,252,336)	(62,630,933)	(62,630,933)	-	
(285,569,699)	109,086,983	-	(176,482,706)	(176,482,706)	-	
-	(123,255,828)	-	(123,255,828)	(123,255,828)	-	
-	59,004	-	59,004	-	59,004	
85,383,606	(81,852,848)	(2,252,336)	1,278,432	(362,369,467)	363,647,899	

COMPANY						
Net Balances as at 1st April	Recognised in profit or loss	Recognised in OCI	Total	Deferred tax Assets	Deferred Tax Liabilities	
Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
487,505,934	(59,943,896)	-	427,562,038	-	427,562,038	
(49,656,845)	(317,764)	(6,634,124)	(56,608,733)	(56,608,733)	-	
(290,188,139)	4,618,440	-	(285,569,699)	(285,569,699)	-	
147,660,950	(55,643,220)	(6,634,124)	85,383,606	(342,178,432)	427,562,038	

NOTES TO THE FINANCIAL STATEMENTS

33.2 Analysis of Recognised Deferred Tax (Assets)/Liabilities

	31/3/2020		GROUP 31/3/2019	
	Temporary Difference Rs.	Tax effect Rs.	Temporary Difference Rs.	Tax effect Rs.
Property Plant and Equipment	6,316,929,689	1,768,740,313	5,941,067,664	1,663,498,946
Defined benefit obligation	(306,249,314)	(85,749,808)	(239,894,968)	(67,170,591)
Accumulated Tax Losses	(2,002,783,965)	(560,779,510)	(1,351,261,148)	(378,353,121)
Disallowed finance cost	(440,199,386)	(123,255,828)	-	-
Net Lease Liability	(23,349,389)	(6,537,829)	-	-
	3,544,347,636	992,417,338	4,349,911,546	1,217,975,234

34 BORROWINGS

The accounting policies for borrowings has been given in Notes 12 and 18.

34.1. Borrowings from financial institutions

	GROUP		COMPANY	
	2020 Rs.	2019 Rs.	2020 Rs.	2019 Rs.
As at 31st March				
As at 1st April	7,563,233,786	7,422,239,249	4,759,576,502	5,091,850,173
Exchange Losses	24,247,897	62,631,876	24,247,897	62,631,876
Loans Obtained During the Year	5,325,445,099	1,948,509,826	5,010,217,200	1,226,781,004
Interest charge for the year	981,620,812	914,961,510	493,877,036	387,021,509
Loans Paid During the Year	(6,408,798,472)	(2,785,108,675)	(5,264,101,211)	(2,008,708,060)
Closing Balance as at 31st March	7,485,749,122	7,563,233,786	5,023,817,424	4,759,576,502
Borrowings falling due within one year	2,548,688,681	1,457,310,675	1,856,724,682	1,075,849,235
Borrowings falling due after one year	4,937,060,441	6,105,923,111	3,167,092,742	3,683,727,267
	7,485,749,122	7,563,233,786	5,023,817,424	4,759,576,502
Borrowing based on the financial institutions is as follows:				
DFCC Bank PLC	-	167,543,550	-	167,543,550
Bank of Ceylon	380,000,002	1,039,930,954	380,000,002	1,039,930,954
Commercial Bank of Ceylon PLC	861,426,224	1,672,115,003	809,926,224	1,672,115,003
Sampath Bank PLC	935,341,198	1,209,679,200	935,341,198	1,209,679,200
Seylan Bank PLC	356,400,000	-	356,400,000	-
Nation Lanka Finance PLC	5,000,000	-	5,000,000	-
Nations Trust Bank PLC	1,925,030,000	-	1,925,030,000	-
Hatton National Bank PLC	3,022,551,698	3,473,965,079	612,120,000	670,307,795
	7,485,749,122	7,563,233,786	5,023,817,424	4,759,576,502

	1/4/2018		COMPANY			
	Temporary Difference Rs.	Tax effect Rs.	31/3/2020		31/3/2019	
			Temporary Difference Rs.	Tax effect Rs.	Temporary Difference Rs.	Tax effect Rs.
	5,440,027,175	1,523,362,848	1,298,531,770	363,588,895	1,527,007,280	427,562,038
	(226,814,276)	(62,535,477)	(223,862,270)	(62,630,933)	(202,174,044)	(56,608,733)
	(1,265,678,084)	(354,389,863)	(630,295,381)	(176,482,706)	(1,019,891,782)	(285,569,699)
	-	-	(440,199,386)	(123,255,828)	-	-
	-	-	210,729	59,004	-	-
	3,951,562,532	1,106,437,508	4,565,831	1,278,432	304,941,454	85,383,606

34.2 Commercial paper borrowings

	GROUP		COMPANY	
	2020 Rs.	2019 Rs.	2020 Rs.	2019 Rs.
Balance as at 1st of April	-	-	-	-
Obtained During the Year	1,488,000,000	-	1,488,000,000	-
Interest Accrued	73,408,169	-	73,408,169	-
Balance as at 31st March	1,561,408,169	-	1,561,408,169	-
Commercial Papers falling due within one year	1,561,408,169	-	1,561,408,169	-
Commercial Papers falling due after one year	-	-	-	-
	1,561,408,169	-	1,561,408,169	-
Total Borrowings falling due within one year	4,110,096,850	1,457,310,673	3,418,132,851	1,075,849,235
Total Borrowings falling due after one year	4,937,060,441	6,105,923,111	3,167,092,742	3,683,727,267
	9,047,157,291	7,563,233,784	6,585,225,593	4,759,576,502

NOTES TO THE FINANCIAL STATEMENTS

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

Financial Institution	Repayment Terms	Security	Principal	Annual Interest Rate	Annual Repayment Rs.	Balance as at 31.03.20 Rs.
Nawaloka Hospitals PLC						
Bank of Ceylon		Joint & 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)	-	380,000,004
Sampath Bank PLC	First 24 months Rs.6,160,000 Next 24 months 7,840,000, Next 35 months 8,000,000 & Final Rs.9,000,000 installments	Loan Agreement for Rs.334,817,200/- Mortgage over company shares (100%) of Nawaloka Medicare (Pvt) Ltd	334,817,200	AWPLR+0.5%	9,680,000	324,507,200
Sampath Bank PLC	First 24 months Rs.6,160,000 Next 24 months 7,840,000, Next 35 months 8,000,000 & Final Rs.9,000,000 installments	Loan Agreement for Rs.334,817,200/- Mortgage over Nawaloka Medicare (Pvt) Ltd	625,000,000	AWPLR+0.5%	14,166,003	610,833,998
Commercial Bank of Ceylon PLC	First 24 months Rs.12,500,000, Next 35 months 19,400,000 & Final Rs.21,000,000 installments	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/- signed by the directors of the company, Corporate Guarantee from New Nawaloka Medical Centre (Pvt) Ltd for Rs.500,000,000/- signed by the directors of the company, General Terms and Conditions relating to Term Loan for Rs.1,000,000,000/- signed by the directors of the company.	1,200,000,000	AWPLR+0.5%	649,200,000	138,300,000
Commercial Bank of Ceylon PLC	60 equal monthly installments	An agreement to Mortgage Bond No. FCC/16/90 over machinery for Rs. 125,000,000/- dated 23/09/2016 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%	143,810,463	350,290,920
Commercial Bank of Ceylon PLC	5 years in 59 monthly installments	Clean	USD 3,200,000	LIBOR+ 4.5%	106,786,213	321,335,303
Hatton National Bank PLC	60 equal monthly installments	Clean	275,000,000	AWPLR+1.75%	74,945,827	12,500,000
Hatton National Bank PLC	60 equal monthly installments	Clean	550,000,000	AWPLR+1.75%	9,160,000	540,840,000
Hatton National Bank PLC	6 months	Clean	50,000,000	AWPLR+3.5%	-	16,000,000

NOTES TO THE FINANCIAL STATEMENTS

35 LEASE LIABILITIES

(a) Definition of a lease

Previously, the Group/Company determined at contract inception whether an arrangement is or contains a lease under LKAS 17. Under SLFRS 16, the Group/Company assesses whether a contract is or contains a lease based on the definition of a lease.

On transition to SLFRS 16, the Company elected to apply the practical expedient to grandfather the assessment of which transaction are leases. It applied SLFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under LKAS 17 and IFRIC 4 were not reassessed for whether there is a lease. Therefore, the definition of a lease under SLFRS 16 was applied only to contracts entered into or changed on or after 1st April 2019.

(b) Accounting treatment by lessee

As a lessee, the Group/Company previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the Group/Company. Under SLFRS 16, the Group/Company recognises right-of-use assets and lease liabilities for the leases – i.e. these leases are on-balance sheet.

The Group/Company used the following practical expedients when applying SLFRS 16 to leases previously classified as operating leases under LKAS 17.

