

# THE LEGACY CONTINUES

Annual Report 2022/23



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# THE LEGACY CONTINUES

Nawaloka Hospitals PLC stands as Sri Lanka's pioneering private healthcare services provider, offering premium quality. Throughout our journey, we've continually enhanced our capabilities and expertise, striving to provide unparalleled primary, secondary, and tertiary healthcare to a diverse range of individuals. Our commitment remains steadfast in expanding and imparting our distinctive legacy of premium healthcare to all those pursuing optimal health, well-being, and an enhanced quality of life.

## ABOUT THE REPORT

This Annual Report meticulously encapsulates all pivotal facets of Nawaloka Hospitals' strategies and operations, presented in a succinct and all-encompassing manner. The report delves into the distinctive features of medical services, patient care, human resources, business collaborations, and financial aspects. Additionally, it outlines the strategies, business model, risk management, and governance protocols. The contextualisation of strategies and operations within the prevailing operating environment adds significant depth, especially considering the noteworthy developments in the reviewed year.

### > REPORTING PERIOD AND BOUNDARY

This report spans from 01 April 2022, to 31 March 2023, adhering to the customary annual reporting cycle of the Company. The preceding annual report encapsulated the timeframe from 01 April 2021, to 31 March 2022. Comprehensive in scope, the report encapsulates the endeavours of Nawaloka Hospitals PLC and its three subsidiaries—New Nawaloka Hospitals (Private) Ltd., New Nawaloka Medical Centre (Private) Ltd., Nawaloka Laboratories (Private) Limited and equity accounted investees – Nawaloka College of Higher studies (Private) Ltd. In crafting this report, our focus has been directed towards elucidating aspects that wield the most significant impact on the Company's operations.

### > COMPLIANCE

The Report is compliant with the following legislative and regulatory instruments:

- The Companies Act No. 07 of 2007 and the subsequent amendments
- The Listing Rules of the Colombo Stock Exchange (CSE)
- Recommendations and guidelines of the Sri Lanka Accounting Standards (SLAS) applicable for financial periods beginning on or after 01 January 2012.

### > THE PRECAUTIONARY PRINCIPLE

Nawaloka Hospitals PLC is conscientious of the potential negative impacts on society and the environment resulting from our actions. We adhere to precautionary principles, taking proactive measures to mitigate risks and seamlessly incorporating these considerations into our operational and planning activities.

### > FEEDBACK

We value your input on our Annual Report, as it empowers us to consistently enhance our comprehensive reporting. Kindly share your comments and suggestions with us at:

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### > 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 pages 73 to 76 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 process.

#### Financial Reporting

- Sri Lanka Financial Reporting Standards (SLFRS)
- Companies Act No. 07 of 2007
- Sri Lanka Accounting and 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 by CA Sri Lanka and SEC. 2017





## 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 Values

Nawaloka Hospitals PLC understands the ever-changing and pressing demands of the healthcare industry, transitioning from a reactive approach to a proactive service model over the years.

Amidst this evolving landscape, Nawaloka Hospital's medical and support teams have identified five key strategic domains to prioritise and dedicate their time and resources to.



## 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.

These areas encompass:



Strengthen Safety and Quality



Drive Innovation, Technology and Research



Enable Our People



Plan for a Sustainable Future



Achieve Financial Health

## Our Founding Ethos

“Arogya Parama Labha” or “Good Health is Supreme Wealth”.



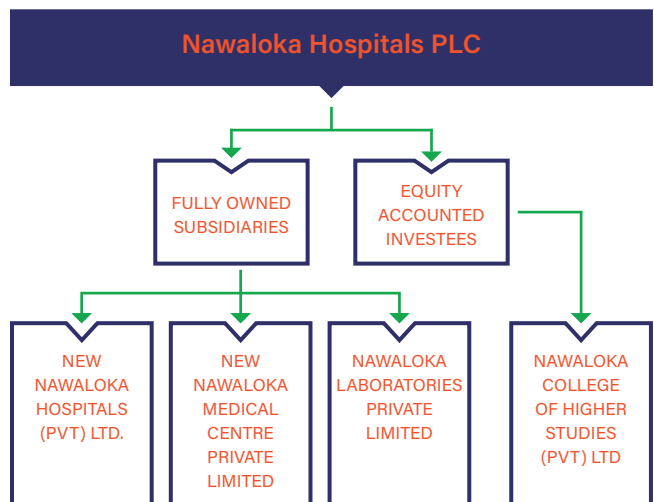
Nawaloka Hospital commenced its operations in 1985 with the aim of revolutionising private healthcare in Sri Lanka. Breaking new ground, we emerged as the country's inaugural private hospital to offer a comprehensive array of services catering to all healthcare requirements. In our nearly four-decade journey, we have consistently upgraded our facilities and equipment to align with cutting-edge advancements in the field of medicine. Pioneering moments in our history include the introduction of the CT scanner, MRI scanner, mammography unit featuring the flat-panel angiography system, and laser eye surgery.

In recent years, we encountered two significant challenges. The first was the global COVID-19 pandemic from 2020 to 2022. The second pertained to the economic, social, and political upheavals of 2022, directly impacting us due to our proximity to the political protests' epicenter. Nonetheless, we navigated through these adversities with resilience.

The healthcare landscape is dynamically evolving, with technology at its core. Staying abreast of technological breakthroughs in terms of equipment and services is essential. Equally important is the continuous retraining of our staff to adeptly utilise emerging technologies. Our unwavering commitment to safety and quality remains paramount. As a socially conscious entity, we strive to make

our services accessible while upholding the highest standards in healthcare. It brings us immense satisfaction to witness people from all walks of life in Sri Lanka benefitting from our healthcare services. Notably, Nawaloka Hospitals became a listed entity on the Colombo Stock Exchange in 2004.

> **GROUP STRUCTURE**

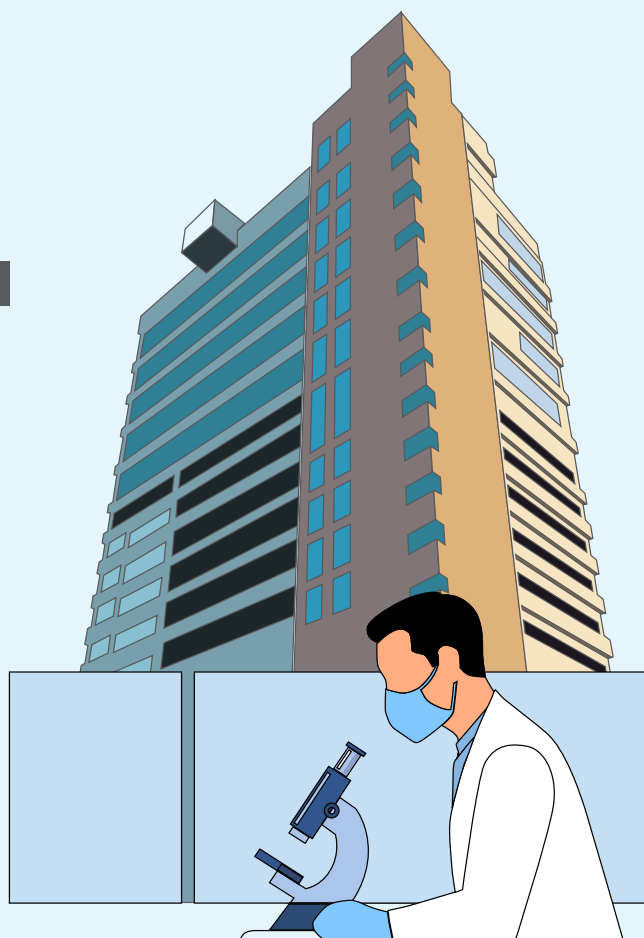


# PERFORMANCE

## 25,121

Patient admissions

	2022/23	2021/22
Patient admissions	25,121	22,406
Channel appointments	4,19,944	385,282
Number of surgeries	12,818	11,501
Number of consultants	704	800



## 2,301

Employees

	2022/23	2021/22
Number of employees	2,301	2,095
Male/female ratio	1.7	3.7
Training (Hours)	7,368	7,245



## Rs. 16,750 Mn.

Property, plant, and equipment

	2022/23	2021/22
Property, plant, and equipment (Rs. Mn.)	16,750	15,480
Laboratories	11	9
In house pharmacies	6	5

Employees with over 10 years experience

	2022/23	2021/22
	277	256

## CHAIRMAN'S MESSAGE



“

In our vision is to evolve and adapt to the changing healthcare landscape, continuously improving patient care while embracing innovative technologies and practices. As we move forward, we will remain steadfast in our commitment to providing the best healthcare solutions to our valued patients.

”

With a remarkable legacy of 39 years as a pioneer in Sri Lanka's healthcare sector, Nawaloka Hospitals PLC has stood as a reliable healthcare partner for several generations of Sri Lankans. We demonstrate our unwavering commitment by perpetuating our patient-centric approach and enhancing our wide-ranging selection of top-notch health and wellness services, catering to the well-being of both local and international patients. Nawaloka Hospitals is synonymous with excellence, compassion, and an enduring dedication to providing quality healthcare.

Equipped with state-of-the-art technology and affordable healthcare solutions of international standards, our services are driven by a passionate, professional team of the best consultants and healthcare staff. We continued to be fully committed to our vision of building a healthier, stronger Sri Lanka. Our strategic approach encompasses vital areas such as pricing, health insurance, strategic partnerships, regulatory compliance, and robust brand establishment. These pillars serve as the cornerstone of our ongoing efforts to elevate healthcare standards and build a resilient healthcare ecosystem.

### > NAVIGATING A CHALLENGING YEAR

In the year under review, Sri Lanka faced major economic, social, and political crises, including a dire foreign exchange situation that led to import curtailment, scarcity of medical supplies, fuel, gas, and disruptions in power supply and transport. The year brought about a perfect storm of spiralling inflation, soaring interest rates, and volatile exchange rates, affecting both businesses and ordinary citizens alike. This economic downturn marked the most severe recession Sri Lanka has experienced since its independence. Unfortunately, these challenges had a disproportionate impact on our operations, significantly affecting our financials.

The major hurdles we faced revolved around consolidating our finances amid the prevailing high-interest rates and escalating utility costs. Simultaneously, we had to fulfil significant commitments to banks that were established before the onset of the COVID era. To confront this situation head-on, we took decisive actions to curtail finance costs and streamline our expenses.

These constraints prompted us to implement various changes in systems and procedures, whilst ensuring maintenance of sufficient stocks to meet the needs of our patients. Our advantage in overcoming these challenges came from the strong relationships we have nurtured over 39 years with our suppliers and stakeholders, which made it possible to navigate through these trying times. Through adaptability, experience, and enduring partnerships, we have remained committed to our mission of providing top-quality healthcare services to our valued patients.

We also experienced a decline in both local and overseas patients, partly due to our proximity to the "protest site," which led to lockdowns and public unrest in the area. Moreover, the departure of a key Board member had a profound impact on our performance, particularly in the financial aspect, which directly affected our operations. In addition, we encountered another challenge as local patients opted to postpone non-essential procedures and check-ups due to financial constraints. This trend, stemming from economic considerations, further added to the complexities we faced during this period.

Technologically, we boast state of the art equipment that requires regular maintenance and updating, Unfortunately the Scarcity of foreign exchange during this time Severely hindered our ability to uphold and upgrade Our high- and-equipment, further Compounding the challenges faced during this period.

Since 2014, our organisation has been honored to consistently receive annual excellence awards for our annual reports. These accolades highlight our steadfast commitment to transparency, accountability and delivering value for our stakeholder. However, we recently faced a significant challenge when there was a sudden exodus of our key financial management team during this crucial economic period. The sudden turnover understandably created difficulties to the incoming finance team to coordinate properly with the auditors during this sensitive time. Recognising the gravity of this situation I swiftly took measures to assemble a crisis response task team who worked tirelessly to reconnect with the audit team and have the system back in operation. When faced with this situation we embarked on a recovery plan that was instrumental in overcoming the crisis and emerging stronger. Our multifaceted strategies spanned comprehensive market analysis to cost-effective execution. Hallmarks included agility, innovation and steadfast care for our people. This approach shielded us from economic uncertainties and disruptions also positioning us for sustainable growth.

It's important to note that conventional business research often assumes a predetermined outcome after adversity. However, our journey disproves such assumptions. Instead, we defined a new trajectory through insightful recovery planning and collection perseverance. As we stand at the threshold of a future filled with unprecedented opportunities, I deeply thank each team member for their resilience and dedication. Together, we have proven that our organisation not only survives challenges, but thrives in the face of adversity. Our people are the heart that energises and sustains our shared vision. Through their efforts, we transform obstacles into open doors. Thank you for your unwavering support. I look forward to our continued success and the promising prospects ahead. Though the way may not always be smooth and clear our culture and capabilities will propel us ever forward.

## > SERVING OUR PATIENTS

We remained committed to providing excellent healthcare services and supporting the community during these trying times.

Despite the challenges, our regular operations began to rebound, and we made a notable financial contribution by conducting COVID-19 testing, particularly for travel purposes. Throughout 2021, we emerged as a leading provider of COVID-19 investigations, processing over 2000 PCR samples daily.

During the pandemic, we also established a strong reputation for indoor COVID care, offering top-notch facilities such as ICU and operating theatres. Additionally, we introduced intermediate-care facilities in hotels to accommodate patients who did not require hospitalisation.

Embracing technology, video consulting became a popular and convenient way for patients to connect with doctors across all specialties. Understanding the public's hesitancy to visit hospitals in the immediate post-COVID period, we took proactive steps to reach out to the community. To enhance accessibility, we introduced various approaches, including mobile lab services and mobile investigations. Moreover, we introduced user-friendly apps that enabled patients to obtain their healthcare requirements from the comfort of their homes.

Although the restrictions on foreign exchange hindered our ability to invest in new technologies, we found ourselves in a favourable position as we had already established a range of cutting-edge technologies, giving us a competitive edge during this time. One notable example is our state-of-the-art Operating Theatre facilities.

With foreign travel for medical purposes restricted due to the lack of foreign exchange, we seized the opportunity to serve a substantial clientele seeking high-end investigations such as CT scans, MRI scans, Lasik surgeries, and curative procedures. The presence of 12 modern theatres further enhanced our ability to provide these services efficiently and effectively, benefitting both our patients and the medical professionals involved.

## > STRENGTHENING GOVERNANCE

We maintain a well-defined governance structure that is dedicated to upholding the utmost clinical standards and safeguarding the welfare of our patients. Our controls and procedures are aligned with the highest global benchmarks, ensuring exceptional quality of care. Within this governance framework, we attend to every facet of clinical excellence, encompassing education, training, clinical effectiveness, patient and public engagement, human resources, and risk management.

As a testament to our dedication to quality, we have earned the prestigious JCI-accreditation and ISO certification, consolidating and solidifying our position as a reputable and reliable healthcare institution. Our primary responsibility lies in providing top-tier healthcare services, and to ensure that we consistently meet gold standards. We rigorously adhere to the exacting regulations set forth by esteemed bodies such as the Ministry of Health (MOH), Private Health Services Regulatory Council (PHSRC), and other regulatory authorities.

> **A LOOK TO THE FUTURE**

Moving forward, global populations have learned valuable lessons from the pandemic and will be more vigilant about the environment and take precautions to prevent future diseases. As a result, our focus will be on addressing the challenges of preventive healthcare and investigations.

Communicable diseases like SARS, COVID, and Zika are expected to continue to emerge with variations in the future. Additionally, due to various environmental factors, food habits, and lifestyles, cancer will remain a significant hurdle to tackle. As a response, comprehensive oncology care will be a top priority for our hospital, along with the development of investigative facilities in this fast-growing area.

Moreover, the trend for advanced surgeries like bone marrow transplants, kidney transplants, liver transplants, and heart transplants demands our close attention. We are dedicated to providing specialised care in these areas.

With the advancement of new technology, hospital stays are expected to be significantly reduced. As a result, there will be less demand for traditional rooms and an increased focus on delivering better and more comfortable advanced care during shorter durations.

As a JCI accredited hospital, we are committed to achieving a 100% paperless institution. To achieve this, we are embracing information technology and artificial intelligence (AI) to streamline hospital operations. Advanced projects are underway to enhance areas such as human resources management, laboratory reporting, and radiology reporting, among others.

Our vision is to evolve and adapt to the changing healthcare landscape, continuously improving patient care while embracing innovative technologies and practices. As we move forward, we will remain steadfast in our commitment to providing the best healthcare solutions to our valued patients.

> **APPRECIATION**

In closing, I express my heartfelt gratitude to the entire Nawaloka team, especially our dedicated medical personnel, for their unwavering resilience and commitment during this challenging year. Despite the challenges, they have continued to provide excellent healthcare services to our valued patients with exceptional professionalism and dedication.

The steadfast support and valuable guidance from our esteemed Board members have been instrumental in navigating the hospital through these tough times. Their insights and leadership are highly appreciated.

I extend my sincere thanks to all our stakeholders for their unwavering support throughout the year. Their collaboration has been crucial in enabling us to uphold our services without interruption, even in the face of challenges.

To our esteemed patients, I am immensely grateful for your unwavering trust in Nawaloka Hospitals as your preferred healthcare provider during this year. Your faith and confidence motivate us to strive for excellence in all that we do.

Together, as a team, we remain united and committed to our mission of providing high-quality healthcare services for the well-being of all.



**Dr Jayantha Dharmadasa**  
Chairman/Chief Executive Officer

22 January 2024

## DIRECTOR/GENERAL MANAGER'S REVIEW

“

We have optimised our operations and elevated the patient experience, we embraced technology and digitalisation. This involved embracing innovative solutions to offer our patients safer, more precise, and highly effective treatments and implementing digital systems to enhance convenience and patient experience.

”



The macroeconomic hardships in Sri Lanka had a severe impact on the healthcare industry in FY 2022/23, and Nawaloka Hospitals was not immune to these difficulties. However, despite trying circumstances, we were able to overcome the challenges through the valuable experience and resilience as a pioneering private healthcare provider we were endowed with.

Throughout this turbulent period, our unwavering commitment to patient care remained the core of our existence. Every individual who entrusted their health with us received personalised attention and the highest quality of care.

### > **OVERCOMING OBSTACLES WITH A PATIENT-CENTRED APPROACH**

The crisis posed considerable obstacles on our Organisation, given the sovereign default, currency depreciation, foreign exchange scarcity, and soaring inflation. Nevertheless, we remained firm in our dedication to fostering a patient-centred approach. We grant our patients easy access to medical information and services and offer unparalleled support throughout their medical journey. By prioritising our patient's needs and well-being, we aim to build confidence and trust in our hospital, fostering a positive and reassuring experience for all of our staff.

As the fuel crisis severely impacted transportation services, one of the main challenges was ensuring our staff's smooth commute to work. We took the initiative to provide contractual transport facilities for our employees from various destinations and also provided accommodation to ensure uninterrupted services to our patients.

Due to the foreign exchange crisis in Sri Lanka, maintaining our high-end medical technologies presented considerable challenges with shortage of vital spares and service contracts for our advanced equipment to be paid in foreign currency. Nevertheless, we persisted in our efforts to keep our technologies operational and our services up-to-date, ensuring the continuance of high-quality care to our patients

The migration of our staff presented a significant challenge due to factors such as the economic crisis and the high global post covid demand for medical professionals many healthcare staff sought opportunities as caregivers abroad, aiming to advance their careers and consequently, this led to a notable movement of staff between private healthcare hospitals in the local market to fill the vacancies this created. Despite this challenge, we remained resilient in our efforts to maintain a skilled and dedicated workforce, ensuring the continuity of exceptional healthcare services for our patients.

The National Vocational Qualifications (NVQ) level 6 and level 4 gained significant global recognition as a vocational qualification for nursing and caregivers and opened up new horizons for skilled healthcare workers, enabling them to explore diverse and rewarding job opportunities abroad.

We are proud to announce the successful upgrading of our Vocational Training Institute, which now offers comprehensive nursing caregiver and biomedical courses that have been commercialised to accommodate up to 100 trainers at a time. The nurses undergo a rigorous 3-year training programme that equips them with the necessary skills and knowledge to excel in their profession with NVQ 6 Diploma which is internationally accepted.

### > **TRANSITIONING TO A PAPERLESS ENVIRONMENT**

We have made a significant stride in transforming to the paperless environment. Digitalisation of hospital records such as patients' treatments records, investigations such as laboratory, radiology with the hospital information system has greatly improved efficiency of our operations.

This transformation has not only reduced the dependency on paper base processes but also accessibility to records by unique patient identification number.

This has made the patient information more secure, versatile and easily accessible amongst healthcare professionals resulting in better patient care.

### > **INVESTING IN TECHNOLOGY**

Nawaloka Hospitals PLC has pioneered investing in new technology in the healthcare sector.

This involved embracing innovative solutions to offer our patients safer, more precise, and highly effective treatments and implementing digital systems to enhance convenience and patient experience. Accordingly, we implemented electronic health records, launched telemedicine services, and offered online appointments and service reservations.

During the year, we introduced the Rotational Angiography system enabling comprehensive 3D imaging of complex vasculature and coronary structure across the body with capabilities for reconstructing 3D images of the brain and peripheral vessels. Additionally, the system includes image harmonisation technology to enhance patient safety and image quality by minimising over-radiation and improving accuracy in diagnosis and treatment planning. These features enabled our facility to deliver high-quality care and precision in interventional radiology procedures.

The launch of our Online Pharmacy Service was a significant step towards improving healthcare accessibility and convenience. The patients no longer need to wait in queues at the hospital and can avail themselves of this service from the comfort of their homes.

To bring healthcare closer to homes, we launched ground breaking product "Lab test online" with an array of convenient features. This APP allows patients to upload their prescriptions and to pay online and have their samples collected at home by our skilled laboratory staff. The reports are easily accessible on email or WhatsApp and gained considerable popularity during the pandemic and still continue to do so.

Online radiology services such as MRI, CT gained popularity as patients were able to conveniently book appointments through the hospital website by uploading their prescriptions, making payments to appointment to their convenience and paying online.

We have also introduced "no waiting in line" concept where patients can pay online at any payment point for any service that they have obtained anywhere in the hospital.

Unique feature of our digital imaging services PACs (Picture Archiving and Communication System) is Patients reports are uploaded into the system where radiologists access the reports remotely cutting down the turnaround time and releasing the report online and also in electronic format for physicians' access.

This is an overall new experience for the patients during the pandemic time and continues to gain popularity.

### > **REVALUATION**

#### **Revaluation of Group Buildings in the Face of Rising Construction Costs**

In our pursuit of transparent and accurate financial reporting, we are pleased to share insights into a critical development impacting our Group's financial landscape. The buildings constructed on leasehold lands have undergone a comprehensive revaluation by Mr. G.W.G. Abeygunawardene FRICS, a distinguished Chartered Valuer. The effective date for this valuation was 31 March 2023.

#### **Market Dynamics and Construction Costs Surge**

The driving force behind the upward adjustment in the group building valuation is a notable surge in construction costs. Over the past year, construction expenses experienced an unprecedented increase of nearly 50%. This surge is attributed to various factors that have significantly impacted the industry and profit margins.

#### **Price Fluctuations in Building Materials**

A substantial contributor to the heightened construction costs is the significant price fluctuations in key building materials, such as cement and steel, over the preceding two years. The unpredictable nature of these fluctuations has created challenges for the construction industry, prompting a reevaluation of asset values to accurately reflect the current market realities.

### Insights from Industry Leadership

Maj. Eng. Ranjith Gunathilake, President of the Chamber of Construction Industry of Sri Lanka (CCI), recently conveyed his observations to The Morning Newspaper. According to Maj. Eng. Gunathilake, the increase in construction costs over the previous two years surpasses 50%. Building supplies, including critical components like cement and steel, have witnessed price hikes ranging from 20% to 65% or more. This collective impact has resulted in an overall increase of more than 50% in construction costs, creating a challenging environment for industry stakeholders.

### Escalation in Labor Costs

Adding to the complexity of the situation is the noteworthy rise in labor costs, exceeding 20% during the same period. This factor has further exacerbated the challenges faced by the construction industry, contributing to an overall increase in project expenses.

### A Forward-Looking Approach

In response to these market dynamics, our Group proactively engaged Mr. Abeygunawardene for a comprehensive revaluation. The aim is to ensure our financial statements accurately reflect the fair value of our assets amid evolving economic conditions. The outcome of this exercise is reflected in the increased group building valuation, aligning our reporting with the current economic landscape.

### Conclusion

As we navigate these challenges, we remain committed to transparent communication and proactive financial management. The revaluation underscores our dedication to providing stakeholders with a clear understanding of our financial position. We appreciate your continued support and are available for any further inquiries or clarifications.

### > EXPANDING OUR SERVICES

Nawaloka Heart Center is the most accredited and specialised centre that pioneered modern cardiac surgery in the country, with state-of-the-art surgery techniques and advanced diagnostic facilities, we provide exceptional cardiac care. Our comprehensive services include 3D cardiac echocardiography, a 640-slice CT scanner with cardiac angiogram capability, Cardiac MRI, and two modern Cath labs, supported by over 40 cardiologists, including experienced resident cardiologists, and a team of skilled surgeons, we are committed to advance cardiac surgical, procedures, diagnostics, and rehabilitation.

Furthermore, we are strategically focusing on growth in the surgical field, particularly in orthopaedic, urology and general surgeries. For the purpose, we have established a comprehensive "Surgical Hub," a concept designed to offer complete solutions for surgery patients. From initial diagnostic services to post-surgery rehabilitation, the centre provides patients comprehensive support. With the highest number of theatre facilities among private sector hospitals and a strong team of visiting surgeons across various specialties, we are well-positioned to achieve planned revenue growth and deliver exceptional surgical care.

We are anticipating significant revenue growth through the expansion of our laboratory services. Currently, we have a well-established reference laboratory and a network of island-wide laboratory and collection centres. In the past financial year, our presence expanded to five new regions, incorporating seven additional laboratories, and fifteen company-owned collection centres. As part of our future vision, we plan to extend our services to seven more districts within the next 2-3 years, resulting in a total of 20 regional laboratories and fifty company collection centres, effectively covering most of the island. This strategic expansion will not only strengthen our revenue but also enhance accessibility to quality diagnostic services for a broader population.

The Nawaloka Hospital Research Education Foundation is dedicated to fostering research innovation and advancement in the field of medicine and to encourage new research and support the pursuit of knowledge among medical fraternity. The institute also provides grants to medical scientists to pursue research.

Over the past decade, our Bone Marrow Transplant Unit has made significant advances in providing life-saving treatments to patients. As we look towards the future advances, we aim to expand our services to include Liver and Heart Transplants. These expansions represent a significant step forward in the field of transplant medicine. Our vision is not only to provide world-class transplantation services but also to create the acceptance of trust among the community. By showcasing our success and expertise in transplant procedures, we aim to build confidence in the capabilities of our healthcare professionals and facilities across the region.

### > APPRECIATION

In conclusion, I wish to extend my deep appreciation to our healthcare professionals, whose tireless efforts have truly made Nawaloka Hospital the preferred choice for healthcare. I am also grateful to the Chairman/CEO, the Deputy Chairman and other members of the Board of Directors for their guidance and counsel in navigating the unprecedented challenges.

In addition, I extend my heartfelt gratitude to our valued customers, esteemed consultants, dedicated medical staff, business partners, and all other stakeholders for their unwavering support and trust in Nawaloka Hospital. Your continued belief in our mission motivates us to strive for excellence in our operations.

Together, we have navigated a tough year, and I am confident that with our collective efforts, we will continue to set new standards in the healthcare industry. As we move forward, our commitment to delivering exceptional healthcare remains resolute, and we eagerly anticipate the opportunities that lie ahead in serving and supporting our community. Thank you for being an integral part of our journey towards better health and well-being for all.



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

22 January 2024

## 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 44 years of experience in Executive Management of which 38 years are in the healthcare industry. He is also the chairman of the company. He is a Fellow Member of the Institute of Certified Professional Managers (FCPM). He is the Chairman of Nawaloka Hospitals PLC, Nawaloka Construction Company (Pvt) Ltd, Nawaloka Holdings (Pvt) Ltd, Nawaloka Aviation (Pvt) Ltd, Nawaloka Laboratories (Pvt) Ltd, Nawaloka College of Higher Studies (Pvt) Ltd, Nawaloka Steel Industries (Pvt) Ltd, Nawaloka Guardian International (Pvt) Ltd, New Nawaloka Hospitals (Pvt) Ltd and New Nawaloka Medical Center (Pvt) Ltd.

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



> **MR ANISHA DHARMADASA**  
Deputy Chairman, Executive Director

Mr Anisha Dharmadasa has been a Director of the Company since 2000. He has 26 years of experience in Executive Management.

Mr Dharmadasa is the Deputy Chairman of Nawaloka Hospitals PLC and Nawaloka Construction Company (Pvt) Ltd and a Director of Nawaloka Medical Centre (Pvt) Ltd, New Nawaloka Hospitals (Pvt) Ltd, New Nawaloka Medical Center (Pvt) Ltd, Nawaloka Holdings (Pvt) Ltd, New Ashford International (Pvt) Ltd, Nawaloka Engineering (Pvt) Ltd, Nawaloka Petroleum (Pvt) Ltd, Nawaloka Guardian International (Pvt) Ltd, Quincy (Pvt) Ltd, Sasiri Polysacks (Pvt) Ltd, Nawaloka Laboratories (Pvt) Ltd, Nawaloka Graphic (Pvt) Ltd, Nawaloka ACG Aluminum Company (Pvt) Ltd, NCC Plantations (Pvt) Ltd, Nawata Group (Pvt) Ltd, Nawata Reliable Motors (Pvt) Ltd, Nawata Restaurant (Pvt) Ltd, Supreme Flora (Pvt) Ltd, NCC Edifice (Pvt) Ltd, M Branch (Pvt) Ltd and Nawaloka Institute of Healthcare (Pvt) Ltd. Mr Dharmadasa is also the Chairman of Sikure Security Service (Pvt) Ltd and Nixon Distribution Service (Pvt) Ltd.



> **VIDYA JYOTHI EMERITUS 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 38 years experience in Hospital and Healthcare Administration and Laboratory Sciences.

He is the Emeritus Professor of Biochemistry and Clinical Chemistry, Faculty of Medicine, University of Kelaniya, Professor Chandrasena has a Doctorate in Philosophy from 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 American Association for Clinical Chemistry, Fellow of the Institute of Chemistry, Ceylon and a Chartered Chemist, Fellow of Royal Society of Chemistry, FRS (UK) and a Fellow of the National Academy of Sciences of Sri Lanka (FNASSL). 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 PLC, Nawaloka Hospitals International (Pvt) Ltd, Nawaloka College of Higher Studies (Pvt) Ltd, Nawaloka Guardian International (Pvt) Ltd, Nawaloka Hospitals Research and Education Foundation, Nawaloka Laboratories (Pvt) Ltd and New Nawaloka Hospitals (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 and a Past President of the Association of Private Hospitals and Nursing Homes. 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, Mr 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, and was the Recipient of the LMD Lifetime Achievers' Award 2017.

Mr Tilak de Zoysa is the Chairman of 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 and HelpAge Sri Lanka.

He is also the Vice Chairman of CEAT Kelani Holdings (Pvt) Ltd., and serves on the Boards of other several listed and private Companies, which include TAL Lanka Hotels PLC (Taj), TAL Hotels and Resorts Ltd., Nawaloka Hospitals PLC, Associated Electrical Corporation Ltd., INOAC Polymer Lanka (Pvt) Ltd., Cinnovation INC., Varun Beverages Lanka (Pvt) Ltd. (Pepsi), and is a member of the Kalutara Bodhi Trust, and immediate Past President of Sasakawa Memorial, Sri Lanka Japan Cultural Center Trust.

Mr Tilak de Zoysa was the past Chairman of the Supervisory Board (AMW) and Advisor to the Al-Futtaim Group of Companies in Sri Lanka, and the past Chairman of the Ceylon Chamber of Commerce, the National Chamber of Commerce of Sri Lanka, HelpAge International (UK), Colombo YMBAA 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 47 years of commercial and professional experience. He was with Ernst & Young, Sri Lanka for 27 years until retirement as the Senior Audit 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, Harischandra Mills PLC, Renuka Holdings PLC, Overseas Realty (Ceylon) PLC and Micro Holdings (Private) Limited (until May 2023). 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 a Past President of the practicing Chartered Accountants' Forum. He is also a Past President of National Stroke Association of Sri Lanka, He was a member of the Rotary International Finance Committee from 2013 to 2016. He served as the Rotary District Governor for Sri Lanka in 1999-2000. He served as the Founder/Chairman of the Quality Assurance Board of Sri Lanka established by the Institute of Chartered Accountants of Sri Lanka.



> **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 48 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 based in 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.



> **MS ASHANI GIVANTHI DHARMADASA**  
Executive Directress

Ms Givanthi Dharmadasa has been a Directress of the Company since 2003 and has 23 years of experience in Executive Management.

She is also a Directress of Nawaloka Holdings (Pvt) Ltd, Nawaloka Air Services (Pvt) Ltd, Nawaloka Aviation (Pvt) Ltd, Nawaloka Construction (Pvt) Ltd, Redline Services (Pvt) Ltd, Redline Design & Printing (Pvt) Ltd, Redline International (Pvt) Ltd, Nawaloka 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, and Nawaloka Institute of Healthcare (Pvt) Ltd.

Ms Dharmadasa is also the Deputy Chairperson of Redline Capital (Pvt) Ltd and the Managing Partner of Redline Agriculture.



> **MR VICTOR R RAMANAN**  
Non-Executive Director

Mr Victor Ramanan is a Sri Lankan born British National residing in London. Being educated in Sri Lanka and UK. Mr 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 32 years of hands on experience working in many countries including United Kingdom, Kuwait, Dubai, Bahrain, Germany, France, USA and Sri Lanka. He has worked in areas such as IT, HR, Marketing and Business Development of which more than 17 years has been in the fields of Oil, Gas, Logistics and Real Estate sectors.

Presently holds positions as a Chairman, Deputy Chairman & Director in the under mentioned companies.

- Nation Lanka Finance PLC – Chairman
- Nawaloka College of Higher Studies (Pvt) Ltd (NCHS) – Deputy Chairman
- Millennium Housing Developers PLC – Deputy Chairman
- Nawaloka Hospitals PLC - Director



> **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 the Faculty of Medicine, University of Kelaniya. He was educated at S. Thomas' College, Mount Lavinia and obtained Bachelor of Medicine and Bachelor of Surgery degree from North Colombo Medical College. Holds 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 and 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 the Board of Study in Gastroenterology, Secretary of the Gastroenterology and Digestive Endoscopy Society of Sri Lanka. He is currently a board member of the Post Graduate Institute of Medicine, Colombo and Associate Editor World Journal of Gastroenterology. He was Director General of Sports Medicine. Professor 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 of Sri Lankan Airlines Limited. He was a Commission member of the National Science and Technology Commission. He has been a Council Member of the National Institute of Education and 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 University of Colombo. Also he was graduated MRCP & MPHIL at London University in 1989. Dr De Mel was a member of Bank of Ceylon Board and the former Chairman of Sri Lanka Foundation as well. Presently being a Consultant Physician with more than 32 years of experience in the industry.



> **DR MAIYA GUNASEKERA**  
Non-Executive Director

Dr Maiya Gunasekera completed his education at Royal College, Colombo 7 and passed out from the Colombo Medical College with Honours in 1976. He is further qualified in MS, FRCS (Eng), FRCS (Ed), FICS, FMAS, FIAGES and is also a Fellow of College of Surgeons of Sri Lanka.

At present he practices as a Consultant Surgeon at the Nawaloka Hospital. He is a Consultant Surgeon in General Surgery, Laparoscopic Surgery, Gastroenterology Surgery and Endoscopy.

He was awarded School Colours in Rugby Football and Basketball for Royal College. He represented Sri Lanka in Rugby Football at the 3rd and 4th Asian Games in 1972 and 1974 and at the Hong Kong Sevens Tournament in 1996 and 1997. In 1974 he was awarded the "Lesley Handunge Trophy" for the Most Outstanding Sportsman of the Universities of Peradeniya and Colombo combined. He is a member of the National sports council and a member of the National sports selection committee and life member of the CR and FC Rugby Club.

He was also the National Rugby Coach from 1993 to 1994 for Hong Kong Sevens Rugby. From 1995 to 1997 he was the Manager of the National Rugby Team and President of Sri Lanka Rugby Football Union from 1998 to 1999. He was Chef de Mission Commonwealth Games in Malaysia in 1998. Further, he was the Chief National Rugby Selector from 2001 to 2004. He was Chairman of the National Sports Council from 2005 to 2012. He was a member of the Public Service Commission from 2014 to 2015.

He serves as Surgeon to the SLRFU from 1984 to date and is also a life member of SLRFU and WPRFU. He is a member of the National Sports Selection Committee and a member of the Appeal Board of National Sports Council.

## SENIOR MANAGEMENT TEAM



**Sitting order Left to Right:** Mr Tissa Perera, Mrs S Jayasinghe, Mr M D Ariyawansa

**Standing Order Left to Right:** Mr Indika Balasuriya, Mrs Samantha Dhammi Hewawasam, Mr K S B Ekanayakae, Mr H M A Bandara, Mr Gayan Jayarathne, Mr M T V DE Silva, Ms Rasika Tilakarathne, Mr Kanishka Warusavitarana, Mr Sampath Tennakoon, Mr Uvindu Ekanayake, Ms Arosha Koggalawellala, Mr Lakmal Sooriyapperuma

### DR TISSA PERERA

#### Medical Superintendent

Dr Tissa Indrasiri Perera graduated with MBBS from Faculty of Medicine, University of Colombo, Sri Lanka in 1984. He holds an 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. He was employed by the Ministry of Health in Sri Lanka from year 1984 to 2017 and has more than 27 years' experience as a Medical and Healthcare Administrator in the public sector and over 6 years in the private sector. He has been trained in Switzerland, Germany, Australia, Singapore, Thailand, Vietnam, Taiwan and India in Medical Administration and Clinical Management.

### MRS S JAYASINGHE

#### Chief Nursing Officer

Having joined Nawaloka Hospital as a Staff Nurse in 1986, Mrs Jayasinghe was appointed as the Chief Nursing Officer in 2020. She was able to obtain the Certificate of Competency in Nursing from the National Apprentice and Industrial Training authority (NAITA) and also attended the program on the Japanese system of medicine, healthcare of Japanese patients and Japanese Culture at the Japan Overseas Health Administration Center (JOHAC) and Yokohama Rosai Hospital organised by the Japan Labor Welfare Corporation.

Mrs Jayasinghe played a key role in setting up the Pediatric Ward of Nawaloka Hospital PLC.

She counts over 42 years of experience in Nursing. Prior to joining Nawaloka Hospital, Mrs Jayasinghe obtained her training as a nurse at Lumbini Maternity Home, Matara and at the Grandpass Maternity Nursing Home and also served as a Nursing Officer at the Zachry-Dillingham, a Joint Venture.

### 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 public relations functions of the strategic business units. He has 37 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 followed the NIBM Diploma in IT and completed the BCS Diploma in IT too. He has over 24 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 in Year 2018, 2019 and 2020 consecutively by Dynamic CIO – India. He joined Nawaloka Hospitals in 2008.

**MRS SAMANTHA DHAMMI HEWAWASAM****Laboratory Manager**

Mrs Samantha Dhammi Hewawasam has over three decades of experience in the medical laboratory industry. In 1991, she started working as a Medical Laboratory Technologist for Nawaloka Hospital PLC. In 2008, she advanced through the ranks to become a Supra Grade I Medical Laboratory Technologist at Nawaloka Hospitals PLC. Since 2017, she has served as the Manager of Laboratory Services at Nawaloka Hospital PLC.

She completed her initial professional studies, the Diploma in Laboratory Technology in Chemistry Programme, at the College of Chemical Sciences-Institute of Chemistry of Ceylon in 1993, and has been registered with the Sri Lanka Medical Council (SLMC) since 2009.

**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 17 years as an electrical engineer. He joined Nawaloka Hospitals in 2016 as an Electrical and Mechanical Engineer.

**MR H M A BANDARA****Civil and Plumbing Engineer**

Bachelor of Civil and Structural Engineering (Hons) Higher National Diploma in Civil Engineering (Structural), Associate member of IIESL. 11 years' experience in industry as Engineer and Manager. In 2019 joined Nawaloka Hospitals as Civil Engineer.

**MR GAYAN JAYARATHNE****Manager – Human Resources**

In the intricate realm of Human Resources, Mr Gayan Jayarathna stands as a seasoned leader with an illustrious 21-year journey. With a diverse background spanning Banking, Apparel, FMCG, and Healthcare, Mr Gayan brings a wealth of expertise to his current role as the Human Resource Manager at Nawaloka Hospitals PLC. His academic accolades include an Executive MSc in Human Resources Management and an MBA from Asia e University Malaysia, coupled with a National Diploma in Training and Development from CIPM Sri Lanka and ER HR training from AOTS-JAPAN.

**MR M T V DE SILVA****Finance Manager – Business Development**

Mr Theja is an Associate Member of the Institute of Chartered Accountants of Sri Lanka and also an Associate Member of the Institute of Certified Management Accountants, Association of Accounting Technicians, Sri Lanka. He has done article at reputed firm from 2006 – 2010.

He has over 18 years of experience in commercial and audit sectors mainly Pharmaceutical, Construction, Real Estate, Agri, Garments, Wholesale and Retail Establishments, Hotel, Manufacturing, IT, Banking and Plantation entities etc.

Mr Theja's extensive experience gained from working many leading diversified of companies in Sri Lanka and acting as consultant to Board of Director in many companies in Sri Lanka over the past years.

Mr Theja served as Alternative Chairman/ Secretary to the many committees of Association of Accounting Technicians and Institute of Chartered Accountants of Sri Lanka.

And also he has participated to many Public programs as Panellist to educate the public regarding the changes and implementation of Taxation, Accounting and Auditing.

**MS RASIKA TILAKARATHNE****Head of Marketing**

Ms Rasika Thilakarathne's professional journey is truly exceptional. With an impressive 7-year tenure at Nawaloka Hospital, she currently serves as the esteemed Head of Marketing. Her qualifications speak volumes about her dedication and pursuit of excellence, holding a Master of Science in Strategic Marketing from the prestigious Asia e University, Malaysia. As a highly qualified marketer, she takes great pride in her memberships with the esteemed Chartered Institute of Marketing, UK, and IPM SL.

Her remarkable career in the healthcare sector spans over 17 years, providing her with invaluable experience and transforming her into a seasoned professional. Additionally, Ms Rasika holds a certification in Lean Six Sigma, further enhancing her skill set and capabilities.

**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 nine years of experience in a reputed firm of Chartered Accountants and has 34 years' experience in the healthcare industry.

## SENIOR MANAGEMENT TEAM

### MR SAMPATH THENNAKOON

#### Finance Manager – Reporting

Mr Sampath Thennakoon's credentials and experience demonstrate his expertise in the field of accounting and financial reporting. As an Associate Member of the Institute of Chartered Accountants of Sri Lanka and a member of the Association of Accounting Technicians of Sri Lanka, he possesses a strong foundation in accounting principles and practices.

His exposure to a diversity of Regulatory Reporting Requirements indicates that he is well-versed in understanding and complying with the various reporting standards adopted by different types of companies in Sri Lanka. These standards may include SLAS (Sri Lanka Accounting Standards), SLAuS (Sri Lanka Auditing Standards), IFRS (International Financial Reporting Standards), IAS (International Accounting Standards), and SEC/CSE (Securities and Exchange Commission/Colombo Stock Exchange) requirements.

With over 15 years of experience in financial reporting, Mr Thennakoon has accumulated a wealth of knowledge and skills. His role as a financial professional involves providing valuable financial information, tools, analysis, and insights to his employers. By challenging their thinking, he helps them make more informed decisions and drives business strategy. His ability to add value to the decision-making process helps organizations optimize their financial strategies and performance.

Overall, Mr Sampath Thennakoon's background and expertise make him a capable and reliable accounting professional with a track record of contributing to businesses' success through sound financial practices.

### MR UVINDU EKANAYAKE

#### Bio Medical Engineer

Education Qualification: BEng (Hons) in Biomedical Engineering from Birmingham city University UK. He has 8 years of work experience as a biomedical engineer in point of care, and critical care and Mastered in CT, MRI, Cathlab, patient monitors.

### MS AROSHA KOGGALAWELLALA

#### Manager – Legal

Ms Koggalawellala, an Attorney-at-Law with almost two decades of experience in the Supreme Court, holds an impressive educational background. She possesses Master's Degrees (LLM) from both the University of Staffordshire and the University of Wales, along with a Bachelor's Degree (LLB) from the University of Colombo. As a Registered Company Secretary, Notary Public, and Commissioner for Oaths, she brings a wealth of legal expertise to her role. Since 2009, Ms Koggalawellala has been an essential member of the Nawaloka Hospitals team, contributing significantly to the organization's legal strategy and success.

### MR LAKMAL SOORIYAPPERUMA

#### Head of sales and Marketing – Diagnostics/Operations Manager

22 years' work experience with 14 years of Senior Management experience in fields of Marketing, Business Development, International Trade and Supply chain management.

Holds a MBA specialised in Marketing from University of Wales, UK. Reading for DBA (UCAM), Certified member of SLIM. Holds a Higher diplomas in Marketing, Accounting and Business statistics from ICM, UK.