- Did not recognize right -of- use assets and liabilities for leases for which the lease term ends within 12 months of the date of initial application;
- Did not recognize right -of- use assets and liabilities for leases of low value assets;
- Applied a single discount rate to a portfolio of leases with similar characteristics.
- Excluded initial direct costs from measuring the right-of-use asset at the date of initial application
- Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease..

On transition to SLFRS 16, the Group recognized an additional Rs. 608,449,666/- of right-of-use assets and Rs. 596,797,413/- of lease liabilities. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1st April 2019 of the Group was 13.9%.

Impact on Transition (i.e. as at 1st April 2019)

Description	Group Impact as at 1st April 2019	Company Impact as at 1st April 2019
Operating lease commitments as at 31st March 2019	1,413,754,406	75,932,205
Discounted using the incremental borrowing rate as at 1st April 2019	13.9%	13.7%
- Recognition exemption for short term lease	3,010,000	-
Lease Liabilities Recognized as at 1st April 2019	596,797,413	61,830,310

As at 31st March	GROUP		COMPANY	
	2020 Rs.	2019 Rs.	2020 Rs.	2019 Rs.
Balance as at 1st of April	103,089,111	100,000,000	12,478,660	-
Adjustment due to initial application of SLFRS 16	596,797,413	-	61,830,310	-
Adjusted balance as at 1st April	699,886,524	100,000,000	74,308,970	-
Leases Obtained During the Year	24,979,422	14,580,000	15,000,000	14,580,000
Interest charge for the year	90,076,193	1,291,088	8,685,819	1,291,088
Repayments During the Year	(227,759,296)	(12,781,977)	(31,203,304)	(3,392,428)
Balance as at 31st March	587,182,843	103,089,111	66,791,485	12,478,660
Current	158,030,124	11,803,776	28,464,569	2,414,227
Non Current	429,152,719	91,285,335	38,326,916	10,064,433
	587,182,843	103,089,111	66,791,485	12,478,660
Lease Payable within one Year	158,030,124	11,803,776	28,464,569	2,414,227
Lease Payable between 1 to 5 Years	274,102,859	57,012,178	38,326,916	10,064,433
Lease Payable more than five years	155,049,860	34,273,157	-	-
	587,182,843	103,089,111	66,791,485	12,478,660
Maturity Analysis of Undiscounted Cash Flows				
Less than one year	267,868,979	11,728,414	72,600,328	3,728,414
One to five years	575,504,483	48,224,000	52,308,188	16,224,000
More than 5 years	473,716,293	50,610,451	-	-
Total	1,317,089,755	110,562,865	124,908,516	19,952,414

35.2 Amount recognised in the Statement of Profit Loss and other Comprehensive Income

As at 31st March	GROUP		COMPANY	
	2020 Rs.	2019 Rs.	2020 Rs.	2019 Rs.
Amortisation of Right of Use Assets	150,820,412	2,975,953	30,593,985	909,428
Interest cost	90,076,193	1,291,088	8,685,819	1,291,088
	240,896,605	1,291,088	39,279,804	1,291,088

35.3 Amounts recognised in the Cash Flow Statement

Repayments of lease principal	227,759,296	11,490,889	31,203,303	2,101,340
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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.

NOTES TO THE FINANCIAL STATEMENTS

36 TRADE AND OTHER PAYABLES (CONTD.)

As at 31st March	GROUP		COMPANY	
	2020 Rs.	2019 Rs.	2020 Rs.	2019 Rs.
Financial liabilities				
Trade Payables				
- Related Parties	53,307,618	813,197,883	47,081,288	98,969,000
- Other	873,073,620	100,972,210	761,696,361	752,770,003
	926,381,238	914,170,093	808,777,649	851,739,003
Doctors Payable	108,364,372	28,903,754	97,762,033	19,019,782
	1,034,745,610	943,073,847	906,539,682	870,758,785
Non financial liabilities				
Other Payables	600,262,206	537,020,348	477,270,592	386,862,258
	600,262,206	537,020,348	477,270,592	386,862,258
	1,635,007,816	1,480,094,195	1,383,810,274	1,257,621,043

37 CURRENT TAX LIABILITY/(RECEIVABLES)

The accounting policy for income taxes has been given in Note 14.

As at 31st March	GROUP		COMPANY	
	2020 Rs.	2019 Rs.	2020 Rs.	2019 Rs.
Balance as at 01 April	(991,937)	16,890,277	-	-
Prior Year adjustment	-	(12,750,375)	-	-
Over provision during prior year	(3,440,298)	(7,000,410)	-	-
Provision for the year	28,118,993	5,928,240	-	-
Claimed against ESC	(5,091,907)	-	-	-
Tax paid during the year	-	(4,059,669)	-	-
Balance as at 31 March	18,594,851	(991,937)	-	-

38 AMOUNTS DUE TO RELATED PARTIES

The accounting policy for amount due to related parties has been given in Note 41.

As at 31st March	GROUP		COMPANY	
	2020 Rs.	2019 Rs.	2020 Rs.	2019 Rs.
Nawaloka Construction Company (Pvt) Limited	813,630	813,630	-	-
Nawaloka Metropolis Laboratories (Pvt) Ltd	-	129,006,280	-	123,581,212
Ceyoka (Pvt) Ltd	900,000	-	-	-
Nawaloka Petroleum (Pvt) Ltd	6,126,605	-	6,126,605	-
Battaramulla Medical Centre *	1,500	-	-	-
Kiribathgoda Medical Centre *	43,780	-	-	-
Kottawa Medical Centre *	-	193,610	-	-
Kandana Medical Centre *	-	68,501	-	-
Nawaloka Trading (Pvt) Ltd	247,452	247,452	247,452	247,452
Nawaloka Green Cross Laboratories (Pvt) Ltd	-	-	188,565,615	88,092,931
Nawaloka Medicare (Pvt) Ltd	-	-	154,157,389	57,520,373
Mount Lavinia Medical Centre*	5,167,098	5,167,098	-	-
Nawaloka Aviation (Pvt) Ltd	-	1,106,771	-	-
Nawaloka Guardian International (Pvt) Ltd	35,838,699	50,174,341	35,838,699	50,174,341
	49,138,764	186,777,683	384,935,760	319,616,309

* These medical centres are operated under the legal entity Nawaloka Medical Centres (Pvt) Ltd.

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 maximize the use of relevant observable inputs and minimize 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 recognized 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.

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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 2020	Classification	Total Carrying Amount Rs.	Fair Value Rs.	Level 1 Rs.	Group Level 2 Rs.
Financial Assets measured at Fair value					
Investment in Unquoted Shares	Fair value through OCI	14,805,000	14,805,000	-	-
Financial Assets not measured at Fair value					
Cash and cash equivalents	Amortized cost	585,063,208	585,063,208	-	585,063,208
Trade and other receivables	Amortized cost	677,188,490	677,188,490	-	-
Receivable from related parties	Amortized cost	712,619,787	712,619,787	-	-
Investment in fixed deposits	Amortized cost	306,016,897	306,016,897	-	306,016,897
		2,280,888,382	2,280,888,382	-	891,080,105
Financial Liabilities not measured at Fair value					
Debentures	Other financial liabilities	186,646,835	186,646,835	-	-
Borrowings	Other financial liabilities	9,047,157,291	9,047,157,291	-	-
Trade and other payables	Other financial liabilities	1,034,745,610	1,034,745,610	-	-
Payable to related companies	Other financial liabilities	49,138,764	49,138,764	-	-
Unclaimed Dividend	Other financial liabilities	4,608,151	4,608,151	-	-
Bank Overdraft	Other financial liabilities	1,446,943,210	1,446,943,210	-	-
		11,769,239,861	11,769,239,861	-	-
31 March 2019					
	Classification	Total Carrying Amount Rs.	Fair Value Rs.	Level 1 Rs.	Group Level 2 Rs.
Financial Assets measured at Fair value					
Investment in Unquoted Shares/FVOCI		19,740,000	19,740,000	-	-
Financial Assets not measured at Fair value					
Cash and cash equivalents	Amortized cost	157,962,595	157,962,595	-	157,962,595
Trade and other receivables	Amortized cost	588,964,706	588,964,706	-	-
Receivable from related parties	Amortized cost	416,816,784	416,816,784	-	-
Investment in fixed deposits	Amortized cost	283,881,242	283,881,242	-	-
		1,447,625,326	1,447,625,326	-	157,962,595
Financial Liabilities not measured at Fair value					
Debentures	Other financial liabilities	455,225,139	455,225,139	-	-
Borrowings	Other financial liabilities	7,563,233,786	7,563,233,786	-	-
Trade and other payables	Other financial liabilities	943,073,847	943,073,847	-	-
Payable to related companies	Other financial liabilities	186,777,683	186,777,683	-	-
Unclaimed Dividend	Other financial liabilities	21,706,126	21,706,126	-	-
Bank Overdraft	Other financial liabilities	1,625,171,231	1,625,171,231	-	-
		10,795,187,812	10,795,187,812	-	-

* 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.