### DESHABANDU DR M ALLAN GERREYN (H M U HAWAII)

#### Food and Beverage Manager/ Executive Chef

Dr Allan Gerreyn has 39 years of experience in the hotel industry and joined Nawaloka Hospitals PLC in 2003. He received Deshabandu title in 2014 from Nanaguna Foundation. He has won Five Crown Awards in Food Hygiene for five consecutive years from 2012.

## EXECUTIVE CLINICAL MANAGEMENT TEAM



### 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

MBBS (Cey), MRCP (UK), FRCP (Lon.),  
FCCP Consultant Physician and  
Physician-in-Charge Ward Medical  
Services



### DR DUMINDA PATHIRANA

MBBS (Col.), DCH (Col.), MD (Col.),  
MRCP (UK), MRCP, CH (UK),  
FCCP Consultant Pediatrician



### DR HARINDU WIJESINGHE

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



### DR CHANDANA KANAKARATNA

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 RIAZ MOWJOOD

MBBS, MD (Col), MRCP (UK), FRCP (Edin)  
Consultant Respiratory/Chest Physician  
Consultant-in-charge Nawaloka Chest and  
Sleep Unit



### DR MOHAN RAJAKARUNA

MD, FACC, FCCP (USA),  
Consultant Cardiologist



### DR P PRAKASH PRIYADHARSHAN

MBBS MD MRCP (UK) MRCP  
(GLASGOW), FRCP (Edin) FRCP (London)  
FCCP, FECS, 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, Honorary Senior  
Lecturer

EXECUTIVE CLINICAL MANAGEMENT TEAM



**DR PUNSITH GUNAWARDENE**

MBBS (Colombo). MS (Colombo)  
Consultant Neurosurgeon



**DR HEMANT DIGAMBAR WAIKAR**

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



**DR SANDEEP K SHARMA**

MD (Anesthesiology)  
Consultant Cardiac Anesthetist and  
Intensivist



**DR R KRISHNANAND PAI**

MBBS MS (Gen Surgery)  
MCh (Thoracic Surgery)  
FRCS (England), FRCTh (England)  
Consultant Cardiothoracic Surgeon



**DR (MRS) USHA SAMARASINGHE**

MBBS, MD (RADIOLOGY)  
Consultant Radiologist

## > GLOBAL ECONOMY

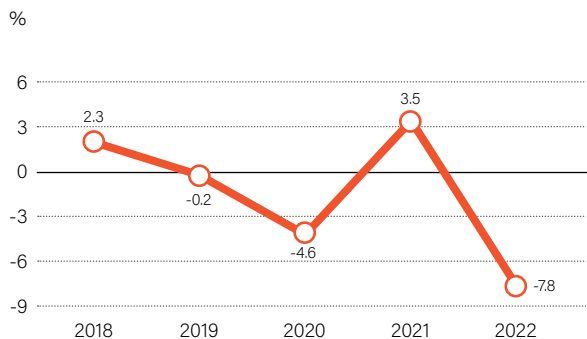
The passage discusses various factors influencing global economic conditions in 2022. It touches upon the Russia-Ukraine war, monetary policies, and the resurgence of COVID-19 in China as dampening factors. However, compensating elements include positive developments in the US, Euro Area, and certain emerging markets. Private consumption and investment exceeded expectations due to tight labor markets and robust fiscal support. As the COVID-19 pandemic receded, households utilised savings for pent-up demand, and businesses responded with increased investment. Nonetheless, by the fourth quarter of 2022, the initial economic boost waned.

Monetary policy interventions are anticipated to impact demand and inflation, with the full effect expected in 2024. Global inflation peaked in the second quarter of 2022, and although core inflation slowed, both remain about double their pre-2021 rates on average. The WEO April 2023 Report predicts a decline in global growth from 3.4% in 2022 to 2.8% in 2023, with a subsequent rise to 3.0% in 2024.

Despite increased vaccine penetration in 2022, inequality persisted, with only a quarter of the population in low-income countries receiving at least one vaccine dose by December 2022. Advanced and emerging countries, such as the US, Australia, China, and France, experienced renewed COVID-19 cases in November 2022. While lessons were learned from the pandemic, there are still significant gaps in outbreak preparedness and response that need addressing.

## > SRI LANKAN ECONOMY

### ▶ SRI LANKA'S ANNUAL GDP GROWTH



In the reviewed year, the nation faced significant economic, social, and political challenges. A severe foreign exchange crisis resulted in the restriction of imports, impacting medical supplies, fuel, gas, power supply, and transportation. Escalating inflation, interest rates, and exchange rates had a profound effect on both the business community and ordinary citizens.

The economic downturn experienced by Sri Lanka in 2022 marked the worst in its post-independence history. The real GDP contracted by 7.8%, a stark contrast to the 3.5% growth observed in 2021. Examining the economy by sector, the agriculture sector shrank by 4.6%, the industrial sector by 16.0%, and the service sector by 2.0%.

The agricultural sector faced challenges due to agro-chemical shortages, increased raw material costs, and disruptions in supply chains. The industrial sector grappled with shortages of raw materials, fuel, cost escalations, and tight monetary conditions. Although the services sectors showed some improvement in the 1st quarter of 2022, they were also impacted by adverse economic conditions later in the year.

## > THE HEALTHCARE LANDSCAPE

In the contemporary era, the healthcare system grappled with significant challenges. The year commenced with a high prevalence of COVID-19 cases, followed by a subsequent decline. However, the emergence of the Omicron BA.5 subvariant led to a resurgence before a gradual decline at year-end. Vaccination coverage reached a satisfactory level, with 83.6% of the population aged 12 and above receiving two doses, and 55.7% obtaining the initial booster dose. However, progress in administering the second booster dose lagged due to waning public interest in booster vaccines.

Amid communicable diseases, dengue posed a substantial concern, witnessing an increase in cases from 36,120 in the previous year to 76,467 in 2022<sup>1</sup>.

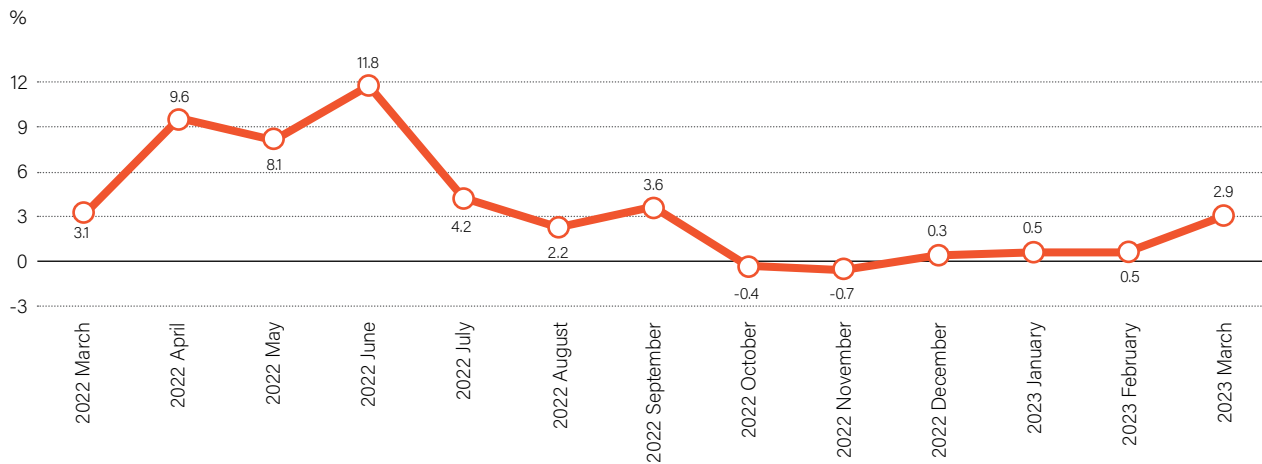
A persistent upward trend in Non-Communicable Diseases (NCDs) was observed in recent years, attributed to lifestyle factors such as smoking, an unhealthy diet, lack of exercise, alcohol and drug consumption, economic conditions, and deteriorating mental health. The Ministry of Health (MOH) actively engaged in activities focusing on NCD awareness, encompassing prevention, diagnosis, control, and management. A revised national policy and strategic framework for NCD prevention and control were published for public input. Additionally, a plan for injury prevention and management was launched. Various programmes aimed at promoting physical activity and healthy diets to reduce NCD incidence among young people were also initiated. A key focus area included the early detection, prevention, and control of cancer, marked by the establishment of a Cancer Early Detection Centre in Ratnapura in 2022.

However, the treatment of NCD patients faced challenges due to insufficient supplies of drugs and medical equipment, primarily stemming from prevailing economic conditions and constraints on foreign exchange. The increasing prevalence of NCDs posed a particular threat to vulnerable segments of the population.

Within the realm of NCDs, malnutrition among children emerged as a central policy concern, primarily driven by prevailing economic and social conditions. Reduced purchasing power affected nearly all households, especially those in the informal sector, which constitutes 58.4% of employment and experienced significant livelihood losses. The surge in food prices, commencing in late 2021, culminated in an unprecedented food inflation rate (measured by CCPI) of 94.9% in September 2022.

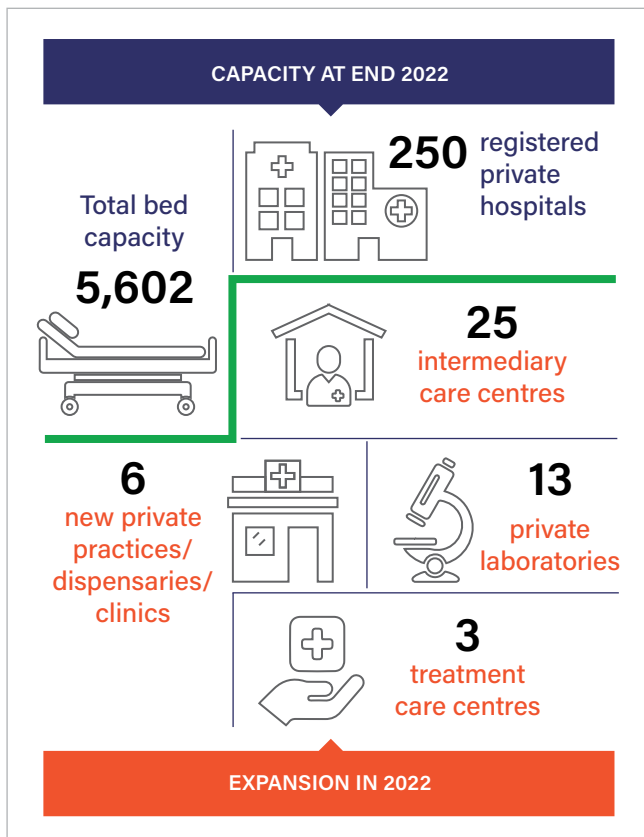
<sup>1</sup>. <https://crisis24.garda.com/alerts/2023/05/sri-lanka-elevated-dengue-fever-activity-reported-nationwide-through-may#:~:text=Dengue%20fever%20is%20a%20nationwide,is%20available%20in%20some%20countries.>

► SRI LANKA'S MONTH-TO-MONTH INFLATION



In this contemporary scenario, many households have adopted coping mechanisms, such as restricting food consumption and shifting to more economical yet less nutritionally rich food choices. Across the nation, the percentage of children under five years of age classified as underweight has risen from 12.2% in 2021 to 15.3% in 2022. Additionally, the rates of stunting and wasting among children in this age group have surged to 9.2% and 10.1%, respectively, in 2022, up from 7.2% and 8.1% in 2021. The adverse effects of elevated food costs and diminished food production, attributed to factors like fertiliser shortages, have disproportionately impacted economically disadvantaged families.

A significant portion of the populace relies on the state healthcare system, primarily due to financial constraints. Nevertheless, the private sector is assuming an increasingly pivotal role in addressing healthcare needs.



Private healthcare institutions in Sri Lanka fall under the governance and regulation of the Private Health Services Regulatory Council (PHSRC). These hospitals adhere to guidelines and standards set by the PHSRC, ensuring a minimum level of healthcare quality. Predominantly situated in urbanised regions, if not major cities, private hospitals vary in facility standards, yet many boast modern infrastructure and cutting-edge medical facilities comparable to, or surpassing, the finest state-run hospitals. In terms of comfort and cleanliness, private hospitals generally provide a superior environment compared to their state counterparts. The premier private healthcare establishments strive to deliver services aligning with international standards.

The private healthcare sector is undergoing a transformation to meet the evolving needs of the population. Private hospitals are now offering a comprehensive range of services, including general medical care, diagnostics, specialised treatments, surgeries, and rehabilitation services. To enhance their capabilities, some private hospitals have formed partnerships with international healthcare institutions, enabling them to provide cutting-edge treatments.

Despite these advancements, there exists a notable disparity in healthcare standards among different private hospitals. Challenges in procuring medical supplies and retaining skilled personnel have been prevalent, further exacerbated by the economic crisis. Migration of professionals due to economic challenges poses a serious threat to the workforce in private healthcare.

Private hospitals serve a diverse patient base, including individuals from various socioeconomic backgrounds. Notably, the accessibility of channelling and testing services attracts patients who may not be classified as affluent or middle class. However, the cost of care in private hospitals generally surpasses that in state-run facilities. Patients predominantly cover these expenses from personal funds, though some benefit from private or corporate insurance policies.

A noteworthy trend is the rise of medical tourism, with foreigners seeking cost-effective treatment in Sri Lanka compared to their home countries. The aftermath of the COVID-19 pandemic has prompted the establishment of more secondary care hospitals in the provinces, accompanied by service upgrades to align with tertiary care standards.

Government expenditure on healthcare from 2020 to 2024 reveals a substantial increase in infrastructure facilities, with further projections for growth in 2023/24. Looking ahead, there is a pressing need for heightened preparedness to address healthcare emergencies, necessitating adequate budget allocations. Investments are crucial to boost domestic production of drugs and medical supplies, alongside enhancing the overall efficiency of the healthcare system.

Recognising the evolving landscape, the private health sector is poised to assume an increasingly significant role in delivering essential medical services to the Sri Lankan population.

Nawaloka is dedicated to becoming the premier private healthcare provider in Sri Lanka, with our paramount focus being the delivery of top-tier healthcare. Our strategy is driven by eleven strategic imperatives.





Successfully realising our vision of becoming the “Hospital of Tomorrow” requires the harmonious integration of crucial resources: cutting-edge technology, skilled personnel, and intellectual capital. This involves investing in the latest medical equipment and technology to ensure that our services align with global standards. Equally important is the recruitment and retention of top-tier professionals, including exceptional doctors, nurses, paramedics, and medical administrators.



Embracing patient-centricity lies at the core of our service delivery, driving our strategic focus. We ensure patients receive personalised care, stay well-informed about their conditions, and feel empowered to seek clarifications. This approach fosters trust in our hospital, cultivating enduring loyalty over the long-term.

In today's fiercely competitive healthcare landscape, characterised by new entrants, patients have become more discerning. They carefully assess the value of services in terms of quality, efficiency, and expertise against the price. To ensure sustainability, maintaining a vigilant market position, particularly in pricing, is imperative.

Looking forward, technological advancements indicate shorter hospital stays and reduced room occupancy. Successfully navigating this trend requires an unwavering commitment to enhancing care quality and patient comfort within these condensed time frames.

In the twenty-first century, technology plays an increasingly pivotal role in medicine. Through digitisation, we have streamlined hospital processes, elevated the patient experience, and enhanced operational efficiency. Health records are now computerised, and we've introduced telemedicine, online appointments, and reservation services. Our mobile units bring testing services to our patients' doorstep, with results easily accessible online. Particularly in situations where physical movement is restricted, online connectivity options like telemedicine prove invaluable to patients.

As a socially conscious healthcare service provider, we extend beyond our core functions to serve the community. Nawaloka conducts health awareness campaigns, medical seminars, and free health check-up programmes. Building strong ties in this manner enhances the hospital's reputation and brand image, a valuable asset in a competitive market. We also foster connections with other established regional healthcare institutions and specialists to generate synergies. These robust partnerships can facilitate patient referrals and broaden the hospital's reach. We meticulously adhere to all regulations and standards set by the Sri Lankan Government and other regulatory authorities.

With our diverse strengths and unblemished reputation, we are poised to forge ahead, offering expanded services to the nation and contributing to ushering in a new era in healthcare in the years to come.





## > BUSINESS SEGMENTS

Channelling	ETU/ Hospitalisation	Laboratory	Theatres	Pharmacies	Mobile services	Radiology
<p>With our large pool of consultants, spanning practically all fields of medicine, our channelling services are in great demand.</p>	<p>This represents the cornerstone of our core services. All other segments of our operations are meticulously designed to support this function, ultimately contributing to the exceptional healthcare that we have become synonymous with. ETU/ hospitalisation plays the most pivotal role in shaping the perception of our institution in the eyes of our patients.</p>	<p>Our laboratory services provide diagnostic and pathological services and perform a vital link in the medical services process.</p> <p>Our skills and cutting-edge technology combine to provide the reliability in a function that is vital to medical diagnosis.</p>	<p>Our operating theatres are equipped with state-of-the-art facilities and are able to facilitate even the most complex surgeries.</p> <p>Our theatre staff are trained to adeptly manage cutting-edge medical technology, enabling them to seamlessly address any demands that arise during surgical procedures.</p>	<p>Our pharmacies are stocked with an extremely wide portfolio of drugs to meet the needs of all patients, and operate 24X7</p>	<p>This service, introduced this year, enables patients to undergo medical tests performed and receive their results from the comfort of their homes, ensuring convenience and ease.</p>	<p>Another key supporting function, which provides medical images and is an indispensable input to diagnostics.</p>
<p>704 Consultants 419,944 Consultant appointments</p>	<p>239 Total Number of rooms 55% Occupancy rate 5:1 Patients per nursing staff</p>	<p>303 Laboratory staff</p>	<p>12 Operating theatres 12,818 Surgeries</p>	<p>7 Outlets 255,505 Prescriptions</p>	<p>3,049 Visits</p>	<p>Tests by type Scans: CT, MRI, DEXA Mammogram, Ultra Sound, X-Ray</p>

> **SUPPORT FUNCTIONS**

Training	Marketing	Partnerships/Suppliers	Call centre/ Customer service	Information systems	Human resources
<p>Training is imperative as our medical staff needs to keep abreast of the latest developments in the field. Additionally, we conduct training programmes for nurses, which has far-reaching benefits that extend to the entire healthcare industry.</p>	<p>Our marketing strategy is designed to disseminate knowledge of our products and services to the widest possible audience in the most cost-effective manner.</p>	<p>Our links with partners add synergy to our operations and widen our reach. We are very discerning in our choice of suppliers who are required to maintain the highest quality standards.</p>	<p>Our entire customer service, from initial contact to discharge of a patient, is handled with professionalism, kindness, and courtesy.</p>	<p>The nature of our operations demands the availability of timely and accurate information presented in a user-friendly manner.</p>	<p>Our hospital functions cannot be executed without the support of administrative functions such as billing, accounts, and procurement.</p>
<p>15 Graduated from nursing programmes 73% of above employed by Nawaloka</p>	<p>9.6 million Website visits 1,514,322 Social media visits 70K Social media followers</p>	<p>600 Total number of suppliers</p>	<p>1,918,104 Calls handled 0.27 Seconds Average waiting time</p>	<p>39.5 Mn. Investment in IT infrastructure 12 IT applications</p>	



# 29

## Management Discussion and Analysis

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## FOCUS ON THE PATIENT



At Nawaloka Hospitals, our paramount focus revolves around delivering personalised and efficient healthcare services to every individual we serve. Our core mission is to ensure that our patients receive a consistently high standard of care and top-notch amenities that align perfectly with their unique needs and expectations.



At Nawaloka Hospitals, our steadfast commitment to patients propels our extraordinary success. Through an integrated blend of state-of-the-art medical technology and outstanding healthcare, we consistently establish the highest standards for excellence in healthcare, not just in Sri Lanka but throughout the South Asian region. Our unwavering focus on delivering unparalleled clinical expertise, combined with a compassionate approach to meeting the distinctive needs of each patient, has empowered us to attain a level of healthcare that matches international benchmarks. We take great pride in our exceptional team of medical professionals, dedicated to enhancing the quality of care we offer, ensuring that our patients receive optimal treatment at a reasonable cost. With an unrelenting pursuit of excellence, Nawaloka Hospitals remains at the forefront of transforming lives and establishing innovative paradigms in the healthcare sector.

In our commitment to patient well-being, we prioritize delivering personalised and efficient healthcare services to each individual we serve at Nawaloka Hospitals. Our core mission is to guarantee our patients consistently receive a high standard of care and top-notch amenities tailored to their unique needs and expectations. To achieve this, we are dedicated to key principles that underpin our patient-centered approach.

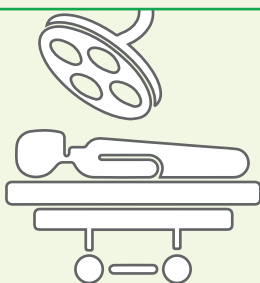
## Highlights for FY 2022/23



**Number of channel appointments**

**419,944**

**12,818**  
**Number of Surgeries**



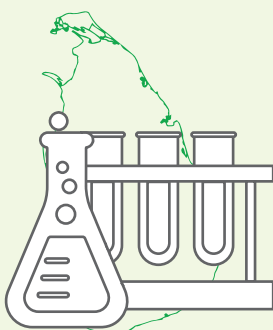
**Number of patient admissions**

**25,121**

**8**  
**Main lab (with Head office)**

**7**  
**Mini lab**

**18**  
**Coco**



**Patient satisfaction score**

**96%**



### THE FULL RANGE OF OUR SERVICES AND THE VALUE THEY DELIVER:

- Individualised care tailored to each patient's medical condition and requirements
- Shorter waiting times
- Modern medical equipment and technologies to deliver accurate diagnoses, effective treatments, advanced surgeries, and better patient outcomes
- Well-qualified and experienced medical professionals including doctors, nurses who are patient-centric and provide compassionate care
- Ongoing training to keep up with technological developments
- Comfortable accommodation including accommodation for families and all amenities
- Emphasis on quality, patient safety, and infection control
- Alignment with international standards JCIA and ISO
- Patient privacy and confidentiality assured through data protection and confidentiality
- Collection of patient feedback through surveys or direct communication
- We invest in modern medical equipment and technologies to deliver accurate diagnoses and effective treatments, leading to better outcomes for patients.
- Lab que management system
- Radiology online booking system





> **ELEVATING PATIENT CARE**

In the past year, we've introduced various initiatives to provide an elevated level of care, enhancing convenience, safety, and comfort for our patients.

**Offering healthcare services at the patient's doorstep**

The persistent economic challenges on the island significantly affected the healthcare sector, impacting both patients and healthcare workers. One major hurdle was transportation difficulties, and we implemented various measures to aid patients facing this issue.









	<p>Shuttle service for patients free of charge to ensure a seamless continuation of operations, also covering the suburbs</p>		<p>Submission of drugs prescriptions online and services to be provided by mobile laboratory and drug delivery service</p>
	<p>Mobile post-COVID clinic which would visit recuperating patients in their homes</p>		<p>e-billing system which would enable patients to make payments from their homes</p>
	<p>Introduced Nawaloka app</p>		<p>Introduced virtual cashier</p>

### State-of-the-art online radiology reporting

We deployed a cutting-edge Picture Archiving and Communication System (PACS) to securely store and digitally transmit electronic images to relevant stakeholders. This state-of-the-art technology empowers radiologists worldwide to access comprehensive patient radiology records and images, facilitating on-the-go consultations and report generation. This advanced facility ensures convenience and real-time updates, enhancing our ability to deliver efficient services to patients. The system gained widespread utilisation by consultants and patients, particularly during the pandemic, highlighting its adaptability and effectiveness.

### The Elite Centre

Further elevating our world-class offering, we launched the "Nawaloka Elite Centre" to dispense a comprehensive, extended portfolio of advanced preventative and curative healthcare solutions to discerning Sri Lankan patients.

 <p>Offers a broad spectrum of diagnostic, treatment, and lifestyle healthcare solutions</p>	 <p>All screening and treatment conveniently done in one location</p>
 <p>Fully functioning laboratory with latest diagnostic tools</p>	 <p>Houses OPD/channelling services facilitating pre-booking</p>
 <p>Staffed by reputed consultants and highly trained and experienced nursing staff</p>	 <p>Includes specialised services in skincare and cosmetics, lifestyle medicine, mother and baby care, dental care, livercare, footcare, rheumatology, and sports medicine</p>
 <p>Services offered include medical fitness and personal training, diabetic management, and mental rehabilitation</p>	 <p>Diagnostic services include ultra-sound scans, X-rays, laboratory services, ECG tests, treadmill tests, lung function tests, audiometry, and hydrotherapy</p>

### Expanding our laboratories

In the fiscal year, we strategically grew our lab infrastructure, venturing into five additional regions and enhancing the external lab network by incorporating seven new state-of-the-art laboratories and fifteen new company-owned collection centres. Currently spanning 11 districts, our extensive laboratory network is poised for further expansion into 7 additional districts within the next 2-3 years. Our vision includes establishing a comprehensive presence with a total of 20 regional laboratories and fifty company collection centres effectively covering the majority of the island.



### Digital enhancements

Enhancing our systems, procedures, and internal efficiencies:

#### Social Media BOT

We have effectively deployed a cutting-edge social media BOT across prominent platforms such as WhatsApp, Viber, Facebook, and Instagram. Our primary objective was to elevate customer convenience, reduce wait times, and deliver crucial patient information directly to their mobile devices. The impact of this well-executed initiative has been profound and transformative.

The BOT has significantly enhanced patient engagement and improved access to healthcare services. Patients can effortlessly retrieve information, schedule appointments, and receive timely reminders—all through their smartphones. This streamlined communication has translated into superior patient experiences and heightened satisfaction.

Moreover, the BOT's capability to furnish swift responses to frequently asked questions and provide initial medical guidance based on common symptoms has proven invaluable. It ensures that patients promptly receive assistance and appropriate guidance, directing them to pertinent medical resources when needed.

In addition, the BOT has empowered healthcare personnel by granting access to internal resources, addressing HR-related queries, and facilitating seamless communication within the hospital, thereby optimising operational efficiency.

Furthermore, the data amassed through user interactions has proven highly valuable for strategic planning and decision-making. Insights gained from patient preferences, prevalent health concerns, and emerging public health trends have enabled continuous improvement and adaptation of our services to better cater to our patients.

In summary, the successful implementation of the social media BOT has resulted in heightened patient engagement, optimised healthcare operations, and an enriched overall healthcare experience. We remain steadfast in our commitment to leveraging technology to advance patient care and continue our journey of delivering exceptional healthcare services.

### Cloud technology to the laboratory branch network

Cloud migration for the Laboratory Information System (LIS) presents numerous benefits for our organizations. Leveraging the Cloud's scalability ensures seamless operations during peak periods, optimising resource utilisation. It guarantees reliability through high availability and redundancy, thereby mitigating downtime risks. Advanced security measures safeguard sensitive patient data, ensuring compliance with regulations such as HIPAA and GDPR.

The pay-as-you-go pricing model of Cloud services fosters cost-effectiveness, enabling hospitals and laboratories to pay only for the resources they actively use. Furthermore, the Cloud's intuitive management tools simplify LIS administration, empowering IT teams to concentrate on strategic tasks. In essence, Cloud migration has streamlined our healthcare operations, enhancing patient care and positioning us at the forefront of advancements in the healthcare landscape.

### Lab reports on smart devices

Patients now have the convenience of accessing lab reports directly from their smartphones, eliminating the necessity of physical visits to the hospital or lab. This not only saves time and effort for both patients and healthcare providers but also ensures faster access to results, facilitating quicker diagnosis and treatment decisions. Timely medical interventions become more achievable, potentially improving health outcomes. Additionally, this modernised approach enhances patient engagement, streamlines healthcare processes, fosters improved communication, and empowers individuals to actively participate in managing their health. As a result, administrative tasks are reduced, and patient interactions are more efficient, contributing to an overall improvement in healthcare delivery.

### Facilitating online payments

A significant leap forward involves the evolution of cashier points and call centre agents, now serving as online payment facilitators for service appointments. Through the seamless integration of a secure payment gateway and an efficient SMS gateway with the Hospital Information System (HIS), patients can effortlessly make online payments, streamlining the appointment process and minimising waiting times.

### Data Analytics

To empower data-informed decision-making and streamline processes, we've implemented an advanced Management Dashboard. This centralised platform delivers up-to-the-minute statistics, analytics and insights across diverse operational facets, supporting administrators and management in making well-informed decisions to elevate overall hospital performance.



### > FUTURE

To enhance patient care and convenience, we are proud to introduce our new online pharmacy service. This innovative platform enables patients to easily order their prescribed medications through our dedicated hospital mobile app. By incorporating a user-friendly prescription upload feature, patients can have their medications delivered straight to their doorstep, ensuring a seamless and secure experience.

Our goal is to position Nawaloka Hospitals as a leading and highly specialised cardiac centre known as the Nawaloka Heart Centre, equipped with state-of-the-art surgical techniques and cutting-edge diagnostic facilities. Additionally, we plan to broaden our range of surgical procedures, emphasising orthopedic, urinary, and general surgeries. To offer comprehensive solutions for surgical patients, from initial diagnostic services to post-surgery rehabilitation, we have established a "Surgical Hub" dedicated to providing holistic care.

In line with our commitment to staying at the forefront of healthcare innovation, we are embracing advanced technology by automating our laboratory analysers through the integration with our Hospital Information System. This not only streamlines the testing process but also ensures a smooth flow of data, accurate results, and improved turnaround times. Through these forward-thinking initiatives, we remain dedicated to delivering exceptional healthcare services and remaining at the forefront of technological advancements in the medical field.

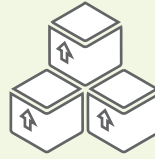
# PARTNERSHIPS

## Highlights for FY 2022/23



Number of consultants

704



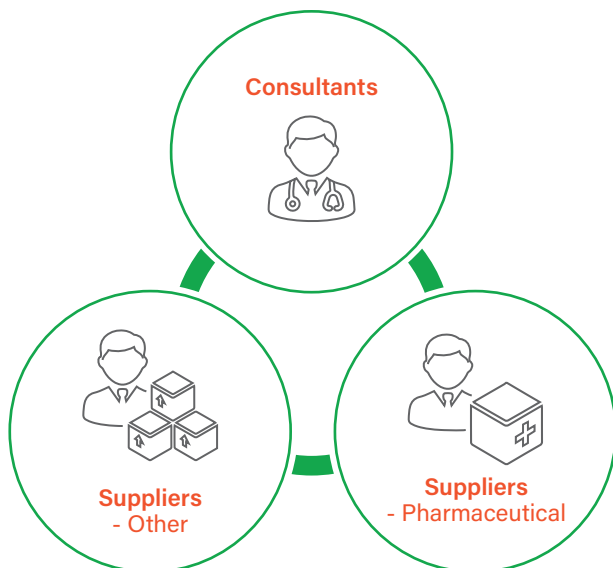
Number of suppliers

600

We are actively involved in cultivating, nurturing, and expanding partnerships with various institutions and individuals. This encompasses collaborating with consultants, training institutions, pharmacies, and a wide array of suppliers. Our consultants, leading experts in their respective fields, drive our medical services forward. We boast a team of 704 registered consultants, covering a comprehensive range of medical specialisations. Our Executive Clinical Management Team is comprised of 14 dedicated members.

Additionally, we maintain relationships with nearly 600 registered suppliers across diverse industries and trades, including hardware and plumbing, stationery, furniture, computer accessories, food, and medical equipment.

### Our business partners



### New partnerships in FY2022/23

Throughout the year, Nawaloka has forged groundbreaking partnerships that mark a new era in our initiatives. A key highlight is our collaboration with a well-reputed education centre to introduce an innovative nursing training course. This programme is set to produce nurses of outstanding caliber, elevating the standards of nursing care in our country. Rooted in a dynamic curriculum, hands-on training, and mentorship from seasoned professionals, the course leverages the synergy between Nawaloka's healthcare expertise and education centre renowned reputation in education. Through such strategic alliances, we are not just investing in the present but also shaping the future of healthcare in our nation.

In a significant development, this partnership has paved the way for our nurses to pursue a BSc (Hons) degree in nursing from the University of Sutherland, with a special discount available to those who have completed the three-year General Nursing Diploma.

Another impactful collaboration with education centre is the Biomedical Industrial Training Programme, formalised through an MOU signed in May 2023. Tailored for graduates of HD/HND in Biomedical Engineering, this three-month programme, catering to a batch of 30 students, covers the comprehensive operations within a hospital, familiarity with available medical equipment, and the installation, servicing, and calibration of equipment to meet international standards.

In our pursuit to enhance healthcare accessibility, we've entered into a strategic MOU with well-recognised insurance company, a global leader in insurance and financial services. Through this partnership, insurance company policyholders now enjoy access to a diverse range of specialised treatments, state-of-the-art medical facilities, and consultations with top-tier medical professionals.

These partnerships underscore our unwavering commitment to innovation, excellence, and a broader vision beyond Nawaloka's bottom line. We extend our gratitude to our esteemed partners – education centre and insurance company – for collaborating with us to turn our vision into reality. These alliances have truly made the past year transformative for Nawaloka, leaving an indelible mark on our journey.



Our business operates in a dynamic environment, placing significant demands on our human capital, including both employees and collaborators. The nature of our work is inherently challenging, often requiring extended hours and unwavering dedication. Given the constant evolution of medicine and technology, it is crucial to continuously enhance the skills of our workforce to stay abreast of industry changes. Collaborative teamwork is indispensable in upholding the elevated service standards we are dedicated to achieving.

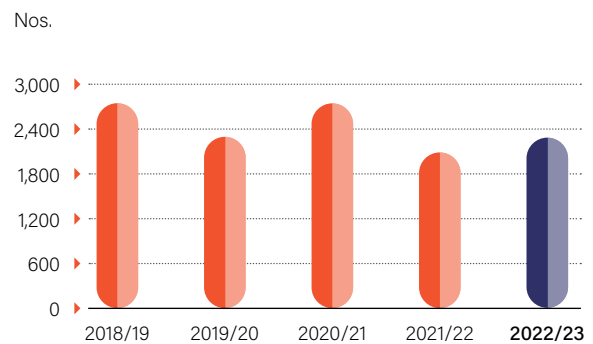
The economic challenges faced during the year significantly impacted the real incomes of our staff, necessitating strategic measures to alleviate this situation and uphold employee morale.

**Snapshot of staff profile**

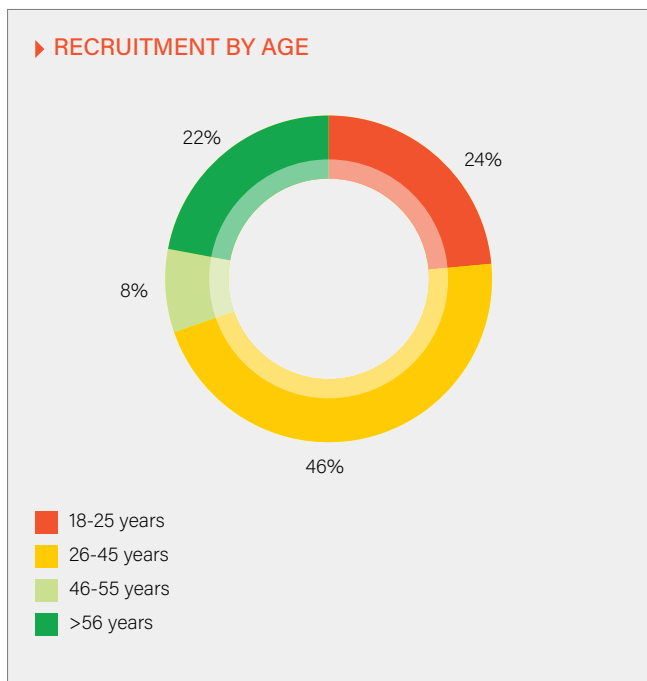
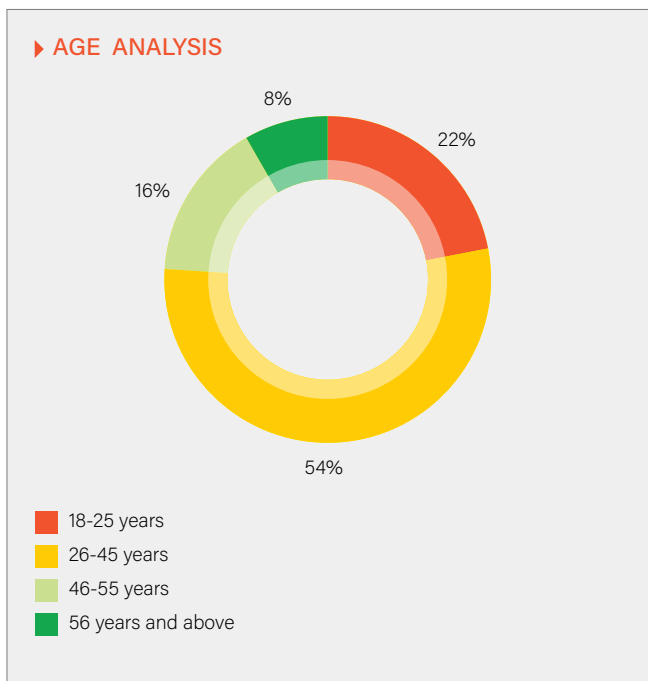
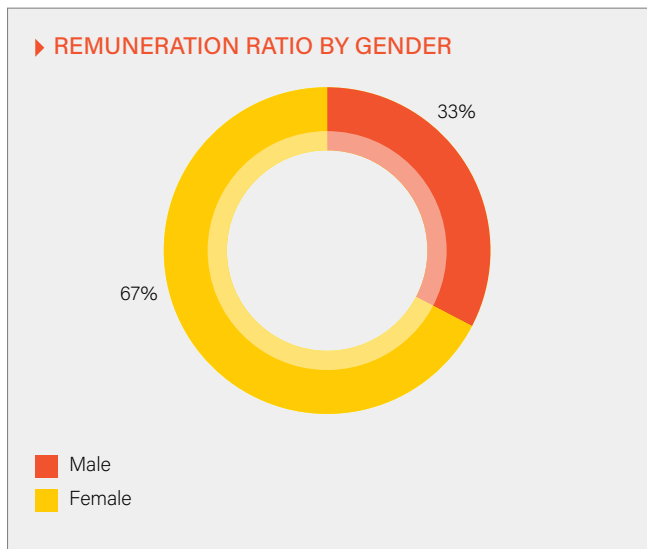
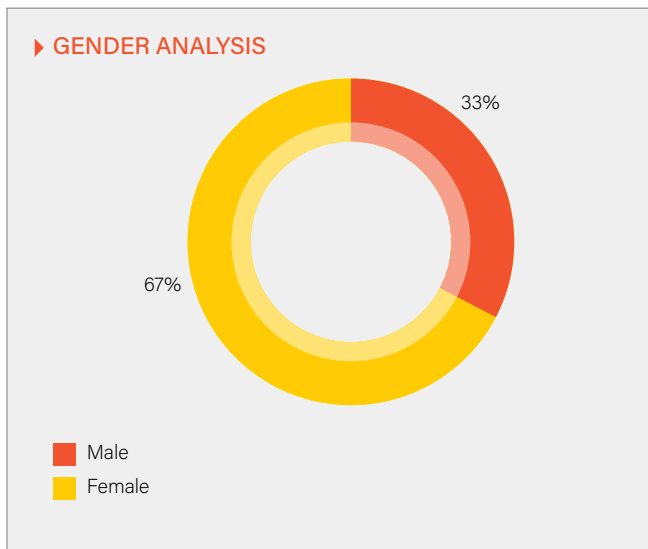
**Number of employees**

	2018/19	2019/20	2020/21	2021/22	2022/23
Total number of employees	2,765	2,305	2,754	2,095	<b>2,301</b>

▶ **NUMBER OF EMPLOYEES**



OUR STRENGTH



The staff demographic skews towards a younger age group, as highlighted in the age analysis. Notably, the most significant recruitment figures align with the predominant age range of the entire workforce (26-45). The substantial portion with 3-20 years of service suggests satisfactory retention levels. Nevertheless, a comparatively higher turnover is observed among nursing staff, a phenomenon best comprehended within the context of economic conditions and the prevalence of overseas employment opportunities.

### Motivating our staff

We remained keenly aware of the significant influence that economic conditions, especially the escalating inflation rates, had on our team members throughout the year. The impact was particularly noticeable among nurses and paramedical staff. In this context, we made concerted efforts to ease the challenges they faced and boost their morale. In response, we took proactive steps to mitigate their difficulties and enhance their spirits. As part of our commitment, we implemented a 10% salary increase universally. Furthermore, we conducted a comprehensive market survey, leading to salary adjustments across various departments. Performance-based incentives were also introduced for Admissions Coordinators and the Lasik Department.

In response to the challenges posed by the pandemic and subsequent fuel crisis, we've proactively implemented strategies to address transportation issues. To alleviate commuting concerns, we've not only offered various transport options but have also introduced a carpooling system, effectively minimising the impact of fuel shortages. Throughout the pandemic, our commitment to staff well-being has manifested in job security guarantees and the introduction of flexible hybrid work arrangements.

Capitalising on the situation, we've taken the opportunity to enhance our hospital facilities, creating a secure and favorable environment for both staff and patients. Our dedication to the welfare of our team members extends to the improvement of their insurance coverage through reputable insurance companies.



Recognising the significance of upholding positive morale during challenging times, we curated a varied spectrum of entertainment and social engagements. These encompassed the Nawaloka Talent Showcase, the Nawaloka Cricket Challenge, the Festive Christmas Celebration, the Thaipongal Extravaganza, the Sinhala Tamil New Year Gala, the Staff Wellness Camp, and the 01 January 2023, Special Occasion. These initiatives were designed to foster a spirit of unity, community, and overall well-being among our committed staff.

### Training and development

We are dedicated to upholding a consistently exceptional level of service by investing in the ongoing professional development of our team. Acknowledging that healthcare excellence relies on continuous learning, we have established robust training programmes tailored to the evolving needs of our committed staff. Through a blend of cutting-edge medical knowledge, advanced technology, and patient-centric communication skills, our team undergoes comprehensive training to ensure they are well-prepared to deliver top-notch care. By cultivating a culture of continual learning and personal growth, we ensure our staff remains at the forefront of medical advancements, ultimately resulting in an elevated standard of service for our valued patients.

The following training programmes were conducted to fill skill gaps arising from developments:

- Training of staff in hybrid bypass surgery
- Palliative care training
- Training on PICC LINE, PERM CATH, and PORT insertion procedures on OPD basis
- Training on peripheral radiology interventions and Neuro Radiology procedure
- Training on new Cath equipment "Philips Azurion 7 C 20"
- Radiology staff were trained to operate MRI
- Lasik Department staff were trained in operating wave light equipment
- Theatre staff were trained in operating Turis diathermy equipment, Crusa equipment, Neuro drill equipment, and Ethercone equipment.
- The following general training programmes were also conducted. The subjects largely cover soft skills but include some medical topics as well.

## OUR STRENGTH

### Training programmes

1. I am Nawaloka
2. Behavioural standard
3. Customer relations
4. Service excellence
5. Telephone etiquette
6. Grooming
7. Brand awareness
8. Call centre awareness
9. Lab service training
10. Business excellence
11. Human values
12. Pro training
13. Phlebotomy training
14. BLS CPR and AED
15. Fire and safety
16. ISO awareness
17. SOP workshop
18. Competency based training
19. Elderly care awareness
20. ENT awareness
21. Road safety awareness
22. Rabies
23. Advanced life support
24. Mechanical ventilation
25. Breast cancer awareness
26. Breast surgery
27. Excel training
28. First aid
29. Lean six sigma

### Corporate social responsibility (CSR)

#### Programme for Army Officers

Sri Lanka Army has chosen Nawaloka as the designated service provider for delivering health benefits as part of the Government Welfare Scheme for Army personnel and their families. A selected group of nominated Army officials participated in a program held at the Nawaloka Auditorium, attended by four high-ranking army officers and the Vanitha Seva Chairman. Loyalty cards from Nawaloka were presented to the chosen Army officers, accompanied by a presentation highlighting Nawaloka Hospital, its services, and the advantageous schemes offered to the Army.

#### Health Camp in Beruwala

The Beruwala Medical Officer of Health (MOH) office observed a significant prevalence of cardiac issues within the Beruwala community. In collaboration with the MOH Office, Grama Sevaka, and local mosque devotees, Nawaloka organized a heart care program for the community. The event featured the expertise of a cardiac thoracic surgeon, a team of cardiologists, and physicians. Personalized consultations were conducted to identify individuals with cardiac and other health concerns. Free prescriptions and tests were provided, and individuals requiring further investigation received discounts at hospitals.

#### Nagoda Cardiac Camp

As part of our social service initiative, we partnered with the Nagoda Hospital Cardiology Unit to conduct a community outreach program. We offered complimentary individual cardiac consultations for the well-being of those recommended for bypass procedures and clinic patients. The entire event, including lunch and resources, was sponsored for 480 patients. Simultaneously, we introduced our cardiac services and extended special discounts to registered patients.