Level 3	Total	Company					
		Total Carrying Amount	Fair Value	Level 1	Level 2	Level 3	Total
Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
14,805,000	14,805,000	14,805,000	14,805,000	-	-	14,805,000	14,805,000
-	585,063,208	132,786,692	132,786,692	-	132,786,692	-	132,786,692
677,188,490	677,188,490	587,267,584	587,267,584	-	-	587,267,584	587,267,584
712,619,787	712,619,787	5,525,598,159	5,525,598,159	-	-	5,525,598,159	5,525,598,159
-	306,016,897	102,706,849	102,706,849	-	-	102,706,849	102,706,849
1,404,613,277	2,280,888,382	6,348,359,284	6,348,359,284	-	132,786,692	6,215,572,592	6,348,359,284
186,646,835	186,646,835	186,646,835	186,646,835	-	-	186,646,835	186,646,835
9,047,157,291	9,047,157,291	6,585,225,593	6,585,225,593	-	-	6,585,225,593	6,585,225,593
1,034,745,610	1,034,745,610	906,539,682	906,539,682	-	-	906,539,682	906,539,682
49,138,764	49,138,764	384,935,760	384,935,760	-	-	384,935,760	384,935,760
4,608,151	4,608,151	4,608,120	4,608,120	-	-	4,608,120	4,608,120
1,446,943,210	1,446,943,210	970,453,564	970,453,564	-	-	970,453,564	970,453,564
11,769,239,861	11,769,239,861	9,038,409,554	9,038,409,554	-	-	9,038,409,554	9,038,409,554

Level 3	Total	Company					
		Total Carrying Amount	Fair Value	Level 1	Level 2	Level 3	Total
Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
19,740,000	19,740,000	19,740,000	19,740,000	-	-	19,740,000	19,740,000
-	157,962,595	106,440,391	106,440,391	-	106,440,391	-	106,440,391
588,964,706	588,964,706	506,943,838	506,943,838	-	-	506,943,838	506,943,838
416,816,784	416,816,784	3,859,010,919	3,859,010,919	-	-	3,859,010,919	3,859,010,919
283,881,242	283,881,242	36,346,825	36,346,825	-	-	36,346,825	36,346,825
1,289,662,731	1,447,625,326	4,508,741,973	4,508,741,973	-	106,440,391	4,402,301,582	4,508,741,973
455,225,139	455,225,139	455,225,139	455,225,139	-	-	455,225,139	455,225,139
7,563,233,786	7,563,233,786	4,759,576,502	4,759,576,502	-	-	4,759,576,502	4,759,576,502
943,073,847	943,073,847	870,758,785	870,758,785	-	-	870,758,785	870,758,785
186,777,683	186,777,683	319,616,309	319,616,309	-	-	319,616,309	319,616,309
21,706,126	21,706,126	21,706,075	21,706,075	-	-	21,706,075	21,706,075
1,625,171,231	1,625,171,231	1,139,208,705	1,139,208,705	-	-	1,139,208,705	1,139,208,705
10,795,187,812	10,795,187,812	7,566,091,515	7,566,091,515	-	-	7,566,091,515	7,566,091,515

NOTES TO THE FINANCIAL STATEMENTS

40 FINANCIAL RISK MANAGEMENT

The Group has exposure to the following risks arising from financial instruments:

- a. Credit risk (Note 40.2)
- b. Liquidity risk (Note 40.3)
- c. Market risk (Note 40.4)
- d. Operational 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 31st March	GROUP		COMPANY	
	2020 Rs.	2019 Rs.	2020 Rs.	2019 Rs.
Impairment loss on trade receivables contract assets arising from contracts with customers and amounts due from related companies	51,033,653	4,156,285	37,423,544	4,156,285
	51,033,653	4,156,285	37,423,544	4,156,285

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 is as follow:

As at 31st March	GROUP		COMPANY	
	2020 Rs.	2019 Rs.	2020 Rs.	2019 Rs.
Other investments	320,821,897	303,621,242	117,511,849	56,086,825
Trade and other receivables	677,188,490	588,964,706	587,267,584	506,943,838
Amount due from related parties	712,619,787	416,816,784	5,525,598,159	3,859,010,919
Cash and cash equivalents	551,763,974	151,806,776	102,988,424	101,727,526
	2,262,394,148	1,461,209,508	6,333,366,016	4,523,769,108

At 31 March 2020, the exposure to credit risk for trade receivables and contract assets by type of counterparty was as follows.

As at 31st March	GROUP		COMPANY	
	2020 Rs.	2019 Rs.	2020 Rs.	2019 Rs.
Local Government	154,052,525	119,639,552	149,680,650	112,537,747
Foreign Governments	25,427,434	9,244,320	15,106,234	9,244,320
Insurance Companies	178,606,290	159,094,305	139,532,331	119,707,010
Other Corporate clients	285,753,812	144,066,787	274,956,283	131,082,160
Other	92,658,709	144,136,417	69,229,065	140,323,632
	736,498,770	576,181,381	648,504,563	512,894,869

The following table provides information about the exposure to credit risk and ECLs for trade receivables and contract assets as at 31 March 2020.

As at 31st March	Group			
	Weighted average loss rate	Gross carrying amount Rs.	Loss allowance Rs.	Credit impaired
Current (not past due)	47%	489,157,841	40,474,760	No
Past due 6 -12 months	12%	58,634,441	10,611,334	Yes
Past due 12 -18 months	9%	41,526,722	7,515,274	Yes
Past due > 18 months	31%	147,179,765	26,635,772	Yes
		736,498,770	85,237,140	

As at 31st March	Company			
	Weighted average loss rate	Gross carrying amount Rs.	Loss allowance Rs.	Credit impaired
Current (not past due)	45%	401,163,635	37,040,698	No
Past due 6 -12 months	13%	58,634,441	10,611,334	Yes
Past due 12 -18 months	9%	41,526,722	7,515,274	Yes
Past due > 18 months	33%	147,179,765	26,635,771	Yes
		648,504,563	81,803,077	

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40.2 Credit Risk (Contd.)

Cash and cash equivalents

The Group held cash and cash equivalents of Rs. 585,063,208 at 31 March 2020 (2019: Rs. 157,962,595). 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. 915 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, but excluded contractual interest payments and exclude the impact of netting agreements.

31st March 2020	Carrying amount Rs.	Total Rs.	Less than 1 year Rs.	1-5 years Rs.	More than 5 years Rs.
Non-derivative financial liabilities					
Debentures	186,646,835	186,646,835	-	186,646,835	-
Borrowings	9,047,157,291	9,047,157,291	4,110,096,850	4,317,925,564	619,134,877
Trade creditor and trade payable	1,034,745,610	1,034,745,610	668,273,207	366,472,403	-
Unclaimed Dividends	4,608,151	4,608,151	4,608,151	-	-
Current Tax Liabilities	18,594,851	18,594,851	18,594,851	-	-
Lease Liabilities	587,182,843	587,182,843	158,030,124	274,102,859	155,049,860
Payable to Related Companies	49,138,764	49,138,764	49,138,764	-	-
Bank Overdrafts	1,446,943,210	1,446,943,210	1,446,943,210	-	-
	12,375,017,555	12,375,017,555	6,455,685,157	5,145,147,661	774,184,737

40.3 Liquidity Risk (Contd.)

31st March 2019	Carrying amount Rs.	Total Rs.	Less than 1 year Rs.	1-5 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	1,767,248,451	3,989,715,679	1,718,613,906
Trade creditor and trade payable	1,480,094,195	1,480,094,195	955,931,553	524,237,412	-
Unclaimed Dividends	21,706,126	21,706,126	21,706,126	-	-
Lease Liabilities	103,089,111	103,089,111	11,803,776	57,012,178	34,273,157
Payable to Related Companies	186,777,683	186,777,683	186,777,683	-	-
Bank Overdrafts	1,625,171,231	1,625,171,231	1,625,171,231	-	-
	11,435,297,271	11,435,297,271	4,837,698,033	4,757,131,195	1,752,887,063

The Company has used Overdraft of Rs.970,453,564 at the end of Financial year.

Overdraft	As at 31st March 2020		As at 31st March 2019	
	Facility Available Rs.	Facility Utilised Rs.	Facility Available Rs.	Facility Utilised Rs.
Hatton National Bank PLC	650,000,000	361,940,299	650,000,000	832,711,480
Sampath Bank PLC	50,000,000	-	50,000,000	50,570,385
DFCC Bank PLC	240,000,000	215,103,014	240,000,000	242,854,850
Commercial Bank of Ceylon PLC	45,000,000	385,446,905	25,000,000	-
Seylan Bank PLC	10,000,000	7,963,346	-	-
Peoples' Bank	-	-	-	6,021,685
Bank of Ceylon	-	-	-	7,050,305
	995,000,000	970,453,564	965,000,000	1,139,208,705

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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 Group'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 optimizing the return.