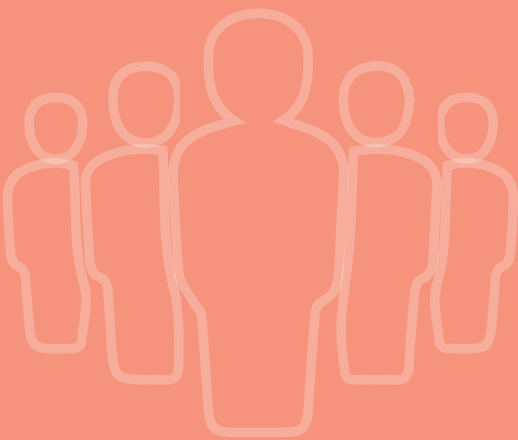
### > FUTURE

The future of Nawaloka is poised for continual growth and excellence. By maintaining a strong focus on recruitment, we aim to assemble a team that not only embraces our values but also actively contributes to the ongoing development of our organisation. Our commitment to refining skills through robust training and development programmes ensures that our staff stays abreast of the latest advancements in medicine and patient care practices. Additionally, we prioritise the well-being of our team members by fostering a supportive and nurturing environment that addresses their physical, mental, and emotional health. Through a blend of performance-driven incentives and a culture that champions innovation and collaboration, we aspire to motivate our staff to consistently achieve new heights of excellence.

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## Stewardship

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# RISK MANAGEMENT

Risk management is integral to operate a healthcare facility where our services directly impact human health and well-being. Accordingly, Nawaloka Hospitals has a proactive approach in place to manage the various categories of risks that arise within the operating environment and due to changes in healthcare practices and technology developments.

## > THE NAWALOKA RISK MANAGEMENT FRAMEWORK

Nawaloka Hospitals' risk management framework defines how we identify, understand, manage, mitigate, and control risks arising due to normal business operations and unexpected developments such as the COVID-19 pandemic in the recent past. Our risk management framework ensures risks are managed consistently across the Group with appropriate oversight and accountability. Additionally, our risk management framework is devised to incorporate the risk monitoring and mitigating requirements of the Joint Commission International (JCI) and other accreditations that we subscribe to. Risk management requirements as specified by the Sri Lanka Medical Council (SLMC), Private Health Services Regulatory Council (PHSRC), and the Central Environmental Authority (CEA) are also considered and encompassed within the Nawaloka risk management framework.

## > RISK GOVERNANCE AT NAWALOKA

The Hospital understand that adequate risk governance processes are required to ensure the implementation of cohesive and dynamic risk management activities within the Hospital operations. Thus, we start at the very top tier of our leadership, by allocating ultimate responsibility for ensuring the effectiveness and adequacy of the Group's risk management practices to the Board of Directors. The Board is assisted in the discharge of the duties for risk governance by the Audit Committee and the Risk Management Committee.

The Audit Committee has oversight responsibility for matters relating to risk and internal controls, while the Risk Management Committee is responsible for the effective execution of risk management processes across the Organisation. The Risk Management Committee meets monthly and regularly reports to the Board on key risks identified, evaluated, and managed.

Our efforts to govern our risks over the years taking this top-bottom approach have supported Nawaloka to build a culture where risks are considered when undertaking any activity or operation at the Hospital while fostering a high level of risk awareness and control across the Group.

## Risk Governance



## > RISK MANAGEMENT COMMITTEE

Our Risk Management Committee consists of members from the Board of Directors and other working officers to ensure that all risks applicable to a healthcare operator are considered on a timely basis.

Collectively, the Risk Management Committee is responsible for:

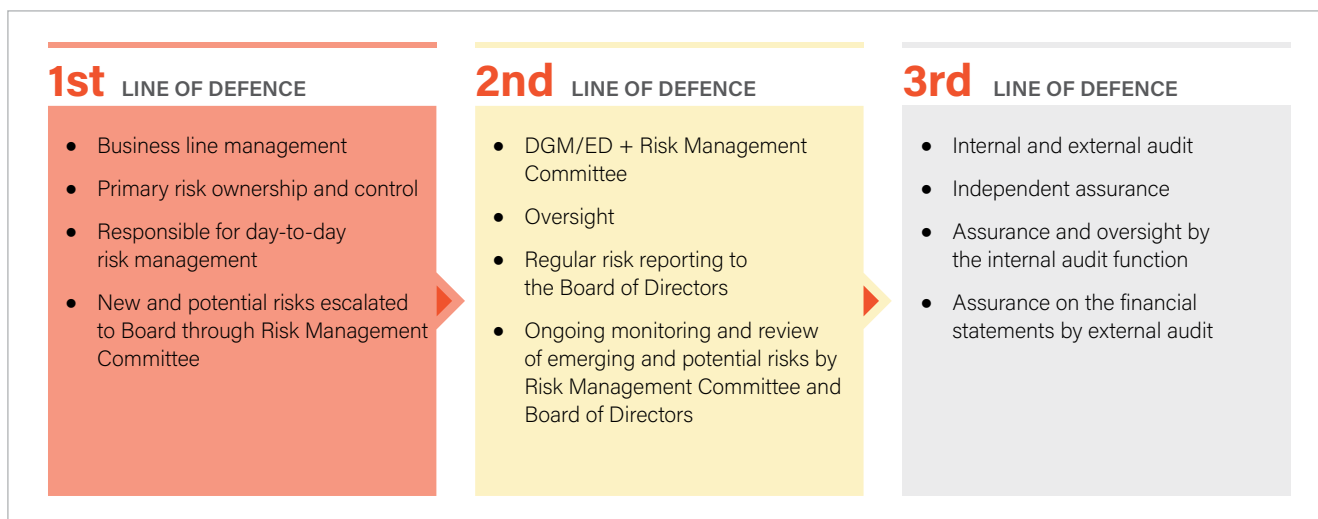
- Ensuring the comprehensive risk management framework.
- Putting in place risk measurement, monitoring, and management processes.
- Compliance with regulatory and internal prudential requirements.

Name	Areas of oversight
Vidya Jyothi Professor Lal Chandrasena Chairman (DGM/ED)	• Comprehensive Risk Management Framework
Mr A G Dharmadasa – ED	
Ms A G Dharmadasa – ED	• Risk measurement, monitoring, and management
Mr Theja Vimuktha De Silva – Finance Manager	
Dr Tissa Perera – Medical Superintendent	• Compliance with regulatory and internal prudential requirements
Ms S Jayasinghe – Chief Nursing Officer	
Mr Kanishka Warusavitarana – Senior Manager Operations	

## > RISK ASSURANCE

To ensure risk assurance, Nawaloka Hospitals takes a Three Lines Approach. This approach ensures accountability while distinguishing responsibility between owning and managing risks, overseeing risks, and providing independent assurance.

With this Three Lines Approach, embedding risk management processes into our day-to-day operations becomes more streamlined and ensures that the Group is better equipped to identify events impacting our risk appetite and improve risk control measures to support strategic imperatives.



## > PRINCIPAL RISKS

Risk factor/Description	Potential impact	Mitigating actions
<p><b>● Competition</b></p> <p>Increased competition from new entrants with reputed brand names and capacity expansions by existing players.</p>	<ul style="list-style-type: none"> <li>• Decreased market share resulting in pressure on revenue and profitability margins.</li> <li>• Difficulties in building brand loyalty.</li> </ul>	<ul style="list-style-type: none"> <li>• 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, and affordable pricing.</li> <li>• Marketing and developing brand based on customer value proposition.</li> <li>• Identifying growth areas relating to both services and location.</li> <li>• Promotion of customer loyalty programme</li> <li>• Rewarding for frequent patronage.</li> </ul>
<p><b>● Financial and liquidity risk</b></p> <p>Nawaloka Hospitals PLC has increased exposure to high levels of gearing following increased debt from funding of capital expenditure on the Specialty Centre and refurbishment projects. This has been exacerbated by cash flow constraints from impacts of the Easter Sunday attacks/COVID-19 pandemic/economic and political crisis.</p>	<ul style="list-style-type: none"> <li>• Possible constraints in meeting liability obligations.</li> </ul>	<ul style="list-style-type: none"> <li>• Restructure of long-term debt to support cash flows.</li> <li>• Obtaining debt moratorium offered by the Central Bank of Sri Lanka as COVID-19 relief.</li> <li>• Organisation-wide cost reduction initiatives to improve margins and cash flows.</li> <li>• Strategy in place to improve business volumes, operational efficiencies, and margins.</li> </ul>

Risk factor/Description	Potential impact	Mitigating actions
<p><b>● Shortage of skilled healthcare professionals</b></p>		
<ul style="list-style-type: none"> <li>• Attracting and retaining consultants of high repute.</li> <li>• 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.</li> </ul>	<ul style="list-style-type: none"> <li>• Affects ability to deliver quality patient care and services, impacting growth prospects, and ultimately, the sustainability of operations.</li> </ul>	<ul style="list-style-type: none"> <li>• Proactively identifying the next generation of consultants and attracting them prior to competitors.</li> <li>• Ensuring consultant satisfaction through a superior value proposition including provision of facilities, technology, and staff quality.</li> <li>• Maintaining competitive remuneration packages for skilled staff.</li> <li>• Ongoing investments in the Nurse Training School.</li> </ul>
<p><b>● Clinical and patient safety risk</b></p>		
<ul style="list-style-type: none"> <li>• Failure to deliver safe, high-quality care to our patients. Associated risks include reputation risk and legal risk)</li> </ul>	<ul style="list-style-type: none"> <li>• Customer dissatisfaction could lead to loss of reputation and loss of market share impacting revenue and profits.</li> </ul>	<ul style="list-style-type: none"> <li>• Commitment to maintaining global standards of quality and safety of healthcare services through international accreditations.</li> <li>• Regular maintenance and upgrade of equipment.</li> <li>• Regular training and upskilling of employees.</li> </ul>
<p><b>● Technological obsolescence</b></p>		
<ul style="list-style-type: none"> <li>• Inability to acquire the latest technology and maintain high technological standards as well as technological obsolescence.</li> </ul>	<ul style="list-style-type: none"> <li>• Loss of competitive edge and market share impacting revenue and profits.</li> </ul>	<ul style="list-style-type: none"> <li>• Ongoing investments in the latest technology for specific areas.</li> <li>• Keeping abreast of current developments in medical technology and evaluating the possibilities of adopting same.</li> </ul>
<p><b>● IT and cyber risk</b></p>		
<ul style="list-style-type: none"> <li>• Following the drive towards electronic health records and digitalisation.</li> <li>• Possibility of cybersecurity breaches and threat to compromising confidential patient information.</li> <li>• Possibility of system failures and breakdowns and negative impact on operations.</li> </ul>	<ul style="list-style-type: none"> <li>• Impact of customer privacy in the event of a potential loss event.</li> <li>• Potential loss of information assets and the hospital loss in reputation.</li> </ul>	<ul style="list-style-type: none"> <li>• Well-defined cybersecurity incident response process.</li> <li>• Training employees and creating staff awareness on the importance of maintaining information security and handling of sensitive information.</li> <li>• Comprehensive IT and information systems security policy. Implementation and regular testing and verification of network protection technology.</li> </ul>

Risk factor/Description	Potential impact	Mitigating actions
<p><b>● Reputation risk</b></p>		
<ul style="list-style-type: none"> <li>In the healthcare industry, trust and reputation are key factors distinguishing players within the same industry. Incidents including adverse events while performing clinical procedures, cyberattacks and breach in security and customer confidentiality could negatively affect Nawaloka Hospitals PLC's reputation and its relationships with its key stakeholders.</li> </ul>	<ul style="list-style-type: none"> <li>Loss in market position and share.</li> <li>Impact on profitability margins.</li> </ul>	<ul style="list-style-type: none"> <li>Standard operating protocols.</li> <li>Quality audits.</li> <li>Accreditation and awards provide assurance to stakeholders regarding the quality of our offering.</li> <li>Procedures to ensure responsible marketing communications.</li> <li>Nurturing and maintaining strong relationships with key stakeholders and ensuring needs are satisfied.</li> </ul>
<p><b>● Terrorism and Heightened Security Concerns</b></p>		
<ul style="list-style-type: none"> <li>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.</li> </ul>	<ul style="list-style-type: none"> <li>Lower patient volumes placed pressure on revenue and margins, reducing profits.</li> </ul>	<ul style="list-style-type: none"> <li>Increased security checks on vehicles and guests.</li> <li>Property risk insurance in place.</li> </ul>
<p style="text-align: right;">Net Risk Assessment ● High ● Moderate ● Low</p>		

# CORPORATE GOVERNANCE

## > OUR APPROACH TO CORPORATE GOVERNANCE

Listed on the Colombo Stock Exchange with a public holding of – 34.19% (though such listing is currently suspended), 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, and strengthens Board and management accountability.

### 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. Relationship with shareholders

Details of Compliance with respective statutes and codes as described in the Compliance Summary on page 47 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 seven Board subcommittees with responsibility to oversee the same. The Terms of Reference of the committees outlines their respective roles and responsibilities.

The Management Committee (MC) led by the Chairman and comprising of the Deputy Chairman, Director/General Manager, Executive Directors and Department Heads, formulate and oversee 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 overseeing by the Board and the MC respectively.

## > 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 organisational 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. 07 of 2007
- > Private Medical Institutions (Registration) 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

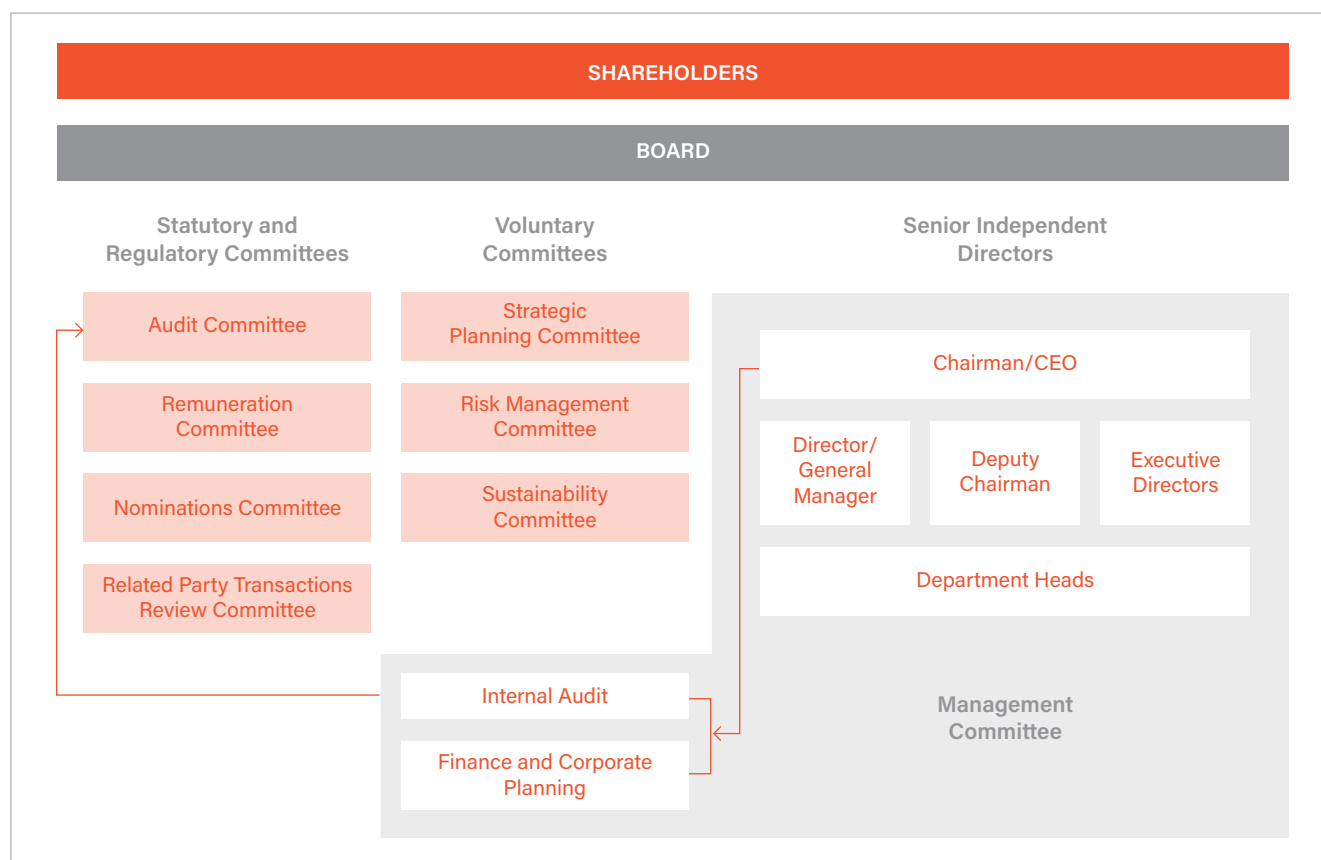
### INTERNAL

- > Articles of Association
- > Board and subcommittees charters
- > Policy framework
- > Risk Management framework

## > COMPLIANCE SUMMARY

Regulation/code	Adoption	Adherence	Disclosure
The Companies Act No. 07 of 2007 (Companies Act)	Mandatory	Compliant	Page 57
Listing Rules of the Colombo Stock Exchange (CSE)	Mandatory	Compliant	Pages 55-56
Securities and Exchange Commission Act No. 19 of 2021, including directives and circulars	Mandatory	Compliant	Pages 57-59
Code of Best Practice on Corporate Governance (2017) issued jointly by The Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) and the Securities and Exchange Commission of Sri Lanka	Voluntary	Compliant	Pages 57-59

## > ORGANISATION STRUCTURE



## > 2.0 AN EFFECTIVE BOARD

### 2.1 Board composition

The Board comprises 11 members as at 31 March 2023, whose profiles are given on pages 12 to 17.

Seven Directors are Non-Executive of whom three are deemed independent. Non-Executive Directors are eminent professionals in their respective fields. Appointment of Deshabandu Tilak De Zoysa as Senior Independent Director, further strengthens the independence of the Board. Sufficient balance of power minimises the tendency for

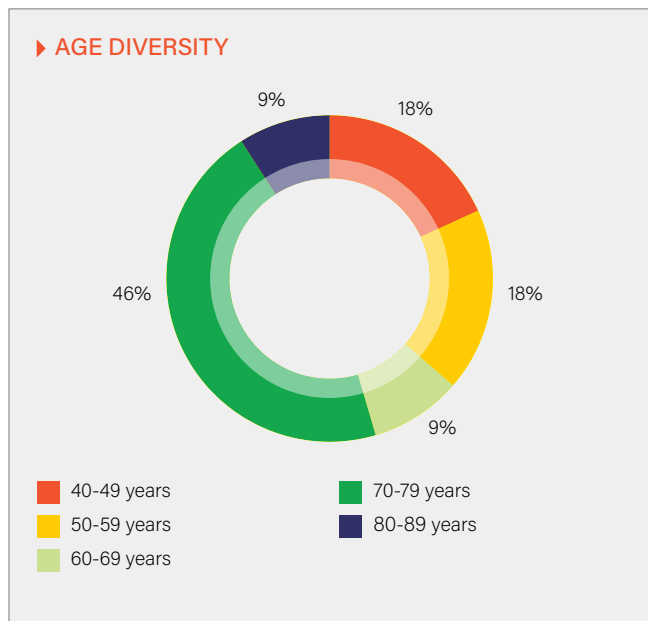
one or few members of the Board to dominate the Board processes or decision-making. Although three Executive Directors – Dr H K Jayantha Dharmadasa (Chairman/CEO), Mr Anisha Dharmadasa (Deputy Chairman) and Ms Ashani Dharmadasa are related to each other, they act in the best interests of the Group with focus and purpose. The Board is diverse in its experience, age and expertise contributing varied perspectives to Boardroom deliberations and exercising independent judgement to bear upon matters set before them.

**Board composition**

Chairman (Executive)	
Executive Directors	
Non-Executive Directors	
Non-Executive Independent Directors	

Based on past performance, the Board is of the view that the periods of service as Board members of Deshabandu Tilak De Zoysa, Mr Tissa Bandaranayake, and Mr Sunil Abeyratne, which exceed 9 years do not compromise their independence and objectivity in discharging their functions as Directors. Therefore, the Board determined that Deshabandu Tilak De Zoysa, Mr Tissa Bandaranayake, and Mr Sunil Abeyratne are "independent" as per the Listing Rules.

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



**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 retire from office at each AGM, and upon recommendation by the Board, become eligible to stand for re-election by the shareholders at the AGM. The Nomination Committee recommends the Directors for re-election and for approval by the Board.

**2.2 Independent Directors**

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

**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 annual declarations and other information submitted by all Directors.

**Outcome**

The Board is satisfied that there are no relationships or circumstances likely to affect or appear to affect the status of Independent Directors during the period under review.

**Appointments, resignations, retirements, and re-election**

Dr Maithri (Maiya) Gunasekera was appointed as a Director of the Company on 25 May 2022.

Mr Harshith Dharmadasa and Mr Palitha Kumarasinghe, PC resigned on 18 May 2022 and 30 June 2022 respectively.

Mr Anisha Dharmadasa will retire by rotation in terms of Article 74, at the AGM to be held on 14 February 2024 and has offered himself for re-election.

Dr Jayantha Dharmadasa, Vidya Jyothi Professor Lal Chandrasena, Deshabandu Tilak De Zoysa, Mr Tissa K Bandaranayake, Mr D Sunil AbeyRatna and Dr Maiya Gunasekera 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.

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, if any, of Directors and the reasons therefor 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 shareholders.

## 2.4 Board responsibilities

The Board provides ethical and effective leadership to the Organisation and bears ultimate responsibility for the economic, social, and environmental performance of the Group. The Board determines overall strategy and oversees implementation of the same. Key responsibilities are summarised 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 their 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 his exposure and immense experience in the operations of the Group which makes him the ideal CEO, and the superior skills he possesses in mediating and in communications between the Board and the shareholders. He also acts as the main pivot of communication between the Board and the Management.

The Board has appointed as Senior Independent Director (SID), Deshabandu Tilak de Zoysa, in compliance with Best Practice 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
Leads the Board, observing good corporate governance and ensuring that the Board acts in the best interests of the Group.	Develops Group Strategy and ensures its implementation.	Supports executive leadership whilst monitoring their conduct.
Builds and maintains stakeholder trust and confidence.	Establishes a Group organisational structure, appropriate for execution of strategy.	Promotes high standards of corporate governance and compliance
Ascertains views of all Directors on issues under consideration.	Monitors and reports performance of the Group and its compliance with applicable laws.	Be available to shareholders for discussion of matters of their concern.
Ensures a balance of power is maintained between Executive and Non-Executive Directors (NED).	Ensures proper succession planning of the Corporate Management Team	Be available to Directors for advice and material discussion.
	Ensures the Group operates within the approved risk appetite.	

## Key Board responsibilities

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

## 2.6 Board committees

The Board has appointed Subcommittees 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.

Audit Committee	<ul style="list-style-type: none"> <li>Financial reporting</li> <li>Internal controls</li> <li>Internal audit</li> <li>External audit</li> </ul>	<p>Mr Tissa K Bandaranayake – Chairman (INED)</p> <p>Deshabandu Tilak De Zoysa – Member (INED)</p> <p>Mr D Sunil AbeyRatna – Member (INED)</p>	Report of the Audit Committee on pages 65-66
Nominations Committee	<ul style="list-style-type: none"> <li>Appointment of Key Management Personnel/Directors</li> <li>Succession Planning</li> <li>Effectiveness of the Board and its committees</li> </ul>	<p>Deshabandu Tilak De Zoysa – Chairman (INED)</p> <p>Mr Tissa K Bandaranayake – Member (INED)</p> <p>Mr D Sunil AbeyRatna – Member (INED)</p>	Report of the Nominations Committee on page 48
Remuneration Committee	<ul style="list-style-type: none"> <li>Remuneration policy for Key Management Personnel</li> <li>Goals and targets for Key Management Personnel</li> <li>Performance evaluation</li> </ul>	<p>Deshabandu Tilak De Zoysa – Chairman (INED)</p> <p>Mr Tissa K Bandaranayake – Member (INED)</p> <p>Mr D Sunil AbeyRatna – Member (INED)</p>	Report of the Remuneration Committee on page 64
Related Party Transactions Review Committee	<ul style="list-style-type: none"> <li>Review of related party transactions</li> </ul>	<p>Mr Tissa K Bandaranayake – Chairman (INED)</p> <p>Deshabandu Tilak De Zoysa – Member (INED)</p> <p>Mr D Sunil AbeyRatna – Member (INED)</p> <p>Vidya Jyothi Professor Lal Chandrasena – Member (DGM/ED)</p> <p>Mr Palitha Kumarasinghe, PC – Member (INED) (until 30 June 2022)</p>	Report of the Related Party Transactions Review Committee on page 67
Risk Management Committee (Voluntary committee)	<ul style="list-style-type: none"> <li>Development of contingency plans</li> <li>Training and professional development</li> <li>Information technology and cyber risks</li> <li>Risk mitigation, including insurance where this is cost-effective</li> </ul>	<p>Vidya Jyothi Professor Lal Chandrasena – Chairman (DGM/ED)</p> <p>Mr A G Dharmadasa – Member (ED)</p> <p>Ms A G Dharmadasa – Member (ED)</p> <p>Mr U Harshith Dharmadasa – Member (ED) (until 18 May 2022)</p>	Page 42
Strategic Planning Committee (Voluntary committee)	<ul style="list-style-type: none"> <li>The Strategic Planning Committee assists the Board with its responsibilities for the Organisation's mission, vision, and strategic direction.</li> </ul>	<p>Dr H K Jayantha Dharmadasa – Chairman/CEO</p> <p>Vidya Jyothi Professor Lal Chandrasena – Member (DGM/ED)</p> <p>Mr A G Dharmadasa – Member (ED)</p> <p>Mr U Harshith Dharmadasa – Member (ED) (until 18 May 2022)</p>	Page 62
Sustainability Committee (Voluntary committee)	<ul style="list-style-type: none"> <li>The Sustainability Committee will assist the Board to meet its overall responsibilities in relation to the Company's sustainability policies and practices.</li> </ul>	<p>Dr H K Jayantha Dharmadasa – Chairman/CEO</p> <p>Vidya Jyothi Professor Lal Chandrasena – Member (DGM/ED)</p> <p>Mr A G Dharmadasa – Member (ED)</p> <p>Mr U Harshith Dharmadasa – Member (ED) (until 18 May 2022)</p>	Page 62

## 2.7 Meetings and minutes

Agenda and Board papers are sent in advance of the Board meetings, giving 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 flexibility to arrange additional meetings when required. The Board met 11 times during the year. Minutes are circulated to Directors and formally approved at the subsequent Board meeting. Directors' concerns regarding matters which are not resolved unanimously, are recorded in the minutes.

## Attendance at meetings

Name of the Director	Status	Board	Audit	Related Party Transaction Reviews
1. Dr Jayantha Dharmadasa	EXED	10/11	-	-
2. Mr Anisha Dharmadasa	EXED	10/11	-	-
3. Vidya Jyothi Professor L Chandrasena	EXED	11/11	-	3/4
4. Mr Tissa Bandaranayake	INED	11/11	6/6	4/4
5. Deshabandu Tilak De Zoysa	SID/INED	11/11	4/6	3/4
6. Ms Givanthi Dharmadasa	EXED	11/11	-	-
7. Mr Sunil Abeyratne	INED	11/11	6/6	4/4
8. Mr Victor Ramanan	NED	8/11	-	-
9. Dr Chandima De Mel	NED	11/11	-	-
10. Vidya Jyothi Professor Arjuna De Silva	NED	5/11	-	-
11. Dr Maiya Gunasekera	NED	9/9	-	-
12. Mr Palitha Kumarasinghe (PC)	INED	3/3	-	1/1

**EXED** – Executive Director

**NED** – Non-Executive Director

**INED** – Independent NED

**SID** – Senior Independent Director

## 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 the time of their 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 meeting when the Board considers any matters in which a conflict may arise, thereby abstaining from participation and 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 150.

## 2.10 Company secretaries

Secretarial services to the Board were 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 until their resignation effective from 7 June 2022 and the appointment of the current secretaries C G Corporate Consultants (Private) Limited. The Company Secretaries guide the Board on discharging their duties and responsibilities and keep members abreast of relevant changes in legislation and compliance with the continuing Listing Rules of the Colombo Stock Exchange. All Directors have access to the advice and services of the Company Secretaries, as necessary.

## 2.11 Induction and training for Directors

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

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

## 2.12 Board access to information and resources

Directors have unrestricted access to management and information of the Organisation 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, to ensure that the Board is apprised of developments impacting the Group.

Access to independent professional advice is coordinated through the Company Secretaries and is available to Directors at Group's 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.

### 2.14 Board appraisal

The Board's performance is assessed annually against pre-set targets relating to self-evaluation of individual performance and collective performance of the board as a whole.

#### Appraisal of Board performance

The Board members assess 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 pre-set targets relating to self-evaluation of individual performance and collective performance of the Board as a whole.
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A.9.2	Adopted	Please refer above comment. (A.9.1)
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A.9.3	Adopted	Please refer above comment. (A.9.1)
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## > 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 three Independent Non-Executive Directors 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 RC in discharging their responsibilities.

### 3.2 Level and make up of remuneration

The remuneration packages of Executive Directors are designed to attract eminent persons as Executive 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 that would entitle the Executive Directors to extra compensation. However, such compensation, if any, would be determined by the Board of Directors.

Please refer page 92 – Notes to Financial Statements for the total Directors' remuneration.

## > 4.0 BOARD ACCOUNTABILITY

### 4.1 Compliance

Directors are conscious of their duties 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 systems and risk assessments processes to manage such risks.

### 4.3 Accountability and Audit

Every effort has been made to present the Annual Report, Quarterly Financial Statements and any 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 – pages 6 to 8
- Director/General Manager's Review – pages 9 to 11
- Managing Risk – on pages 43 to 45

The following reports provide further information required by the Code:

- The Directors' Report on pages 60 to 63
- The Statement of Directors' Responsibilities on page 68
- Report of the Auditor's on pages 73 to 76

#### 4.4 External Auditor

The Audit Committee (AC) makes recommendations to the Board for the appointment, reappointment or removal of the External Auditor inline 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.

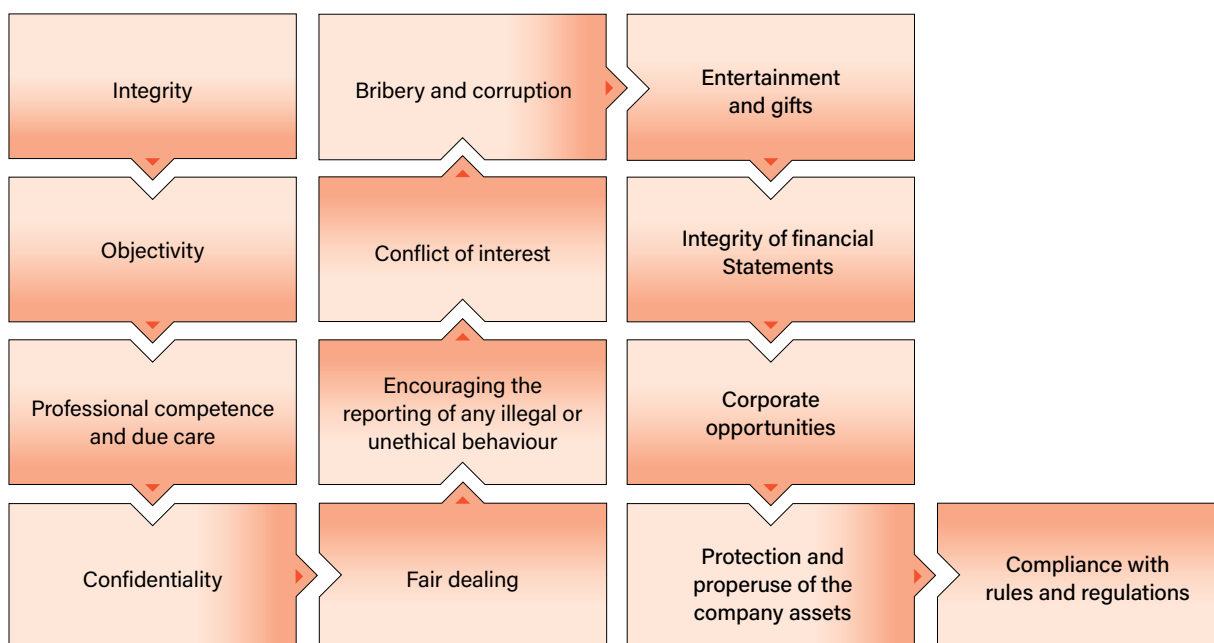
On the recommendation of the Board, the shareholders approved the reappointment of Messrs KPMG (Chartered Accountants) as the External Auditors for 2022/23 at the last AGM. In compliance with Section 163 (3) of the Companies Act No. 07 of 2007, the External Auditors submit a statement annually confirming their independence in relation to the external audit.

#### 4.5 Major or material transactions

During the year, there were no major transactions as defined in Section 185 of the Companies Act No. 07 of 2007 which materially affected 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 employees. Key topics covered are given alongside. The Board is not aware of any material violations of any of the provisions of the Code of Conduct 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 safeguarding high standards of patient care. Obtaining Joint Commission Inter-annual accreditation 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 below. The Quality Improvement and Patient Safety Committee monitors performance and ensures compliance with the Goals.

#### Quality Improvement and Patient Safety Committee

At Nawaloka there is an ongoing 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 received relating to quality listed below, are a testament to 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
- JCI Standards in 2019

#### 4.8 Digital governance

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

### > 5.0 RELATIONS WITH SHAREHOLDERS

The Board is conscious of their responsibilities towards stakeholders and is committed to fair disclosure, with emphasis on 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, and notification of key events through announcements in the CSE website.

Shareholders also have the opportunity to ask questions, make the comments and suggestions to the Board through the Company Secretaries and Registrars whose contact details are provided on page 51 of this Report and the Investor Relations page of the Company website. All significant issues and concerns of 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 the shareholders and provides an opportunity for shareholders' views to be voiced. Notice of the AGM, the Annual Report and Audited Accounts and any other resolution together with the corresponding information that may be set before the shareholders at the AGM, are circulated to shareholders with a minimum of 21 days' notice 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 such 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 and Board members 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 the shareholders' issues are resolved systematically.

#### 5.3 Corporate Governance

The company has taken in to accounts with the corporate governance rules applicable to listed entities, which are enumerated in current Rule 710 and Section 9 of the listing rules of the Colombo Stock Exchange (CSE) have been revised by the CSE and the said amendments have been approved by the Securities and Exchange Commission of Sri Lanka (SEC) those will be effective from 01 October 2023.

## Appendix I – Statement of Compliance under 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			47
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	47-48
7:10.2 (a)	Independent Directors (ID)	2 or 1/3 of NEDs, whichever is higher, should be independent	Yes	Board composition	47-48
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	48
7:10.3 (a)	Disclosure relating to Directors	The Board shall annually determine the independence or otherwise of the NEDs, and names of each ID should be disclosed in the Annual Report (AR)	Yes	Directors' independence Board Profiles	13-17 12-17
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	12-17
7:10.3 (c)	Disclosure relating to Directors	A brief résumé of each Director should be included in the AR including the Director's areas of expertise	Yes	Board Profiles	12-17
7:10.3 (d)	Disclosure relating to Directors	Provide a brief résumé of new Directors appointed to the Board with details specified in Rules 7:10.3 (a), (b) and (c) to the CSE	Yes	Board Profiles	12-17
7:10.4 (a-h)	Criteria for defining independence	Requirements for meeting criteria to be an independent Director	Yes	Directors' independence	12-17
7:10.5	Remuneration Committee (RC)	A listed company shall have a Remuneration Committee	Yes	Remuneration Committee Report	64
7:10.5 (a)	Composition of Remuneration Committee	RC shall comprise 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	64
7:10.5. (b)	Functions of Remuneration Committee	The RC shall recommend the remuneration of Executive Directors	Yes	Remuneration Committee Report	64
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	64 150
7:10.6	Audit Committee (AC)	The Company shall have an AC	Yes	Audit Committee Report	65-66
7:10.6 (a)	Composition of Audit Committee	Shall comprise of Non-Executive Directors, a majority of whom are Independent  Unless otherwise determined, Chief Executive Officer and the Chief Financial Officer should attend Audit Committee meetings  The Chairman of the Audit Committee or one member should be a member of a professional accounting body	Yes	Audit Committee Report	65

Rule No.	Subject	Requirement	Complied	Action/Reference (within the Report)	Page
7.10.6 (b)	Audit Committee functions	<p>Overseeing of the 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, reappointment and removal of External Auditors, and approve the remuneration and terms of engagement of the External Auditor</p>	Yes	Audit Committee Report	65-66
7.10.6 (c)	Disclosure in Annual Report relating to Audit Committee	<p>The Annual Report shall contain names of Directors comprising the AC</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	65-66

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

Rule	Requirement	Complied	Action/Reference (within the Report)	Page
(a)	Details pertaining to non-recurrent related party transactions (RPT)	Yes	Report of the Related Party Transactions Review Committee	67
(b)	Details pertaining to recurrent RPTs	Yes	Notes to the Financial Statements	67
(c)	Report of the Related Party Transactions Review Committee	Yes	Report of the Related Party Transactions Review Committee	67
(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	Yes	Annual Report of the Board of Directors	12-17

**Appendix III: Statement of Compliance pertaining to Companies Act No. 07 of 2007**

Rule	Requirement	Complied	Action/Reference (within the Report)	Page
168 (1) (a)	The nature of the business together with any change therein	Yes	Annual Report of the Board of Directors	12-17
168 (1) (b)	Signed financial statements of the Group and the Company	Yes	Financial statements and Annual Report of the Board of Directors	72
168 (1) (c)	Auditors' Report on financial statements	Yes	Independent Auditor's Report	75
168 (1) (d)	Accounting policies and any changes therein	Yes	Notes to the Financial Statements and Annual Report of the Board of Directors	60
168 (1) (e)	Particulars of the entries made in the Interests Register	Yes	Annual Report of the Board of Directors	60
168 (1) (f)	Remuneration and other benefits paid to Directors of the Company	Yes	Notes to the Financial Statements and Annual Report of the Board of Directors	60
168 (1) (g)	Corporate donations made by the Company	Yes	Notes to the Financial Statements and Annual Report of the Board of Directors	60
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 & Annual Report of the Board of Directors	12-17
168 (1) (i)	Amounts paid/payable to the External Auditors as audit fees and fees for other services rendered	Yes	Notes to the Financial Statements	92
168 (1) (j)	Auditors' relationship or any interest with the Company and its subsidiaries	Yes	Report of the Audit Committee/Financial Statements and Annual Report of the Board of Directors	65-66
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	60

**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, 2017**

Rule	Requirement	Complied	Action/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 and minutes	51
A.1.2	Role and responsibilities of the Board	Yes	Board responsibilities	49
A.1.3	Act in accordance with laws of the country	Yes	Board responsibilities Compliance	49 47
A.1.4	Access to advise and services of the Company Secretary	Yes	Company Secretary	51

Rule	Requirement	Complied	Action/Reference (within the Report)	Page
A.1.5	Independent judgement	Yes	Directors' independence	70
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 interest	67
A.1.7	Board induction and training	Yes	Induction and training for Directors	51
A.2	Chairman and CEO	Yes	Chairman, Chief Executive Officer and Senior Independent Director (SID)	49
A.3	Chairman's role in preserving good corporate governance	Yes	Chairman, Chief Executive Officer and Senior Independent Director (SID)	49
A.4	Availability of financial acumen	Yes	Board composition	47-48
A.5	Board balance	Yes	Board composition	47-48
A.5.1	The Board should include sufficient number of NEDs	Yes	Board composition	47-48
A.5.2	If the Board includes only two NEDs, both NEDs should be independent	N/A	Seven NEDs independent	47-48
A.5.3	Independence of Directors	Yes	Directors' independence	70
A.5.4	Annual declaration of independence by Directors	Yes	Directors' independence	70
A.5.5	Annual determination of independence of NEDs	Yes	Directors' independence	70
A.5.6	Alternate Directors	N/A	(No Alternate Directors appointed)	-
A.5.7 and A.5.8	Senior Independent Directors	N/A	Chairman, Chief Executive Officer and Senior Independent Director (SID)	48
A.5.9	Annual meeting by the Chairman with NED	Yes	Chairman/Chief Executive Officer	51
A.5.10	Recording of dissent in minutes	Yes	Meetings and minutes	51
A.6	Supply of Information	Yes	Board access to information and resources	51-52
A.7	Appointments to the Board and re-election	Yes	Appointment, re-election and resignation	48
A.7.1	Establishing a Nomination Committee, Chairman and Terms of Reference	Yes	Nomination Committee Report	48
A.7.2	Annual assessment of Board composition	Yes	Board evaluation	64
A.7.3	Disclosures on appointment of new Directors	Yes	Appointment, re-election and, resignation	48
A.8	Directors to submit themselves for re-election	Yes	Appointment, re-election and, resignation	48
A.9	Appraisal of Board and subcommittee Performances	Yes	Board evaluation	64

Rule	Requirement	Complied	Action/Reference (within the Report)	Page
A.10	Annual Report to disclose specified information regarding Directors	Yes	Board Profiles Meeting attendance Directorships in other companies Membership in committees	12-17 51 12-17 50
A.11	Appraisal of the CEO	Yes		
B.1	Establish process for developing policy on Executives and Directors' remuneration		Responsible and fair remuneration	150
B.2	Level and make up of remuneration	Yes	Responsible and fair remuneration	150
B.3	Disclosures related to remuneration in Annual Report <ul style="list-style-type: none"> <li>• Remuneration policy statement</li> <li>• Aggregate Board remuneration paid</li> <li>• HRRC report</li> </ul>	Yes	Responsible and fair remuneration Note 41 to Financial Statements Remuneration Committee report	150
C.1.	Constructive use of the AGM and other General Meetings	Yes	Constructive use of the Annual General Meeting (AGM)	54
C.2.	Communication with shareholders	Yes	Communication with shareholders	54
C.3	Disclosure of major and material transactions	Yes	There were no transactions which would materially alter the Company's or the 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 83	-
D. 1	Present a balanced and understandable assessment of the Company's financial position, performance and prospects	Yes	Communication with shareholders	54
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	43-45
D.3.	Audit Committee	Yes	Audit Committee Report	65-66
D.4	Code of Business Conduct and Ethics	Yes	Code of Conduct	53
D.5	Corporate Governance Disclosures	Yes	Corporate Governance Report	46
E and F	Institutional and other investors, encourage voting at AGM	Yes	Relations with Shareholders	54
G	Principals of Sustainability Reporting	Yes	Management Discussion and Analysis	30

# ANNUAL REPORT OF THE BOARD OF DIRECTORS

The Directors have pleasure in presenting to the members, their Report together with the Audited Financial Statements for the year ended 31 March 2023.

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

## > LEGAL FORM

Nawaloka Hospitals PLC is a Public Company with limited liability incorporated in Sri Lanka on 1 July 1982 under the Companies Ordinance No. 51 of 1938 and re-registered on 7 September 2007 under the provisions of the Companies Act No. 07 of 2007, and assigned the Company Re-Registration No. PQ 78. Since 2004, its Shares are quoted on the Colombo Stock Exchange.

However, since 15 June 2023 the trading of the Company shares in the share market was suspended due to the Disclaimer of Opinion expressed by the Auditors in respect of the Financial Statements for the year ended 31 March 2022. This information is disclosed as required by Section 168 of the Companies Act No. 07 of 2007, which also requires the following information to be disclosed:

## > PRINCIPAL BUSINESS ACTIVITIES

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

## > COMPANY

The principal activities of the Company and its subsidiaries are the providing of healthcare and hospital services.

## > SUBSIDIARIES

### New Nawaloka Hospitals (Private) Limited (PV 3426)

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

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

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

### Nawaloka Laboratories (Private) Limited (PV 121462)

A Private Company with limited liability was incorporated in Sri Lanka in the year 2017 under the provisions of the Companies Act No. 07 of 2007. It is domiciled in Sri Lanka and is also a wholly owned subsidiary of Nawaloka Hospitals PLC.

## > EQUITY ACCOUNTED INVESTEEES

### Nawaloka College of Higher Studies (Pvt) Ltd. (PV 95678)

This is a limited liability company incorporated in Sri Lanka in 2013 under the provisions of the Companies Act No. 07 of 2007. Nawaloka College of Higher Studies (Pvt) Ltd provides recognised higher education programs in Sri Lanka in collaboration with leading universities from Australia, USA, and the UK.

## > 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/Chief Executive Officer's Performance Review and of the Director/General Manager's Operational and Management review on pages 6 to 11 respectively of this report. These reviews form an integral part of this report and together with the Financial Statements describe in detail 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 77 to 157 and have been prepared in conformity with the Sri Lanka Accounting Standards, the requirements of Section 168 (1) (b) of the Companies Act No. 07 of 2007 and the Listing Rules of the Colombo Stock Exchange.

## > AUDITOR'S REPORT

The Financial Statements for the year ended 31 March 2023 were audited by Messrs. KPMG (Chartered Accountants) and the Independent Auditor's Report issued thereon appears on pages 73 to 76 of this Annual Report as required by Section 168 (1) (c) of the Companies Act No. 07 of 2007.