Currency Risk

The Group 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 Group's interest-bearing financial instruments as reported to the management of the Group is as follows.

As at 31st March	Nominal Amount	
	As at 31st March 2020 Rs.	As at 31st March 2019 Rs.
Fixed-rate instruments		
Financial assets	739,073,021	692,928,778
Financial liabilities	1,383,810,274	1,257,621,043
	2,122,883,295	1,950,549,821
Variable-rate instruments		
Financial assets	235,493,541	142,787,216
Financial liabilities	7,555,679,156	5,898,785,207
	6,887,510,619	6,041,572,423

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 Company. The Board of Directors monitors the return on capital as well as the level of dividends to ordinary shareholders.

40.4 Market Risk (Contd.)

The Group's net debt to adjusted equity ratio at 31 March 2020 was as follow:

	As at 31st March 2020 Rs.	As at 31st March 2019 Rs. (Restated)
Total liabilities	14,273,572,354	12,899,546,238
Less: Cash and cash equivalents	585,063,208	157,962,595
Net debt	13,688,509,146	12,741,583,643
Total equity	3,430,129,485	3,441,663,455
Net debt to adjusted equity ratio	3.99	3.70

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.

NOTES TO THE FINANCIAL STATEMENTS

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.

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.

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 5, 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.

a) Compensation of key management personnel

As at 31st March	GROUP		COMPANY	
	2020 Rs '000	2019 Rs '000	2020 Rs '000	2019 Rs '000
Short-term employee benefits	95,112	84,765	90,782	84,765
	95,112	84,765	90,782	84,765

b) Other Transactions

As at 31st March	GROUP		COMPANY	
	2020 Rs '000	2019 Rs '000	2020 Rs '000	2019 Rs '000
Rendering of services	46,334	8,018	46,334	8,018

Balances due from Key Management Personnel out of above transactions are disclosed in Note 25 to the Financial Statements.

Close family members (CFM) of Key Management Personnel

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 dependents 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 2020 audited financial statements, which required additional disclosures in the 2019/20 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.

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 2020 audited financial Statements, which required additional disclosures in the 2019/20 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 and New Nawaloka Medical Centre (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 Hospital (Pvt) Ltd 100%		New Nawaloka Medical Centre (Pvt) Ltd 100%		Nawaloka Green Cross Laboratories (Pvt) Ltd 100%		Nawaloka Medicare (Pvt) Ltd 100%	
	2020 Rs.'000	2019 Rs.'000	2020 Rs.'000	2019 Rs.'000	2020 Rs.'000	2019 Rs.'000	2020 Rs.'000	2019 Rs.'000
Shareholding								
Opening balance due (to)/from subsidiaries	1,886,884	721,317	1,714,270	2,999,095	(88,093)	(5,899)	(57,520)	16,961
Provision of Services	(16,005)	584,545	476,965	(1,382,033)	80,558	503,064	-	-
Cost of Pharmaceutical & General stores items	506,089	708,910	509,198	602,827	-	-	(3,867)	-
Fund Transfer	19,199	(127,889)	(53,277)	(505,619)	(181,031)	(585,258)	(92,770)	(74,482)
Closing balance due (to)/from subsidiaries	2,396,167	1,886,884	2,647,156	1,714,270	(188,566)	(88,093)	(154,157)	(57,520)
Directors	Dr. H.K.J. Dharmadasa Mr. H.K.U.H. Dharmadasa Mr. A.G. Dharmadasa		Dr. H.K.J. Dharmadasa Mr. A.G. Dharmadasa		Dr. H.K.J. Dharmadasa Mr. H.K.U.H. Dharmadasa Mr. A.G. Dharmadasa Prof.L.G. Chandrasena		Dr. H.K.J. Dharmadasa Mr. H.K.U.H. Dharmadasa Mr. A.G. Dharmadasa Prof.L.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.

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Transactions with Other Related Entities - Company

Name of the Company	Rendering of services/Sale of Goods		Receiving of services/ Purchase of Goods		Fund Transfers		Closing balance due (to)/from	
	2020 Rs.'000	2019 Rs.'000	2020 Rs.'000	2019 Rs.'000	2020 Rs.'000	2019 Rs.'000	2020 Rs.'000	2019 Rs.'000
Nawaloka Aviation (Pvt) Ltd	-	-	-	-	2,893	(887)	4,479	1,586
Bernard Philkit (Pvt)Ltd	-	-	-	-	-	-	10	10
M Branch (Pvt)Ltd	-	82	-	-	-	10,860	15,939	15,939
Nawaloka Care (Pvt)Ltd	-	-	-	-	2,675	-	14,230	11,555
Nawaloka Construction Co. (Pvt) Ltd	564,956	-	-	-	(566,203)	1,247	-	1,247
Nawaloka Medical Centres (Pvt) Ltd	52,764	(4,914)	-	17,652	22,084	(170)	269,299	194,451
Nawaloka Guardian International (Pvt) Ltd	14,336	(33,607)	-	-	-	12,481	(35,838)	(50,174)
Nawaloka College of Higher Studies (Pvt) Ltd	-	-	-	-	7,000	-	83,508	76,508
East West Marketing (Pvt) Ltd	481	-	-	-	(8,619)	9,980	3,355	11,493
Nawaloka Institute of Health care (Pvt) Ltd	9	416	-	-	-	-	425	416
Nawaloka Polysacks Sharjah U.A.E	-	-	-	-	-	-	22,429	22,429
Nawaloka Trading (Pvt) Ltd	-	93,768	-	-	-	(94,048)	(247)	(247)
Redline Design & Printing (Pvt) Ltd	14,502	8,973	-	-	14,502	8,973	-	-
Ceyoka (Pvt) Ltd	-	166,921	(15,920)	-	(7,716)	157,922	(24,016)	(47,652)
Nixon Distributors (Pvt) Ltd	-	124,266	(18,359)	-	-	108,419	(13,924)	(32,283)
Lucre (Pvt) Ltd	50,384	56,744	-	-	(50,384)	(56,744)	-	-
Tergo Care (Pvt) Ltd	19,702	19,488	-	-	(19,702)	(19,488)	-	-
Tergo Services (Pvt) Ltd	81,316	74,339	-	-	(81,316)	(74,339)	-	-
New Tergo Services (Pvt) Ltd	-	502	-	-	-	(502)	-	-
Quincy (Pvt) Ltd	-	39,016	10,614	-	-	31,639	(7,138)	(17,752)
Sikure Securities (Pvt) Ltd	38,350	46,989	-	-	(38,350)	(46,989)	-	-
Koala (Pvt) Ltd	556	83,168	-	-	-	82,899	(1,754)	(1,198)
Nawaloka Steel Industries (Pvt)Ltd	-	718	157,401	-	-	736	157,907	506
Sasiri Polysacks (Pvt) Ltd	-	-	-	-	8,000	-	8,000	-
New Ashford International (Pvt) Ltd	-	-	-	-	3,000	-	3,000	-
CAFÉ 77	-	-	10,547	-	-	-	10,547	-
Alcobronz (Pvt) Ltd	-	-	-	-	11,000	-	11,000	-
Nawaloka Research & Education Foundation	2,200	-	-	-	-	-	2,200	-
Nawaloka MEP Concepts (Pvt) Ltd	18,400	15,000	-	-	(18,400)	(15,000)	-	-
JDC Graphic Systems (Pvt) Ltd	973	387	-	-	(973)	(387)	-	-
JDC Printing Technologies (Pvt) Ltd	217	169	(52)	-	-	84	(249)	(84)
Nation Lanka Finance PLC	-	-	-	-	5,000	23,000	(5,000)	-
Nawaloka Petroleum (Pvt) Ltd	-	-	-	-	(6,127)	-	(6,127)	-
Nawaloka Medicare (Pvt) Ltd	6,440	-	-	-	-	-	6,440	-
Metropolis Healthcare Lanka (Pvt) Ltd*	-	-	-	-	-	-	-	(123,581)

*Refer Assets Held for Sale Note (Note 28.1)

42 COMMITMENTS

There were no contract for capital expenditure of material amounts approved or contracted for as at the reporting date for the Company/Group.

43 CONTINGENCIES

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 Judgments and Estimates

Provisions and Contingencies

The company receives legal claims against it in the normal course of business. Management has made judgment 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.

44 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.

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.

45 IMPACT OF COVID 19 PANDEMIC AND THE APPROPRIATENESS OF THE USE OF GOING CONCERN ASSUMPTION FOR THE PREPARATION OF FINANCIAL STATEMENTS OF THE GROUP

45.1 Impact of COVID 19 Pandemic

On 11th March 2020 the World Health Organization declared COVID 19 as a Global Pandemic situation. The pandemic has significantly affected the economy of Sri Lanka as well as the Group's business environment.

The Government initially declared a work-from-home period with a subsequent island-wide curfew being imposed on 20th March 2020. As the very outset, other than for those engaged in essential services, many were compelled to stay at home, with most business operations reaching a near standstill. Since the Group is operated in the healthcare sector, which is an essential service, the Group continued to operate with minimum disruptions and with activities being streamlined, the Group's operations gradually picked up pace.

NOTES TO THE FINANCIAL STATEMENTS

The industry believes that fear of contracting the infection would keep patients away during the first few months of the outbreak. However, growing public confidence in the stringent hygiene and safety protocols implemented by Hospitals and the essential need for healthcare is expected to drive an upward trend in patient volumes in subsequent months. Treatment of Covid 19 patients at government hospitals and fear over the risk of exposure, are also expected to contribute to an increase in patients seeking treatment from private hospitals. Given its leading position amongst private hospitals and having three well equipped hospitals in Colombo, Negombo and Gampaha coupled with growing confidence in a well established, long-standing healthcare brand "Nawaloka" management believes that this impact would be minimal to the Group.

45.2 Going Concern of the Group/Company

The Group recorded a net profit of Rs. 15.9 Mn during the year ended 31st March 2020 as opposed to a loss of Rs. 587 Mn during the year ended 31st March 2019. As at 31st March 2020, the Group's current liabilities exceeded its current assets by Rs. 4,431 Mn. (2019: Rs 2,794)

Considering these factors, the Board of Directors of the Company/Group carried out an assessment of the Group's/Company's ability to continue as a going concern and evaluated following actions taken by the Group/Company to ensure that it has the resources and ability to continue in the business for a foreseeable future.

- The outbreak of the COVID-19 pandemic also resulted in an additional burden on the Government to conduct sufficient PCR tests to detect COVID-19 patients in the community. This created an opportunity to the private sector healthcare providers. The Group's laboratory arm, Nawaloka Labs commenced PCR testing for the general public, creating a new source of revenue for the hospital. In addition, the Group has entered into various agreements with Corporates to conduct PCR testing on a random basis on their employees and PCR testing for the Sri Lankans arriving from overseas. These ventures are expected to earn additional revenue and the Board is confident that this could bridge the gap (if any) due to the lesser number of patients being admitted to the hospital.
- The Group acted promptly to take immediate advantage and obtain the interest moratorium for its borrowings from financial institutions in line with the scheme introduced by the Central Bank of Sri Lanka to support businesses affected by the COVID 19 Pandemic.
- The Group negotiated with financial institutions to restructure its borrowings. The restructure is expected to improve the liquidity position of both Company and the Group. The Board of Directors of the Company/Group is confident that the restructuring would result in an improved financial stability to the Group/Company.
- The Company has undertaken various cost reduction initiatives in an effort to contain costs.

As such the Board of Directors have no plans to liquidate the Company or cease the operations in the new future and concluded that use of going concern assumption for the preparation of Financial Statements is appropriate.

46 COMPARATIVE INFORMATION

46.1. Correction of prior period error : Recognition of deferred tax liability

As disclosed in Note 14.1 to the Financial Statements the subsidiary, Nawaloka Medicare (Private) Limited (NMC) is exempt from income tax on its taxable profit up to 31st March 2022.

As per LKAS 12 – “Income Taxes” and “Deferred Tax Ruling for BOI Companies” issued by the Institute of Chartered Accountants of Sri Lanka, a Company enjoying a tax exemption period should recognize deferred tax in their financial statements for temporary differences, where reversals of such differences extend beyond the tax exemption period.

However, NMC has not recognized the deferred tax liability arising from taxable temporary differences where reversals of such differences extend beyond 1st April 2022 in the financial statements up to date.

The above error has now been corrected retrospectively in accordance with Sri Lanka Accounting Standard 8, "Accounting Policies, changes in Accounting Estimates and Errors". Accordingly, the amounts presented as at 1st April 2018 and 31st March 2019 are restated as follows:

Impact to the balances reported in the statement of financial position

Group	Impact of error correction		
	As previously reported	Adjustments	As restated
	Rs.	Rs.	Rs.
1st April 2018			
Retained earnings	1,967,659,949	(145,091,190)	1,822,568,759
Stated capital	1,207,388,876	-	1,207,388,876
Revaluation reserve	1,083,455,968	-	1,083,455,968
Total equity	4,258,504,793	(145,091,190)	4,113,413,603
Deferred tax liability	961,346,318	145,091,190	1,106,437,508
Other liabilities	12,064,465,712	-	12,064,465,712
Total Liabilities	13,025,812,030	145,091,190	13,170,903,220
	17,284,316,823	-	17,284,316,823

Group	Impact of error correction		
	As previously reported	Adjustments	As restated
	Rs.	Rs.	Rs.
31st March 2019			
Retained earnings	1,317,812,146	(166,993,535)	1,150,818,611
Stated capital	1,207,388,876	-	1,207,388,876
Revaluation reserve	1,083,455,968	-	1,083,455,968
Total equity	3,608,656,990	(166,993,535)	3,441,663,455
Deferred tax liability	1,050,981,698	166,993,535	1,217,975,233
Other liabilities	11,681,571,005	-	11,681,571,005
Total Liabilities	12,732,552,703	166,993,535	12,899,546,238
Total equity and liabilities	16,341,209,693	-	16,341,209,693

NOTES TO THE FINANCIAL STATEMENTS

46 COMPARATIVE AMOUNTS (Contd.)

46.1 Correction of prior period error : Recognition of deferred tax liability

Impact to the balances reported in the statement of profit or loss and other comprehensive income

Group	Impact of error correction			
	As previously reported Rs.	Impact of error correction Rs.	Reclassifications (Note 46.2) Rs.	As restated Rs.
For the year ended 31st March 2019				
Revenue	8,755,718,461	-	(221,451,012)	8,534,267,449
Cost of services	(4,365,301,954)	-	221,451,012	(4,143,850,942)
Other income	244,851,729	-	-	244,851,729
Staff costs	(1,707,541,111)	-	-	(1,707,541,111)
Administration expenses	(2,052,752,836)	-	-	(2,052,752,836)
Other operating expenses	(72,616,384)	-	4,156,285	(68,460,099)
Impairment of financial assets	-	-	(4,156,285)	(4,156,285)
Finance income	97,770,310	-	-	97,770,310
Finance costs	(1,288,741,793)	-	-	(1,288,741,793)
Loss before taxation	(388,613,578)	-	-	(388,613,578)
Income tax expense	(176,481,998)	(22,057,585)	-	(198,539,583)
Loss after tax	(565,095,576)	(22,057,585)	-	(587,153,161)
Total other comprehensive expense for the year	(14,276,947)	155,240	-	(14,121,707)
Total comprehensive expense for the year	(579,372,523)	(21,902,345)	-	(601,274,868)

Impact to the Statement of Cash Flows

The restatement does not result in a change in the Statement of Cash Flows presented previously.

Impact on the earnings per share

	As previously reported Rs.	Impact of error correction Rs.	As restated Rs.
For the year ended 31st March 2019			
Basic loss per share	(0.40)	(0.02)	(0.42)
Diluted loss per share	(0.40)	(0.02)	(0.42)

46.2. Reclassifications

a) Reclassification of trade discounts expenditure

The Group has a practice of allowing discounts to its patients at the time of bills are raised. These discounts have been previously classified as an expense under the cost of service. As these discounts are trade discounts in nature, the Group decided to net these from the revenue for the year and present the net revenue in the financial statements. In line with this, amounts reported previously have also been reclassified during the year ended 31st March 2020 as follows,

Group	For the year ended 31st March 2019		
	As previously reported	Reclassification	As restated
	Rs.	Rs.	Rs.
Revenue	8,755,718,461	(221,451,012)	8,534,267,449
Cost of Services	(4,365,301,954)	221,451,012	(4,143,850,942)
Gross Profit	4,390,416,507	-	4,390,416,507

Company	For the year ended 31st March 2019		
	As previously reported	Reclassification	As restated
	Rs.	Rs.	Rs.
Revenue	3,569,500,917	(98,053,155)	3,471,447,762
Cost of Services	(1,903,819,306)	98,053,155	(1,805,766,151)
Gross Profit	1,665,681,611	-	1,665,681,611

b). Reclassification of impairment of financial assets

The Group decided to present the provision for impairment as a separate line item in the statement of profit or loss and other comprehensive income as required by LKAS 1 "Presentation of financial statements" during the year ended 31st March 2020. In line with this, the comparative amounts reported during the year ended 31st March 2019 were also reclassified as follows,

Group	For the year ended 31st March 2019		
	As previously reported	Reclassification	As restated
	Rs.	Rs.	Rs.
Impairment of financial assets	-	4,156,285	4,156,285
Other operating expenses	72,616,384	(4,156,285)	68,460,099
	72,616,384	-	72,616,384

Company	For the year ended 31st March 2019		
	As previously reported	Reclassification	As restated
	Rs.	Rs.	Rs.
Impairment of financial assets	-	4,156,285	4,156,285
Other operating expenses	40,979,389	(4,156,285)	36,823,104
	40,979,389	-	40,979,389


The above reclassifications have not resulted in changes to the profit for the year and total comprehensive income reported previously during the year ended 31st March 2019.