## > FINANCIAL RESULTS

(All figures in Sri Lanka Rupees)	Group		Company	
	2022/23 Rs.	2021/22 Rs.	2022/23 Rs.	2021/22 Rs.
(Loss)/Profit before taxation	(1,910,781,335)	456,018,655	(732,631,418)	310,555,609
Less: Taxation	(527,674,160)	(552,606,972)	77,905,196	(60,700,437)
(Loss)/Net profit after taxation	(2,438,455,495)	(96,588,317)	(654,726,222)	249,855,172
(Loss)/Profit attributable to equity holders of the Company	(2,438,455,495)	(96,588,317)	(654,726,222)	249,855,172
(Loss)/Earnings per share	(1.73)	(0.07)	(0.46)	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 84 to 86 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.

## > DIRECTORS' REMUNERATION AND OTHER BENEFITS

Directors' remuneration and other benefits are given in Note 41 to the Financial Statements on page 150 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. 4.23 Mn and is being 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

The total Group Shareholders' funds as at 31 March 2023, stood at Rs. 4,923 Mn. The total Shareholders' Funds of the Group as at 31 March 2022 stood at Rs. 6,682 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 2021/22 Financial year.

## > DIRECTORATE

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

Name of Director	Executive/Non-Executive status	Status of independence
Dr H K Jayantha Dharmadasa <i>Chairman and Chief Executive Officer</i>	Executive	
Mr U Harshith Dharmadasa <i>Deputy Chairman (until 18 May 2022)</i>	Executive	
Mr Anisha Dharmadasa <i>Deputy Chairman (from 18 May 2022)</i>	Executive	

Name of Director	Executive/Non-Executive status	Status of independence
Deshabandu Tilak de Zoysa <i>Senior Independent Director</i>	Non-Executive	Independent
Vidya Jyothi Prof Lal Chandrasena <i>General Manager</i>	Executive	
Mr Tissa K Bandaranayake <i>Independent Director</i>	Non-Executive	Independent
Ms A G Dharmadasa	Executive	
Mr D Sunil AbeyRatna	Non-Executive	Independent
Mr Palitha Kumarasinghe, PC (until 30 June 2022)	Non-Executive	Independent
Mr V R Ramanan	Non-Executive	
Dr W Chandima P De Mel	Non-Executive	
Vidya Jyothi Prof S K A Arjuna P De Silva	Non-Executive	
Dr Maiya Gunasekera (from 25 May 2022)	Non-Executive	

The qualifications and experience of each of the Directors, are given in the individual profiles of the Board of Directors on pages 12 to 17 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 to, and resignations from the Board of Directors of the Company are shown as an integral part of the Annual Report of the Board of Directors, in compliance with Section 168 (1) (h) of the Companies Act No. 07 of 2007.

During the financial year under review, Mr Harshith Dharmadasa resigned on 18 May 2022, Mr Palitha Kumarasinghe PC resigned on 30 June 2022 and Dr Maiya Gunasekera was appointed on 25 May 2022.

## > RECOMMENDATIONS FOR RE-ELECTION

In terms of Article 74 of the Articles of Association of the Company, Mr Anisha Givantha Dharmadasa retires from the Board by rotation at the forthcoming Annual General Meeting and being eligible, has offered himself for re-election.

Further, Dr Hewa Komanage Jayantha Dharmadasa, Vidya Jyothi Professor Lal Chandrasena, Deshabandu Tilak de Zoysa, Mr Tissa Kumara Bandaranayake, Dr Maiya Gunasekera and Mr 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. 07 of 2007, have offered themselves to be re-appointed as Directors of the Company.

## > INDEPENDENT DIRECTORS

Deshabandu Tilak De Zoysa, Mr Tissa K Bandaranayake and Mr D Sunil AbeyRatna 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 that they are yet regarded as Independent Directors in terms of Rule 710.4 (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 in the same capacity.

## > BOARD SUBCOMMITTEES

Several Board Subcommittees established by the Board continue to oversee matters relating to policy and governance. The composition of the Subcommittees 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)

### > 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 Prof Lal Chandrasena – Member (ED)  
Mr Palitha Kumarasinghe, PC – Member (until 30 June 2022)

### > REMUNERATION COMMITTEE MEMBERS

Deshabandu Tilak De Zoysa – Chairman (INED)  
Mr Tissa K Bandaranayake – Member (INED)  
Mr D Sunil AbeyRatna – Member (INED)

### > NOMINATION COMMITTEE MEMBERS

Deshabandu Tilak De Zoysa – Chairman (INED)  
Mr Tissa K Bandaranayake – Member (INED)  
Mr D Sunil AbeyRatna – Member (INED)

### > RISK MANAGEMENT COMMITTEE

Vidya Jyothi Prof Lal Chandrasena – Chairman (DGM/ED)  
Mr U Harshith Dharmadasa – Member (ED) (until 18 May 2022)  
Mr A G Dharmadasa – Member (ED)  
Ms A G Dharmadasa – Member (ED)

### > STRATEGIC PLANNING COMMITTEE

Dr H K Jayantha Dharmadasa – Chairman/CEO  
Vidya Jyothi Prof Lal Chandrasena – Member (ED)  
Mr U Harshith Dharmadasa – Member (ED) (until 18 May 2022)  
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) (until 18 May 2022)  
Mr A G Dharmadasa – Member (ED)

**DGM** – Director General Manager  
**ED** – Executive Director  
**INED** – Independent Non-Executive Director

## > DIRECTORS' MEETINGS

Details of meetings which comprise Board meetings, the Board's Subcommittee meetings namely the Audit Committee, Remuneration Committee, Strategic Planning Committee, Nomination Committee, Related Party Transactions Review Committee and Risk Management Committee are dealt with on page 51 of this Annual Report.

## > DIRECTORS' SHAREHOLDINGS

The shareholdings of the Directors as at 31 March 2023 and the previous year, are as follows:

	2022/23	2021/2022
Mr H K J Dharmadasa	462,736,182	462,736,182
Ms A G Dharmadasa	5,066,686	5,066,686
Mr V R Ramanan	3,110,088	3,110,088
Mr A G Dharmadasa	3,004,026	3,004,026
Vidya Jyothi Prof Lal Chandrasena	601,198	601,198
Dr W Chandima P De Mel	500,000	500,000
Deshabandu Tilak de Zoysa	218,000	218,000
Dr Maiya Gunasekera	32,000	N/A
Mr U H Dharmadasa	N/A	3,360
Mr D Sunil AbeyRatna	NIL	NIL
Mr Tissa K Bandaranayake	NIL	NIL
Mr Palitha Kumarasinghe, PC	N/A	NIL
Vidya Jyothi Prof S K A Arjuna P De Silva	NIL	NIL

## > RELATED PARTY TRANSACTIONS

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

## > DIRECTORS' INTEREST

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

## > CAPITAL EXPENDITURE

Details of property, plant and equipment and their movements in the Company and the Group during the year, are listed in Note 18 to the financials on pages 102 to 109.

### > MARKET VALUE OF BUILDINGS CONSTRUCTED ON LEASE HOLD LAND

Buildings constructed on leasehold land were re-valued by a professionally qualified independent valuer as at 31 March 2023 and brought into the financial statements. The Directors are of the opinion that the re-valued amounts are not in excess of the current market values of such properties. Details of revaluation are listed in Note 18 to the Financial statements.

### > STATED CAPITAL

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

	Group		Company	
	2022/23	2021/22	2022/23	2021/22
<b>Issued and fully paid:</b>				
At the beginning of the year	1,409,505,596	1,409,505,596	1,409,505,596	1,409,505,596
At the end of the year	1,409,505,596	1,409,505,596	1,409,505,596	1,409,505,596

### > SHARE INFORMATION

The composition of shareholders and the information relating to share trading, net assets and market value per share are given on page 161 of this Annual Report.

### > MAJOR SHAREHOLDERS

The 20 largest shareholders of the Company as at 31 March 2023 are given on page 161 of this Annual Report.

### > EMPLOYMENT POLICY

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

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

The number of persons employed by the Group as at 31 March 2023 was 2,301 (2022 – 2,095).

### > GROUP REVENUE

The Revenue of the Group was Rs. 9,305,061,318. The analysis thereof is given in Note 10 to the Financial Statements.

### > GOING CONCERN

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

### > EVENTS OCCURRING AFTER THE REPORTING DATE

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

### > 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 Auditors) with the Company or any of its subsidiaries other than those disclosed above. The Auditors also do not have any interest in the Company, or its subsidiaries as required by Section 168 (1) (j) of the Companies Act No. 07 of 2007.

For and on behalf of the Board,



**Mr Jayantha Dharmadasa**  
Chairman/Chief Executive Officer



**Mr Anisha Dharmadasa**  
Deputy Chairman, Executive Director

By Order of the Board,



**C G CORPORATE CONSULTANTS (PRIVATE) LIMITED**  
Company Secretaries of Nawaloka Hospitals PLC

22 January 2024

# THE BOARD REMUNERATION COMMITTEE REPORT

## > FORMATION, COMPOSITION AND STRUCTURE

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

**Deshabandu Tilak De Zoysa**

Chairman – Senior Independent Non-Executive Director

**Mr Tissa K Bandaranayake**

Member – Independent Non-Executive Director

**Mr D Sunil AbeyRatna**

Member – Independent Non-Executive Director

The Committee met once during the financial year and its deliberations were based on 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 determining their own remuneration or any other benefit(s).
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, and
  - (e) Industry standards, in declaring the overall remuneration policy of the Group.
3. Recommending corporate management appointment to the Board.
  4. Approving remuneration levels for each designation of Senior Management.
  5. Maintaining competitive and attractive remuneration packages to Senior Managers and ensuring that it is in par with the industry standards.
  6. Recommending promotions of Key Management Personnel to the Board of Directors.
  7. Deciding performance based remuneration, increments, incentives and bonus with the regular evaluation of performance against targets.

## > CHALLENGES

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

## > EVALUATION OF THE EFFECTIVENESS OF THE COMMITTEE

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 in compliance with the provisions of the Listing Rules.



**Deshabandu Tilak De Zoysa**  
Chairman

22 January 2024

# AUDIT COMMITTEE REPORT

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

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

## > BROAD PURPOSE OF THE AUDIT COMMITTEE

The Audit Committee assisted the Board in the following manner:

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

## > MEMBERS OF THE AUDIT COMMITTEE

Name of Director	Non-Executive	Independent
Mr Tissa K Bandaranayake Chairman	✓	✓
Deshabandu Tilak De Zoysa	✓	✓
Mr D Sunil Abeyratne	✓	✓

## > DUTIES AND RESPONSIBILITIES

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

### External audit

- Examining 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.
- Discussing with the Auditors at appropriate stages of the audit, with or without the presence of management 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 31 March 2024.

### Internal controls and internal audit

- Reviewing the internal audit function and making recommendations.
- Ensuring that there are satisfactory arrangements for monitoring internal controls in keeping with delegated authorities.
- Reviewing mechanisms for the confidential receipt and treatment of complaints if any, alleging fraud received from internal/external sources and pertaining to internal control, accounting or other such matters.

### Risk management

- Monitoring the policies and practices related to risk management.
- Obtaining statements of business risks, evaluating the severity, the process in place for the management of these risks and persons responsible for the management of risks within specified time frames.

### Financial Statements

- Reviewing 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 Six (6) meetings during the year under review. The proceedings of the Audit Committee are regularly reported to the Board of Directors. The attendance of members at these meetings is given below:

Name of Director	Number of meetings attended	Attendance percentage %
Mr Tissa K Bandaranayake Chairman	6/6	100
Deshabandu Tilak De Zoysa	4/6	66.7
Mr D Sunil AbeyRatna	6/6	100

## AUDIT COMMITTEE REPORT

The regular Audit Committee meetings are attended by the Deputy Chairman, Director/General Manager, the Head of Finance and the Finance Manager by invitation. Any other Departmental Heads are invited as required.

The Committee has also provided the Chairman of the Audit Committee with all powers to convene any other meetings, with the Head of Finance, Finance Manager, Internal Auditor, Sectional Heads and Company's External Auditors, separately as and when found necessary.

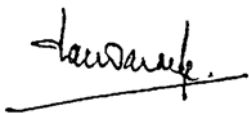
The Committee, having given due consideration to the nature of the services provided by the Auditors and the level of such services provided by the Auditors to Nawaloka Hospitals PLC and the fees charged by them, are satisfied of the Independence of the External Auditors. The Committee also noted that the External Auditors had no conflict of interest during the year ended 31 March 2023 and hence the independence of the External Auditors, has not been impaired.

The fees paid to the Auditors are shown under Note 12 to the accounts.

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 or any of the Directors or any other Key Management Personnel of such companies, other than those disclosed above. The Auditors also do not have any interest in the Company, or its subsidiaries as required by Section 168 (1) (j) of the Companies Act No. 07 of 2007.

The Committee also noted the arrangements made by the Auditors to maintain their independence.

The Audit Committee recommended to the Board of Directors that M/s. KPMG, Chartered Accountants be reappointed as Auditors of the Company for the financial year ending 31 March 2024, subject to the approval of the shareholders at the Annual General Meeting. The recommendation was made upon the confirmation obtained from the Auditors on their compliance with the independence guidance given in the Code of Ethics of the Institute of Chartered Accountants of Sri Lanka.



**Mr Tissa K Bandaranayake**  
Chairman

22 January 2024

# RELATED PARTY TRANSACTIONS REVIEW COMMITTEE REPORT

## > THE OBJECTIVE

As per the rules and regulations of regulatory bodies and LKAS 24, there is no barrier to establishing transactions with the related parties. However, the most important matter to be concerned is that no special favorable treatment is given to the related party when entering the transaction and in performing the work assigned. The main objective of the RPT-RC is to ensure the above requirement. Accordingly, if the transaction is at arm's length, legitimate, and favorable for the Company, the party engaged in the transaction is irrelevant.

## > COMPOSITION OF THE COMMITTEE

The Board has appointed a "Related Party Transactions Review Committee" (RPTRC), comprising of Three Independent Non-Executive Directors and Executive Director which complies with

- (a) LKAS 24
- (b) Section D4 of the code of best practice on corporate governance issued by CA Sri Lanka
- (c) Section 9 of the listing rules issued by CSE

The members of Committee are as follows:

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

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

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

**Vidya Jyothi Prof Lal Chandrasena – Member**  
(Director/General Manager)

## > 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, it has adopted the requirements of the Code of Best Practice on Related Party Transactions, as issued by the CSE, which became mandatory from 01 January 2016.

The mandate of the Committee includes inter alia the following,

- Ensuring that the Company identifies and maintains a list of its related parties kept duly updated at all times, consistent with the definition of related parties as detailed in the CSE Regulations and Sri Lanka Accounting Standards.
- Updating the Board of Directors on the Related Party Transactions with each of the related parties of the Group which exceed the threshold values requiring urgent and specific actions by the Company.
- 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 as well as the Sri Lanka Accounting Standards.

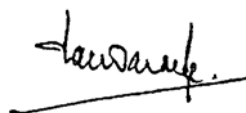
The Committee scheduled at a minimum quarterly meetings to review and report to the Board, on matters involving RPT falling under its Terms of Reference.

The RPTRC Committee noted that the Directors have disclosed the transactions, if any, that could be classified as "Related Party Transactions" in terms of LKAS 24 – "Related Party Disclosures" and thus complied with the CSE Listing Rules.

## > ACTIVITIES DURING THE YEAR

Proceedings of the Committee meetings were regularly reported to the Board of Directors. The members of the committee has ensured that any related party transactions that exceeds the limits, where immediate disclosure to the CSE as required by the regulations, are duly noted. It has been observed that one related party transaction exceeded the limits prescribed in Section 9 of the Listing Rules. Thus immediate disclosure was required and complied.

All related party transactions for the year ended 31 March 2023 are disclosed in Note 41 to the Financial Statements.



**Mr Tissa K Bandaranayake**  
Chairman

22 January 2024

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

In preparing these Financial Statements, the Directors of the Company have to comply with the requirements specified in Sections 150 (1), 151 (1), 152 (1) and 153 (1) of the Companies Act No. 07 of 2007. In accordance therewith, the Directors of the Company and the Group maintain proper books of accounts of all the transactions to enable the preparation of Financial Statements that give a true and fair view of the state of affairs of the Company as at the financial year end and the profit or loss for the year then ended.

Accordingly, the Directors are of the view that:

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

Such Financial Statements of the Company and the Group have been certified by the Company's Finance Manager, the person responsible for its preparation, as required by the Act. Such Financial Statements have been signed by two Directors on 22 January 2024 as required by Sections 150 (1) (c) and 152 (1) (c) of the Companies Act. Accordingly, the Board of Directors wishes to confirm that they have complied with all the requirements of the Companies Act No. 07 of 2007 and have also met all the requirements under Section 07 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 installed an effective and comprehensive system of internal controls and an efficient 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 65 to 66 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 confidently state 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, including 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 balance sheet date have been paid or where necessary provided for, in arriving at the financial results for the year under review.

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

By Order of the Board,



Charuni Gunawardana  
Director

C G CORPORATE CONSULTANTS (PRIVATE) LIMITED  
Company Secretaries of Nawaloka Hospitals PLC

22 January 2024

## 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 2023 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 the Sri Lanka Accounting Standards issued by CA Sri Lanka and those financial outcomes are circulated amongst the shareholders on a quarterly basis.

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

We confirm that the Group has adequate resources to continue its operations and have applied "going concern" in preparing 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. Safeguard its assets, prevent and detect frauds as well as other irregularities. We have reviewed, evaluated, and updated the internal controls and procedures on an ongoing basis together with the internal Audit department of which we are satisfied and that there were no significant deficiencies and weaknesses in the design or operation to the best of our knowledge.

The Financial Statements of the Group were audited by Messrs KPMG, Chartered Accountants and their Report is given on pages 73 to 76. The Board Audit Committee (BAC) pre-approves the audit and any non-audit services provided by Messrs KPMG, in order to ensure that the provision of such services do not impair KPMG's independence and objectivity.

The BAC reviewed the Internal Audit Programmes and External Audit Plan, the efficiency of Internal Control Systems and procedures and also reviewed the adoption of significant accounting policies and their adherence to statutory and regulatory requirements, the details of which are given in the "Board Audit Committee Report" appearing on pages 65 to 66 To ensure independence, the External Auditors and the Internal Auditors have full and free access to the members of the BAC to discuss any matter of substance. However, there are inherent limitations that should be recognised in weighing the assurances provided in any system of internal control and accounting.

It is also declared and confirmed that the Group and the Company have complied the guidelines for 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 is no pending litigation of a material nature against the Company/Group.



**Dr Jayantha Dharmadasa**  
Chairman/Chief Executive Officer



**M T V De Silva**  
Finance Manager

22 January 2024

## SENIOR INDEPENDENT DIRECTOR'S STATEMENT

The Securities and Exchange Commission of Sri Lanka and The Institute of Chartered Accountants of Sri Lanka have published a Code of Best Practice on Corporate Governance 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 are one and the same person. This has been observed by the Company.

I have thus 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

22 January 2024

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- ▶ 82 Notes to the Financial Statements



# FINANCIAL CALENDAR

## ▶ Annual Report Publication Calendar



### Annual Report and Accounts signed/to be signed

For the year 2022	For the year 2023
In December 2022	In January 2024

## ▶ Annual General Meeting



### Annual General Meeting to be held

For the year 2022	For the year 2023
In December 2022	In February 2024

## ▶ Interim Financial Statements Calendar



	2022 Submitted on	2023 to be Submitted on
For the three months ended/ending	▶ 15 August 2022	15 August 2023
For the six months ended/ending	▶ 15 November 2022	15 November 2023
For the nine months ended/ending	▶ 15 February 2023	15 February 2024
For the year ended/ending	▶ 30 May 2023	30 May 2024



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(Chartered Accountants)  
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## TO THE SHAREHOLDERS OF NAWALOKA HOSPITALS PLC

### Report on the Audit of the Financial Statements

#### Qualified Opinion

We have audited the financial statements of Nawaloka Hospitals PLC ("the Company") and the consolidated financial statements of the Company and its subsidiaries ("the Group"), which comprise the statement of financial position as at 31 March 2023, and the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year ended, and notes to the financial statements, including a significant accounting policies and other explanatory information set out in page 77 to 157.

In our opinion, except for the possible effects of the matters described in the Basis for Qualified Opinion section of our report, the accompanying financial statements of the Company and the Group give a true and fair view of the financial position of the Company and the Group as at 31 March 2023, and of their financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

#### Basis for Qualified Opinion

1. Because of the disclaimer of opinion issued in respect of the prior period ended 31 March 2022, we were unable to satisfy ourselves as to the accuracy and completeness of the opening balances for inventories, trade and other receivables, trade and other payables, income tax and deferred tax balances and retained earnings as at 1 April 2022. These opening balances entered into the determination of the results of operations and cash flows of the Company and the Group for the year ended 31 March 2023. However, adjustments specified (a) and (b) below were recorded in the financial statements for the year ended 31 March 2023 to ensure the balances in the statement of financial position as at 31 March 2023 are in line with the external confirmations and underlying documents.

- (a) The Group and the Company have recorded expenses amounting to Rs. 140.7 Mn. and Rs. 234 Mn. respectively as other operating expenses for the year ended 31 March 2023. We were not provided with supporting evidence to substantiate these expenses.
- (b) As disclosed in note 14.1 to these financial statements, the Company and the Group have recorded a reversal of an income tax liability amounting to Rs. 129.6 Mn. which was erroneously recognised in the financial statements for the year ended 31 March 2022. This error is required to be recorded in line with LKAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" by adjusting retrospectively. However, the Company and the Group have corrected above error prospectively in the financial statements of the Company and the Group for the year ended 31 March 2023 which is a non-compliance with Sri Lanka Accounting Standards.

2. The Company has identified during the year ended 31 March 2023, that the investment made in the equity accounted investee, Nawaloka College of Higher Studies (Private) Limited amounting to Rs. 50.5 Mn. was incorrectly recorded as other receivables in prior period financial statements. As such, this investment in equity accounted investee and the Group's share of profit amounting to Rs. 159.9 Mn. have been accounted prospectively in the Group's and the Company's financial statements for the year ended 31 March 2023.

LKAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" requires material prior period errors to be corrected retrospectively unless it is impracticable. However, the Company has corrected above error prospectively in the Financial Statements of the Group and the Company for the year ended 31 March 2023 which is a non-compliance with Sri Lanka Accounting Standards.

In addition to above, we were unable to direct and supervise the performance of the audit of equity accounted investee due to circumstances arose over the timing of the audit of



the Group Financial Statements. Accordingly, we are unable to determine whether any adjustment is required for the amounts recognised as investment in equity accounted investee and share of profit from equity accounted investee for the year ended 31 March 2023.

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 Company 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 qualified opinion.

## Emphasis of Matters

### Contingent liability

We draw attention to notes 44.1 and 33.3 of the Financial Statements, which describes steps taken by the Group for the recovery action executed by a financial institution against the Group.