NOTES TO THE FINANCIAL STATEMENTS

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.

A RECEPTIVE ENTITY



We're tuned in to the diverse needs of our stakeholders, receptive to change and focused on the rising demand for cutting-edge healthcare and consistent returns.

SUPPLEMENTARY INFORMATION

Investor Information
Ten Year Financial Summary
Quarterly Statistics
Corporate Information
Notice of Meeting
Form of Proxy

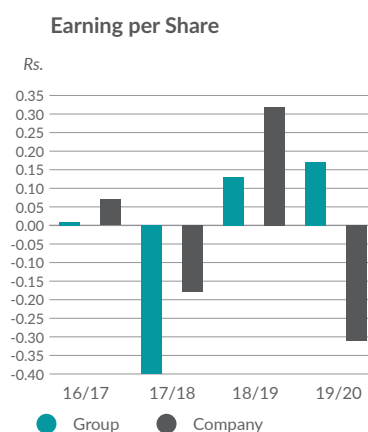
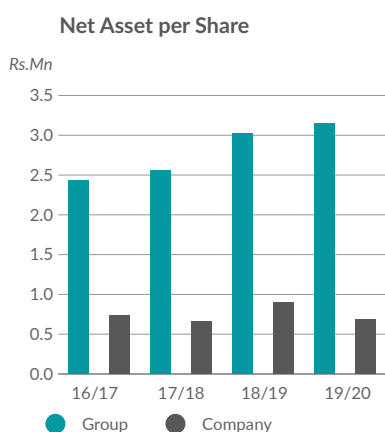
INVESTOR INFORMATION

We maintain a strong and positive relationship with our investors by engaging in constructive communication while maintaining transparency. This enables them to exercise their rights in an informed manner.

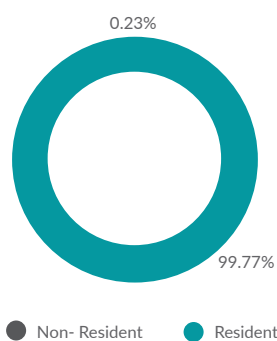
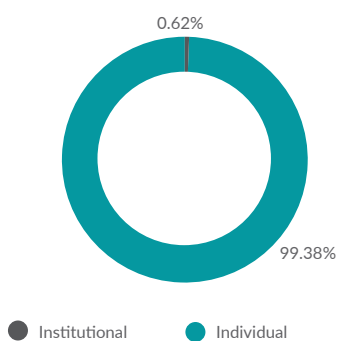
Market Activity

		2019/20	2018/19
Highest Price	Rs.	4.7	4.80
Lowest Price	Rs.	2.90	4.10
Closing Price	Rs.	2.90	4.0
No. of shares traded	No.	2,013,241	4,689,873
No. of transactions	No.	1,390	1,169
Turnover	Rs.Mn	7.8	20.92
Shares held by the public*	%	31.86	34.21
Market Capitalization	Rs.Mn	4,087.5	2,025.21

*All parties other than the Directors of Nawaloka, their spouses, Nawaloka Construction Co. (Pvt) Ltd. Mr. H K Dharmadasa/Seylan bank PLC and Victor R Ramanan and holders of more than 10% of total shares are considered the public.



Composition of Shareholders



Residential and Non-residential Shareholders

	As at 31.03.20			As at 31.03.19		
	No. of Shareholders	No. of Shares Held	%	No. of Shareholders	No. of Shares Held	%
Residential	6,468	1,409,240,360	99.77	6,422	1,407,558,808	99.86
Non-residential	15	265,236	0.23	13	1,946,788	0.14
Total	6,483	1,409,505,596	100	6,435	1,409,505,596	100

Institutional and Non-Institutional Shareholders

	As at 31.03.20			As at 31.03.19		
	No. of Shareholders	No. of Shares Held	%	No. of Shareholders	No. of Shares Held	%
Institutional	40	455,027,754	0.62	40	449,486,350	31.89
Non - Institutional	6,443	954,477,842	99.38	6,395	960,019,296	68.11
Total	6,483	1,409,505,596	100	6,435	1,409,505,596	100

Name of the Shareholder	No. of Shares	% Held
1 Dr H K J Dharmadasa	462,736,182	32.83%
2 Nawaloka Construction Company (Pvt) Ltd.	441,778,880	31.34%
3 Mr K D D Perera	389,676,904	27.65%
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%
7 Mr L Hettiarachchi	3,540,000	0.25%
8 Mr V R Ramanan	3,410,088	0.24%
9 Mr A G Dharmadasa	3,004,026	0.21%
10 Nawaloka Developments (Pvt) Ltd.	2,814,932	0.20%
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	1,205,000	0.09%
17 Mr V K L Sugumar	1,099,998	0.08%
18 Cocoshell Activated Carbon Co. Ltd.	922,398	0.07%
19 Dr S Salgado	799,998	0.06%
20 Mr K C Vignarajah	713,301	0.05%
Total held by top 20	1,338,759,599	94.98%
Balance	70,745,997	5.02%
Total No. of shares in issue	1,409,505,596	100.0%

INVESTOR INFORMATION

Shareholding by the Directors

Name of Director	No. of Shares Held As of 31.03.2020
Dr H K J Dharmadasa	462,736,182
Mr. U H Dharmadasa	3,360
Mr A G Dharmadasa	3,004,026
Ms A G Dharmadasa	5,066,686
Vidya Jyothi Prof. Lal Chandrasena	601,198
Deshabandu Tilak de Zoysa	218,000
Mr. Sunil Abeyratne	NIL
Mr. T K Bandaranayake	NIL
Mr V R Ramanan	3,410,088
Mr. Palitha Kumarasinghe	NIL
Dr. Chandima De Mel	NIL
Vida Jyothi Prof. Arjun De Sliva	NIL

QUARTERLY STATISTICS

	2019/20				2018/19			
	31-Mar 2020 Rs. '000	31-Dec 2019 Rs. '000	30-Sep 2019 Rs. '000	30-Jun 2019 Rs. '000	31-Mar 2019 Rs. '000	31-Dec 2018 Rs. '000	30-Sep 2018 Rs. '000	30-Jun 2018 Rs. '000
Balance Sheet Data								
Total non- current assets	14,196,416	13,975,271	13,870,320	14,097,099	13,920,651	14,085,358	14,051,121	14,088,543
Shareholder's Fund	3,509,317	3,651,600	3,571,902	3,529,891	3,907,912	4,184,997	4,184,406	4,254,682
For the three months ended								
Income Statement Data								
Revenue	2,085,367	2,400,725	2,228,228	2,011,634	2,222,960	2,179,681	2,215,694	2,109,460
Gross Profit	1,191,919	1,320,184	1,197,100	1,033,930	945,876	1,176,324	1,181,475	1,089,052
Net Profit/(Loss) before Tax	(239,524)	104,696	51,904	(72,658)	(317,273)	13,698	28,364	21,927
Market Price per Share (Rs.)	2.90	3.80	3.90	3.90	4.20	4.70	4.50	4.30
Ordinary Share Information								
Nominal value per share Rs. 1.00								
High	4.20	4.70	4.40	4.30	4.70	4.70	4.70	4.80
Low	2.90	3.80	3.80	3.60	4.10	4.30	4.10	4.30
Closing	2.90	3.80	3.90	3.90	4.20	4.70	4.50	4.30
Financial Measures								
Return on Shareholders' funds (%)	(6.08)	2.18	1.14	(2.20)	(7.63)	0.05	0.57	0.09
Net Assets per share (Rs.)	2.49	2.59	2.53	2.50	2.77	2.97	2.97	3.02

TEN YEAR FINANCIAL SUMMARY

Group	2019/20	2018/19	2017/18	2016/17
Income Statement Data				
Revenue	8,556,440,080	8,534,267,449	7,955,278,613	6,299,910,436
Cost of Services	(3,768,791,573)	(4,143,850,942)	(3,551,349,412)	(2,997,276,079)
Gross Profit	4,787,648,507	4,390,416,507	4,403,929,201	3,302,634,357
Other Operating Income	149,388,093	244,851,729	198,816,074	129,152,153
Profit from operations	1,192,695,994	802,357,905	1,174,203,124	728,625,298
Net profit after taxation	15,980,740	(587,153,161)	179,958,540	282,840,629
Balance Sheet Data				
Shareholders Fund	3,430,129,484	3,608,656,995	4,258,504,794	4,513,462,017
Financial Ratios				
Gross Profit Ratio(%)	55.95	51.44	55	52
Net Profit Ratio(%)	0.19	(6.88)	2	4
Increase in Revenue(%)	0	7	26	8
Return on Capital Employed(%)	0.47	(16.27)	4.23	5.43
Current Asset Ratio	0.40	0.45	0.53	0.83
Quick Asset Ratio	0.34	0.35	0.44	0.73
Return on assets (Rs)	0	(4)	1	2
Debt/Equity Ratio	2.00	2.13	1.61	1.37
Earnings/(Loss) per share (After Share split)	0.01	(0.42)	0.13	0.17
Net Assets Per Share (Rs) (After Share split)	2.43	2.56	3.02	3.15
Dividend per share (Rs)	0.05	0.05	0.10	0.08

Company

Income Statement Data				
Revenue	3,678,885,918	3,471,447,762	3,568,770,483	2,568,162,863
Cost of Services	(1,656,889,821)	(1,805,766,151)	(1,532,151,922)	(1,359,482,350)
Gross Profit	2,021,996,097	1,665,681,611	2,036,618,562	1,208,680,513
Other Operating Income	205,770,909	250,304,480	534,238,430	212,984,776
Profit from operations	(37,423,542)	(4,156,285)	993,606,987	19,979,747
Net profit after taxation	99,022,050	(251,631,403)	453,607,982	(373,558,926)
Balance Sheet Data				
Shareholders Fund	1,023,216,364	934,921,037	1,274,086,896	1,043,158,707
Financial Ratios				
Gross Profit Ratio(%)	54.96	47.98	57.07	47.06
Net Profit Ratio(%)	2.69	(7.25)	12.71	(17.00)
Increase in Revenue(%)	5.98	(2.73)	38.96	(9.35)
Return on Capital Employed(%)	9.68	(26.91)	35.60	(45.00)
Current Asset Ratio	1.08	1.23	1.11	1.30
Quick Asset Ratio	1.05	1.17	1.06	1.24
Return on assets (Rs)	0.91	(2.74)	4.30	(5.00)
Debt/Equity Ratio	3.53	4.46	2.93	4.80
Earnings/(Loss) per share (After Share split)	0.07	(0.18)	0.32	(0.31)
Net Assets Per Share (Rs) (After Share split)	0.73	0.66	0.90	0.69
Dividend per share (Rs)	0.05	0.05	0.10	0.08

2015/16	2014/15	2013/14	2012/13	2011/12	2010/11
5,860,218,161	4,602,433,640	3,993,473,302	4,222,907,733	3,710,878,442	3,233,035,096
(2,906,572,342)	(2,331,583,775)	(1,910,510,751)	(2,013,392,367)	(1,823,670,511)	(1,645,969,580)
2,953,645,819	2,270,849,865	2,082,962,551	2,209,515,366	1,887,207,931	1,587,065,516
94,495,240	65,199,571	64,194,796	44,047,999	30,210,657	38,603,398
637,208,825	352,342,610	475,165,536	599,414,193	459,028,530	324,001,074
206,034,228	87,470,836	208,953,909	452,260,028	270,686,563	1,070,722,130
3,994,897,962	3,887,681,839	3,902,955,947	3,756,665,160	3,170,442,180	2,970,230,897
50	49	52	52	51	49
4	2	5	11	7	33
27	15	-5	14	15	12
5.16	2.25	5	12	9	36
0.89	1.03	1.11	0.71	0.58	0.43
0.70	0.80	0.85	0.48	0.42	0.29
2	1	3	8	5	24
1.27	0.84	0.58	0.25	0.28	0.23
0.15	0.06	0.15	0.32	0.19	0.76
2.83	2.76	2.77	2.67	2.25	2.11
0.07	0.06	0.05	0.05	0.05	-

2,833,195,719	2,497,830,914	2,112,827,471	2,082,532,459	1,806,857,492	1,608,036,836
(1,490,055,615)	(1,229,903,547)	(957,537,962)	(988,218,793)	(876,040,195)	(767,116,507)
1,343,140,104	1,267,927,367	1,155,289,509	1,094,313,666	930,817,297	840,920,329
86,694,974	152,643,920	132,467,166	116,017,261	124,673,860	72,280,970
201,126,820	375,219,106	291,176,935	313,518,573	226,817,202	147,845,400
(127,565,499)	89,938,006	107,751,965	254,942,375	152,363,098	98,822,914
1,466,336,065	1,693,759,266	1,704,925,831	1,660,056,411	1,496,177,022	1,414,289,204
47.41	50.76	54.68	52.55	51.52	52.29
(4.50)	3.60	5.10	12.24	8.43	6.15
13.43	18.22	1.45	15.26	12.36	10.20
(8.70)	5.31	6.32	15.36	10.18	6.99
1.83	1.62	1.12	0.53	0.57	0.61
1.75	1.53	1.01	0.48	0.53	0.57
(1.60)	1.51	2.00	7.00	5.00	5.00
3.21	1.78	1.20	0.16	0.20	0.20
(0.09)	0.06	0.08	0.18	0.11	0.07
1.04	1.20	1.21	1.18	1.06	1.00
0.07	0.06	0.05	0.05	0.05	-

CORPORATE INFORMATION

NAME OF THE COMPANY

Nawaloka Hospitals PLC

COMPANY REGISTRATION NO.

PQ 78

REGISTERED OFFICE

No. 23, Deshamanya
H. K. Dharmadasa Mawatha,
Colombo 02, Sri Lanka.

Telephone

(+94 11) 2544444-56,
(+94 11) 2305051-79,
(+94 11) 5577111

Telefax

(+94 11) 2430393

E-mail/Website

nawaloka@slt.lk,
www.nawaloka.com

LEGAL FORM

Quoted Public Company with limited liability incorporated in Sri Lanka under the Companies Ordinance 1938 and re-registered under the Companies Act No. 07 of 2007.

BOARD OF DIRECTORS

1. Dr. H.K. Jayantha Dharmadasa
(Chairman and CEO)
2. Mr. U.H. Dharmadasa
(Deputy Chairman)
3. Vidya Jyothi Prof.
Lal G. Chandrasena
(Director/General Manager)
4. Deshabandu Tilak de Zoysa
5. Mr. Tissa Kumara Bandaranayake
6. Mr. A.G. Dharmadasa
7. Ms. A.G. Dharmadasa
8. Mr. Palitha Kumarasinghe P.C
9. Mr. Damian Sunil AbeyRatna
10. Mr. Victor Rajamanner Ramanan
11. Dr.W. Chandima Prasad De Mel
12. Vidya Jyothi Prof.
S.K.A. Arjun Priyadarsin De Silva

SECRETARIES TO THE COMPANY

M & A Company Secretaries
(Private) Limited,
No. 28 (Level 2),
W.A.D. Ramanayake Mawatha,
Colombo 02.

Auditors

KPMG
Chartered Accountants,
No. 32A, Sir Mohamed Macan Markar
Mawatha,
Colombo 03.

LAWYER(S)

Nithi Murugesu & Associates
Attorneys-at-Law & Notaries Public,
No. 28 (Level 2),
W.A.D. Ramanayake Mawatha,
Colombo 02.

BANKERS

Commercial Bank PLC
Hatton National Bank PLC
Nations Trust Bank PLC
Bank of Ceylon
Sampath Bank PLC
Seylan Bank PLC
People's Bank
DFCC Bank PLC

SUBSIDIARIES

New Nawaloka Hospitals (Pvt) Ltd.
New Nawaloka Medical Centre (Pvt) Ltd.
Nawaloka Medicare (Pvt) Ltd.
Nawaloka Green Cross Laboratories (Pvt) Ltd.

HOSTING ANNUAL GENERAL MEETING ON VIRTUAL/HYBRID PLATFORM

Due to the prevailing COVID 19 situation of the country, Nawaloka Hospitals PLC has also simultaneously arranged for the shareholders to join in the Annual General Meeting by virtual/hybrid platform.

Sufficient opportunities for shareholders will be given for the Shareholders to raise questions, concerns or make brief comments about each Agenda item/Resolution and also a reasonable time will be granted to present Shareholders proposals or questions/comments related to the Agenda items during the meeting. In the event a Shareholder is unable to use/access the technology, the shareholder may contact +94779603366 to raise their questions at the meeting.

The shareholders who are unable to attend the meeting in-person must pre-register prior to hosting the Virtual/hybrid Annual General Meeting by sending the duly filled and signed "Form A" (which is attached herewith) to the following address:-

M & A Company Secretaries
(Private) Limited,
No. 28 (Level 2),
W.A.D Ramanayake Mawatha,
Colombo. 00200.

In the alternative please email the "Form A" to malaw@nithimurugesu.com

Upon receiving duly filled and signed "Form A" from the shareholder who is unable to attend in-person, the username and password will be provided to him/her to log into the virtual/hybrid platform.

By order of the Board,

Sgd.

M & A Company Secretaries (Private)
Limited

20th November 2020

NOTICE OF MEETING

Notice is hereby given that the 31st 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 Wednesday the 16th day of December 2020 at 10.00 a.m. for the following purposes :-

AGENDA

1. To receive and consider the Report of the Board of Directors on the Affairs of the Company and the Financial Statements for the year ended 31st March 2020 together with the Report of Auditors thereon;
2. To resolve in terms of Section 211 of the Companies Act No. 7 of 2007 to appoint/re-appoint Dr. Hewa Komanage Jayantha Dharmadasa (who has attended the age of 72 years) and who retires at the end of the Annual General Meeting, as a Director, notwithstanding him having exceeded the age of 70 years and to declare that the age limit referred to in section 210 of the said Act, shall not apply to him.
3. To resolve in terms of Section 211 of the Companies Act No. 7 of 2007 to appoint/re-appoint Vidya Jyothi Professor Lal Chandrasena (who has attended the age of 74 years) and who retires at the end of the Annual General Meeting, as a Director, notwithstanding him having exceeded the age of 70 years and to declare that the age limit referred to in section 210 of the said Act, shall not apply to him and subject to his rotation;
4. To resolve in terms of Section 211 of the Companies Act No. 7 of 2007 to appoint/re-appoint Deshabandu Tilak De Zoysa (who has attended the age of 74 years) and who retires at the end of the Annual General Meeting, as a Director, notwithstanding him having exceeded the age of 70 years and to declare that the age limit referred to in section 210 of the said Act, shall not apply to him and subject to his rotation;
5. To resolve in terms of Section 211 of the Companies Act No. 7 of 2007 to appoint/re-appoint Mr. Tissa K. Bandaranayake (who has attended the age of 77 years) and who retires at the end of the Annual General Meeting, as a Director, notwithstanding him having exceeded the age of 70 years and to declare that the age limit referred to in section 210 of the said Act, shall not apply to him and subject to his rotation;
6. To resolve in terms of Section 211 of the Companies Act No. 7 of 2007 to appoint/re-appoint Mr. D. Sunil AbeyRatna (who has passed the age of 72 years) and who retires at the end of the Annual General Meeting, as a Director, notwithstanding him having exceeded the age of 70 years and to declare that the age limit referred to in section 210 of the said Act, shall not apply to him and subject to his rotation;
7. To re-elect Directors as follows: -
 - (a) Re-elect, as a Director, in terms of Article 74, Deshabandu Tilak De Zoysa who retires by rotation and offers himself for re-election;
 - (b) Re-elect, as a Director, in terms of Article 74, Mr. Tissa K. Bandaranayake who retires by rotation and offers himself for re-election;
 - (c) Re-elect, as a Director, in terms of Article 81, Dr. W. Chandima P. De Mel who retires by rotation and offers himself for re-election;
 - (d) Re-elect, as a Director, in terms of Article 81, Vidya Jyothi Professor S. K. A. Arjuna P. De Silva 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.

NOTE: To those shareholders who desire to participate at the Annual General Meeting via virtual platform are kindly requested to fill in a form that is attached to this notice

By Order of the Board,

Sgd.

M & A Company Secretaries (Private) Limited

20th November 2020

Notes

- (1) A Member is entitled to appoint a Proxy to attend and vote instead of himself/herself. A proxy need not be a Member of the Company. A Form of Proxy accompanies this notice.
- (2) The completed Form of Proxy must be deposited at the Registered Office, No. 23, Deshamanya H. K. Dharmadasa Mawatha, Colombo 02, Sri Lanka, not later than 10.00 a.m on 14th December 2020 (Forty Eight hours prior to the meeting).
- (3) A person representing a Corporation is required to carry a certified copy of the Resolution authorizing him/her to act as the Representative of the Corporation. A Representative need not be a Member.
- (4) A person representing a Shareholder as the Attorney (Power of Attorney) is required to carry the original or a certified copy of the said Power of Attorney.
- (5) The Transfer books of the Company will be kept open.
- (6) Please refer the leaflet on "Hosting Annual General Meeting on Virtual/Hybrid platform" dated 20th November 2020 to follow the instructions to join the meeting via virtual platform.
- (7) A Shareholder who is attending the meeting in person should adhere to all the guidelines and protocols issued by the respective Authorities and accordingly the Shareholder should wash his/her hands prior to entering the premises, wear a mask, maintain a One meter (1m) distance with each other. Further if a person's body temperature is above 37 degrees Celsius (37 C) or 98.4 Fahrenheit (98.4 F), he/she will not be admitted into the premises.
- (8) A Shareholder who resides in an area which is under lock-down or curfew imposed or is under self-quarantine or has a close contact with a Covid 19 patient, will not be admitted into the premises.

FORM OF PROXY

I/We
 (NIC/PP No.) of
 being a member/members of NAWALOKA HOSPITALS PLC hereby appoint:

Dr. H. K. J. Dharmadasa	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 him
Mr. D. Sunil AbeyRatna	or failing him
Mr. Palitha Kumarasinghe,PC	or failing him
Mr. Victor Rajamanner Ramanan	or failing him
Dr. W. Chandima P. De Mel	or failing him
Vidya Jyothi Professor S. K. A. Arjuna P. De Silva	or failing him

as *my/our Proxy to ** (NIC/PP 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 16th day of December 2020 at 10.00 a.m. at the Orchid Hall of the "BMICH" (Bandaranaike Memorial International Conference Hall) at Baudhdhaloka 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 31st March 2020, together with the Report of Auditors thereon;		
(ii) To resolve in terms of Section 211 of the Companies Act No. 7 of 2007 to appoint/re-appoint Dr. Hewa Komanage Jayantha Dharmadasa (who has attained the age of 72 years) and who retires at the end of the Annual General Meeting, as a Director, notwithstanding him having exceeded the age of 70 years and to declare that the age limit referred to in section 210 of the said Act, shall not apply to him;		
(iii) To resolve in terms of Section 211 of the Companies Act No. 7 of 2007 to appoint/re-appoint Vidya Jyothi Professor Lal Chandrasena (who has attained the age of 74 years) and who retires at the end of the Annual General Meeting, as a Director, notwithstanding him having exceeded the age of 70 years and to declare that the age limit referred to in section 210 of the said Act, shall not apply to him and subject to his rotation;		
(iv) To resolve in terms of Section 211 of the Companies Act No. 7 of 2007 to appoint/re-appoint Deshabandu Tilak De Zoysa (who has attained the age of 74 years) and who retires at the end of the Annual General Meeting, as a Director, notwithstanding him having exceeded the age of 70 years and to declare that the age limit referred to in section 210 of the said Act, shall not apply to him and subject to his rotation;		
(v) To resolve in terms of Section 211 of the Companies Act No. 7 of 2007 to appoint/re-appoint Mr. Tissa K. Bandaranayake (who has attained the age of 77 years) and who retires at the end of the Annual General Meeting, as a Director, notwithstanding him having exceeded the age of 70 years and to declare that the age limit referred to in section 210 of the said Act, shall not apply to him and subject to his rotation;		

FORM OF PROXY

	For	Against
(vi) To resolve in terms of Section 211 of the Companies Act No. 7 of 2007 to appoint/re-appoint Mr. D. Sunil AbeyRatna (who has attained the age of 72 years) and who retires at the end of the Annual General Meeting, as a Director, notwithstanding him having exceeded the age of 70 years and to declare that the age limit referred to in section 210 of the said Act, shall not apply to him and subject to his rotation;		
(vii) To re-elect Directors as follows:-		
(a) Re-elect, as a Director, in terms of Article 74, Deshabandu Tilak De Zoysa who retires by rotation and offers himself for re-election;		
(b) Re-elect, as a Director, in terms of Article 74, Mr. Tissa K. Bandaranayake who retires by rotation and offers himself for re-election;		
(c) Re-elect, as a Director, in terms of Article 81, Dr. W. Chandima P. De Mel who retires by rotation and offers himself for re-election;		
(d) Re-elect, as a Director, in terms of Article 81, Vidya Jyothi Professor S. K. A. Arjuna P. De Silva who retires by rotation and offers himself for re-election;		
(viii) To authorise the Board of Directors to determine and make donations to charities;		
(ix) To re-appoint Messrs KPMG (Chartered Accountants) as Auditors of the Company and authorise the Board of Directors to determine their remuneration; and		
(x) To transact any other business of which due Notice has been given.		

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

.....
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 -

- (1) 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
- (2) in the case of a corporation or company shall be either under its common seal or signed by its Attorney or by an Officer on behalf of the company.

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

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

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