### Material uncertainty related to going concern

We draw attention to Note 48 of the Financial Statements, which indicates that the Company and the Group incurred a net loss of Rs. 654.7 Mn. and Rs. 2,438.5 Mn. respectively during the year ended 31 March 2023 and, as of that date, the Group's current liabilities exceeded its current assets by Rs. 5,865.6 Mn. Further, the Company and the Group have reported accumulated losses of Rs. 887.3 Mn. and Rs. 823.2 Mn. respectively as at 31 March 2023.

As stated in the Note 48 to the financial statements, these events or conditions, along with management action plans as set forth in note 48, indicate that a material uncertainty exists that may cast significant doubt on the Group's and the Company's ability to continue as a going concern.

Our opinion is not further modified in respect of these matters.

## Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the Group and the Company financial statements of the current year. These matters were addressed in the context of our audit of the Group and the Company financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the material uncertainty related to going concern section, we have determined the matters described below to be the key audit matters to be communicated in our report.

### 1. Revenue recognition

(Refer Accounting policies and Note No. 10 to the financial statements)

Risk Description	Our response
<p>The Company and the Group has recognised a revenue of Rs 4,779 Mn. and Rs. 9,305 Mn. respectively for the year ended 31 March 2023.</p> <p>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, the recognition of revenue was considered as a key area of focus.</p>	<p><b>Our audit procedures included;</b></p> <ul style="list-style-type: none"> <li>• Obtaining an understanding of and assessing the design, implementation and operating effectiveness of management's key internal controls in respect of the Group's revenue recognition basis;</li> <li>• On a sample basis, testing invoices to ensure revenue is recognised and measured in accordance with the contractual terms of the contracts and the Group's accounting policies;</li> <li>• 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,</li> <li>• Assessing the adequacy of Financial Statements disclosures.</li> </ul>



## 2. Valuation of buildings constructed on lease hold land

(Refer Accounting policies and Note No. 18 to the Financial Statements).

Risk Description	Our response
<p>As disclosed in Note 18 to the Financial Statements, the fair value of Buildings Constructed on Lease Hold Land of the Group and the Company was Rs. 14,829.3 Mn. and Rs. 1,219.8 Mn. respectively. The Group and the Company have recognised a fair value gain of Rs. 1,968.4 Mn. and Rs. 161.3 Mn. respectively for the year ended 31 March 2023.</p> <p>Management's assessment of the fair value of Buildings Constructed on Lease Hold Land is based on valuations performed by a qualified independent property valuer in accordance with recognised industry standards.</p> <p>We identified valuation of Buildings Constructed on Lease Hold Land as a key audit matter because, the determination of the fair values involves significant judgments and estimation, particularly determining the appropriate valuation methodology to be used, and in estimating the key assumptions applied. These key assumptions include cost of construction used, taking into consideration for differences such as location, size and tenure. A change in the key assumptions will have a significant impact on the fair value of Buildings Constructed on Lease Hold Land.</p>	<p><b>Our audit procedures included;</b></p> <ul style="list-style-type: none"> <li>Assessing the objectivity, independence, competency and capability of the external valuer engaged by the Company.</li> <li>Reading the professional valuer's report and assessing the key estimates made by external valuer in deriving the fair value of the value of Buildings Constructed on Lease Hold Land and compared the same with evidence of current market values.</li> <li>Engaging our own internal specialized resources to assess the reasonability of the valuation technique, cost per perch and square feet prices.</li> <li>Assessing the adequacy of disclosures made in relation to the fair value of Buildings Constructed on Lease Hold Land in the Financial Statements</li> </ul>

### Other matter

Disclaimer of opinion have been issued on the financial statements of the Group and the Company for the year ended 31st March 2022 on the basis that we were not provided with supporting documents to ensure the existence, accuracy, completeness, valuation and presentation of revenue, inventory, trade and other receivables, income tax and deferred tax balances and trade and other payables.

### 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. As described in the Basis for Qualified Opinion section above, we are unable to conclude whether or not the other information is materially misstated with respect to these matters.

### 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 Group's financial reporting process.

### 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, except for the effects of the matters described in the Basis for Qualified Opinion section of our report, 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.

**Chartered Accountants**  
Colombo

22 January 2024

## STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March	Note	Group		Company	
		2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
Revenue	10	9,305,061,318	15,302,268,206	4,779,052,407	6,119,455,452
Cost of services		(4,669,970,410)	(7,461,332,040)	(2,424,266,002)	(3,152,249,596)
<b>Gross profit</b>		<b>4,635,090,908</b>	<b>7,840,936,166</b>	<b>2,354,786,405</b>	<b>2,967,205,856</b>
Other income	11	138,255,580	136,521,897	62,281,914	665,981,996
(Loss)/Gain on disposal of the subsidiary	42	-	(258,701,696)	-	144,147,680
Staff costs	12.1	(1,696,623,177)	(2,115,870,039)	(583,365,588)	(594,289,265)
Administrative expenses		(2,162,892,333)	(2,740,355,942)	(874,996,703)	(1,000,098,359)
Other operating expenses		(397,161,765)	(364,066,481)	(212,566,539)	(251,422,489)
Impairment of financial assets	25.1/25.2 & 26.1	(590,129,621)	(838,178,685)	(234,937,794)	(678,421,183)
<b>(Loss)/Profit from operations</b>	12	<b>(73,460,408)</b>	<b>1,660,285,220</b>	<b>511,201,695</b>	<b>1,253,104,236</b>
Finance income	13	58,575,634	53,456,881	44,051,027	17,810,383
Finance costs	13	(2,055,781,949)	(1,257,723,446)	(1,447,769,528)	(960,359,010)
Net finance costs		(1,997,206,315)	(1,204,266,565)	(1,403,718,501)	(942,548,627)
Share of profits of equity accounted investee, net of tax	22.1	159,885,388	-	159,885,388	-
<b>(Loss)/Profit before tax</b>		<b>(1,910,781,335)</b>	<b>456,018,655</b>	<b>(732,631,418)</b>	<b>310,555,609</b>
Income tax reversal/(expense)	14.1	(527,674,160)	(552,606,972)	77,905,196	(60,700,437)
<b>(Loss)/Profit for the year</b>		<b>(2,438,455,495)</b>	<b>(96,588,317)</b>	<b>(654,726,222)</b>	<b>249,855,172</b>
<b>Other comprehensive income/(expense) that will not be reclassified to profit or loss</b>					
Remeasurement of retirement benefit liability	31.2.c	120,336,137	52,806,508	72,773,906	39,295,962
Related tax on remeasurement of retirement benefit liability	14.2	(36,100,842)	(7,798,784)	(21,832,172)	(5,501,434)
Change in fair value of financial assets measured at FVOCI	23.1	(14,805,000)	-	(14,805,000)	-
Gain on revaluation of buildings	18.1	1,968,409,187	3,064,009,228	161,306,154	384,867,407
Related tax on revaluation gains	32.3	(590,522,756)	(428,978,652)	(48,391,846)	(53,881,437)
Deferred tax impact on revaluation reserve due to tax rate change	14.2	(767,724,774)	-	(70,068,057)	-
<b>Other comprehensive income for the year, net of tax</b>		<b>679,591,952</b>	<b>2,680,038,300</b>	<b>78,982,985</b>	<b>364,780,498</b>
<b>Total comprehensive (expense)/income for the year</b>		<b>(1,758,863,543)</b>	<b>2,583,449,983</b>	<b>(575,743,237)</b>	<b>614,635,670</b>
<b>Earnings/(Loss) per share</b>					
Basic earnings/(loss) per share (Rs.)	15	(1.73)	(0.07)	(0.46)	0.18
Diluted earnings/(loss) per share (Rs.)	15	(1.73)	(0.07)	(0.46)	0.18

Figures in brackets indicate deductions.

The notes to the Financial Statements on pages 82 and 157 are integral part of these Consolidated Financial Statements.

# STATEMENT OF FINANCIAL POSITION

As at 31 March,	Note	Group		Company	
		2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
<b>ASSETS</b>					
<b>Non-current assets</b>					
Property, plant and equipment	18	16,750,561,760	15,480,986,688	2,056,365,289	2,110,115,703
Right-of-use assets	19	212,822,954	365,187,721	56,343,810	69,138,431
Investment property	20	-	-	-	-
Investment in subsidiaries	21	-	-	945,933,066	945,933,066
Investment in equity – accounted investees	22	210,380,388	-	210,380,388	-
Other investments	23	-	14,805,000	-	14,805,000
<b>Total non-current assets</b>		<b>17,173,765,102</b>	<b>15,860,979,409</b>	<b>3,269,022,553</b>	<b>3,139,992,200</b>
<b>Current assets</b>					
Inventories	24	349,074,338	544,859,488	156,140,258	235,297,411
Trade and other receivables	25	552,510,371	1,766,815,618	453,869,806	1,722,755,798
Amounts due from related parties	26	629,691,151	1,124,518,985	4,358,228,728	4,767,427,663
Other investments	23	169,704,685	340,974,024	127,947,094	114,651,310
Cash and cash equivalents	27	120,313,592	461,899,333	87,233,537	305,772,893
<b>Total current assets</b>		<b>1,821,294,137</b>	<b>4,239,067,448</b>	<b>5,183,419,423</b>	<b>7,145,905,075</b>
<b>Total assets</b>		<b>18,995,059,239</b>	<b>20,100,046,857</b>	<b>8,452,441,976</b>	<b>10,285,897,275</b>
<b>Equity and liabilities</b>					
<b>Capital and reserves</b>					
Stated capital	28	1,207,388,876	1,207,388,876	1,207,388,876	1,207,388,876
Revaluation reserve	29	4,539,320,195	3,929,158,538	419,462,058	376,615,807
Retained earnings/(accumulated losses)		(823,208,184)	1,545,817,016	(887,317,104)	(268,727,616)
<b>Total equity</b>		<b>4,923,500,887</b>	<b>6,682,364,430</b>	<b>739,533,830</b>	<b>1,315,277,067</b>
<b>Non-current liabilities</b>					
Retirement benefit obligation	31.2	252,546,976	328,076,235	172,779,008	224,066,102
Deferred tax liabilities	32	3,333,362,513	1,306,100,275	237,354,157	45,290,554
Borrowings	33	2,779,697,782	6,326,328,678	2,750,124,755	4,717,488,064
Lease liabilities	34	18,978,005	122,988,991	2,303,482	11,520,377
<b>Total non-current liabilities</b>		<b>6,384,585,276</b>	<b>8,083,494,179</b>	<b>3,162,561,402</b>	<b>4,998,365,097</b>
<b>Current liabilities</b>					
Debentures	30	11,043,082	22,993,457	11,043,082	22,993,457
Trade creditors and other payables	35	2,239,098,120	1,859,404,871	1,622,991,079	1,612,543,942
Unclaimed dividends		4,592,917	4,592,917	4,592,883	4,592,883
Current tax liabilities	36	86,468,332	195,868,081	-	129,676,724
Amounts due to related companies	37	13,202,002	65,428,041	89,704,029	59,402,033
Borrowings	33	4,505,470,265	1,607,748,762	2,354,375,196	1,162,066,457
Lease liabilities	34	16,589,210	91,971,272	13,870,438	15,281,044
Bank overdrafts	27	810,509,148	1,486,180,847	453,770,037	965,698,571
<b>Total current liabilities</b>		<b>7,686,973,076</b>	<b>5,334,188,248</b>	<b>4,550,346,744</b>	<b>3,972,255,111</b>
<b>Total liabilities</b>		<b>14,071,558,352</b>	<b>13,417,682,427</b>	<b>7,712,908,146</b>	<b>8,970,620,208</b>
<b>Total equity and liabilities</b>		<b>18,995,059,239</b>	<b>20,100,046,857</b>	<b>8,452,441,976</b>	<b>10,285,897,275</b>
<b>Net assets per share</b>		<b>3.49</b>	<b>4.74</b>	<b>0.52</b>	<b>0.93</b>

Figures in brackets indicate deductions.

The Notes to the Financial Statements on pages 82 to 157 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.



**Theja De Silva**  
Finance Manager



**Sampath Thennakoon**  
Finance Manager – Reporting

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  
Colombo,  
22 January 2024



**Mr Anisha Dharmadasa**  
Deputy Chairman

## STATEMENT OF CHANGES IN EQUITY

### > GROUP

	Stated capital Rs.	Revaluation reserve Rs.	Retained earnings/ Accumulated losses Rs.	Total equity Rs.
<b>Balance as at 01 April 2021</b>	1,207,388,876	1,294,127,962	1,597,397,609	4,098,914,447
Loss for the year	-	-	(96,588,317)	(96,588,317)
Other comprehensive income, net of tax	-	2,635,030,576	45,007,724	2,680,038,300
<b>Balance as at 31 March 2022</b>	1,207,388,876	3,929,158,538	1,545,817,016	6,682,364,430
Balance as at 01 April 2022	1,207,388,876	3,929,158,538	1,545,817,016	6,682,364,430
Loss for the year	-	-	(2,438,455,495)	(2,438,455,495)
Other comprehensive income, net of tax	-	610,161,657	69,430,295	679,591,952
<b>Balance as at 31 March 2023</b>	<b>1,207,388,876</b>	<b>4,539,320,195</b>	<b>(823,208,184)</b>	<b>4,923,500,887</b>

### > COMPANY

	Stated capital Rs.	Revaluation reserve Rs.	Retained earnings/ Accumulated losses Rs.	Total equity Rs.
<b>Balance as at 01 April 2021</b>	1,207,388,876	45,629,837	(552,377,316)	700,641,397
Profit for the year	-	-	249,855,172	249,855,172
Other comprehensive income (net of tax)	-	330,985,970	33,794,528	364,780,498
<b>Balance as at 31 March 2022</b>	1,207,388,876	376,615,807	(268,727,616)	1,315,277,067
Balance as at 01 April 2022	1,207,388,876	376,615,807	(268,727,616)	1,315,277,067
Loss for the year	-	-	(654,726,222)	(654,726,222)
Other comprehensive income/(net of tax)	-	42,846,251	36,136,734	78,982,985
<b>Balance as at 31 March 2023</b>	<b>1,207,388,876</b>	<b>419,462,058</b>	<b>(887,317,104)</b>	<b>739,533,830</b>

Notes from pages 82 to 157 form an integral part of these Financial Statements.

Figures in brackets indicate deductions.

# STATEMENT OF CASH FLOWS

For the year ended 31 March	Note	Group		Company	
		2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
<b>Cash flows from operating activities</b>					
(Loss)/Profit before tax		(1,910,781,335)	456,018,655	(732,631,418)	310,555,609
<b>Adjustments for:</b>					
Depreciation of property plant and equipment	18	828,428,271	830,284,920	297,642,227	319,651,854
Dividend income	11	-	-	-	(600,000,000)
Unrealised foreign exchange loss on borrowings	34	49,537,479	259,534,357	49,537,479	123,712,970
Finance costs	13	1,953,217,851	1,042,719,961	1,356,580,578	756,162,756
Interest income	13	(58,575,634)	(53,456,881)	(44,051,027)	(17,810,383)
Profit on disposal of property plant and equipment		-	(4,429,462)	-	(4,429,462)
Loss/(profit) on disposal of the subsidiary	42	-	258,701,696	-	(144,147,680)
Amortisation of right-of-use assets	19.1	148,954,917	173,605,529	10,346,881	18,794,935
Provision for retirement benefit obligations	31.2	80,248,393	65,907,312	43,954,542	22,796,460
(Reversal)/provision for Impairment of trade receivables	25.1	(94,468,719)	583,154,722	(94,468,719)	578,010,679
Provision for impairment of other debtors	25.2	434,777,599	-	189,814,260	-
Provision/(reversal) of provision for impairment of prepayments	25.3	8,423,220	(13,634,298)	8,423,220	(13,634,298)
Provision for impairment of related party receivables	26.1	249,820,741	255,023,962	139,592,253	100,410,504
Provision for slow moving inventories	24.1	24,338,999	-	14,207,838	-
Loss on derecognition of right-of-use asset and lease liability		817,643	-	(1,116,560)	-
Share of profit of equity – accounted investee, net of tax	11	(159,885,388)	-	(159,885,388)	-
<b>Operating profit before working capital changes</b>		<b>1,554,854,037</b>	<b>3,853,430,473</b>	<b>1,077,946,166</b>	<b>1,450,073,944</b>
<b>Changes in working capital</b>					
Decrease/(Increase) in inventories		171,446,151	(168,019,659)	64,949,315	(65,394,090)
Decrease/(Increase) in debtors, deposits and advances		680,188,982	(458,261,241)	1,165,353,230	(469,527,775)
Decrease/(Increase) in related party balances		333,817,264	(822,738,382)	249,413,680	(354,832,263)
Increase in creditors and other payables		379,693,249	129,012,766	10,447,137	405,670,520
		1,565,145,646	(1,320,006,516)	1,490,163,362	(484,083,608)
<b>Cash generated from/(used in) operating activities</b>		<b>3,119,999,683</b>	<b>2,533,423,957</b>	<b>2,568,109,528</b>	<b>965,990,336</b>
Interest paid		(1,395,680,967)	(99,400,928)	(1,177,139,856)	(69,740,373)
Gratuity paid	31.2	(35,441,515)	(44,855,699)	(22,467,730)	(29,046,268)
Current tax paid	36	(4,160,043)	(13,930,940)	-	-
<b>Net cash generated from operating activities</b>		<b>1,684,717,158</b>	<b>2,375,236,390</b>	<b>1,368,501,942</b>	<b>867,203,695</b>

## STATEMENT OF CASH FLOWS

For the year ended 31 March	Note	Group		Company	
		2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
<b>Cash flows from/(used in) investing activities</b>					
Purchase of property, plant and equipment	18	(133,060,439)	(1,116,350,895)	(79,904,895)	(505,819,006)
Proceeds from sale of property, plant and equipment		-	198,800,000	-	7,000,000
Interest received		58,575,634	55,150,027	30,519,210	16,117,237
Net (Investment)/Withdrawal in short-term deposits	23	171,269,339	44,625,524	-	(3,236,871)
Investment in equity – accounted investee	22	-	-	-	191,800,000
Proceeds from disposal of investment in subsidiary (net of cash disposed)	42	-	1,138,401,973	-	1,215,200,000
<b>Net cash generated from/(used in) investing activities</b>		<b>96,784,534</b>	<b>320,626,629</b>	<b>(49,385,685)</b>	<b>1,521,061,360</b>
<b>Cash flows from/(used in) financing activities</b>					
Proceeds from long-term borrowings	33.1	1,857,572,359	4,542,687,446	1,857,572,359	4,396,412,056
Proceeds from commercial papers	33.2	-	1,609,816,301	-	1,609,816,301
Repayment of commercial papers	33.2	(903,614,472)	(2,172,719,180)	(903,614,472)	(2,172,719,180)
Repayments of long-term borrowings	33.1	(2,180,224,503)	(6,839,861,483)	(1,954,914,419)	(6,184,300,871)
Repayments of lease rentals	34	(206,686,948)	(244,450,221)	(12,820,172)	(24,664,422)
Repayment of debenture		(14,462,170)	(164,209,046)	(11,950,375)	(164,209,046)
Dividends paid		-	(5,336)	-	(5,336)
<b>Net cash used in financing activities</b>		<b>(1,467,415,734)</b>	<b>(3,268,741,519)</b>	<b>(1,025,727,079)</b>	<b>(2,539,670,498)</b>
<b>Net increase/(decrease) in cash and cash equivalents during the year</b>					
		<b>334,085,958</b>	<b>(572,878,500)</b>	<b>293,389,178</b>	<b>(151,405,443)</b>
Cash and cash equivalents at the beginning of the year		(1,024,281,514)	(451,403,014)	(659,925,678)	(508,520,235)
Cash and cash equivalents at the end of the year		(690,195,556)	(1,024,281,514)	(366,536,500)	(659,925,678)
<b>Analysis of cash and cash equivalents at the end of the year</b>					
Cash at bank and in hand	27	120,313,592	461,899,333	87,233,537	305,772,893
Bank overdraft	27	(810,509,148)	(1,486,180,847)	(453,770,037)	(965,698,571)
		<b>(690,195,556)</b>	<b>(1,024,281,514)</b>	<b>(366,536,500)</b>	<b>(659,925,678)</b>

Notes from pages 82 to 157 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 31 March 2023, 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 entity of its own. The Company is the Ultimate Parent entity of the Group.

### 1.3 Principal business activities, nature of operations of the Group and ownership by the Company in its subsidiaries and associates

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

Entity	Principle business activity	Ownership as at	Ownership as at
		31 March 2023	31 March 2022
New Nawaloka Hospitals (Pvt) Ltd.	Provide health care services	100%	100%
New Nawaloka Medical Centre (Pvt) Ltd.	Provide health care services	100%	100%
Nawaloka Laboratories (Pvt) Ltd.*	Providing clinical laboratory	100%	100%
Nawaloka College of Higher Studies (Pvt) Ltd.	Providing educational services	49.95%	-

\*Previously Nawaloka Green Cross Laboratories (Pvt) Ltd.

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	252	(2022 - 485)
Group	2,301	(2022 - 2,305)

## > 2. BASIS OF PREPARATION

### 2.1 Statement of compliance

The Consolidated Financial Statements of the Group and the separate Financial Statements of the Company, have been prepared and presented in accordance with the Sri Lanka Accounting Standards (SLFRSs and LKASs), laid down by The Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) and in compliance with the requirements of the Companies Act No. 07 of 2007 and provide appropriate disclosures as required by the Listing Rules of the CSE.

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

Details of the Group's significant accounting policies followed during the year are given in Notes 7 and 8 on pages 84 to 86.

### 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 60, 68 and 78, respectively.

These Financial Statements include the following components:

- an income statement and a statement of profit or loss and other comprehensive income. Refer page 77;
- a statement of financial position. Refer page 78;
- a statement of changes in equity. Refer page 79;
- a statement of cash flows. Refer page 80;
- Notes to the Financial Statements comprising Significant Accounting Policies and other explanatory information. Refer pages 82 to 157.

### 2.3 Approval of Financial Statements by the Board of Directors

The Financial Statements of the Group and the Company for the year ended 31 March 2023 (including comparatives for 2022), were approved and authorised for issue by the Board of Directors in accordance with Resolution of the Directors on 22 January 2024.

### 2.4 Going concern

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

### 2.5 Materiality and aggregation

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

### 2.6 Comparative information

The Financial Statements for the comparative periods comprise results for the 12 month periods from 01 April 2022 to 31 March 2023. In this circumstances, the comparative information for the statement of financial position, statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows and related notes are comparable with the current period.

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

### 2.7 Offsetting

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

## > 3. FUNCTIONAL AND PRESENTATION CURRENCY

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

## > 4. USE OF JUDGEMENTS AND ESTIMATES

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

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

### 4.1 Judgement

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

Note 19 – Leases: whether an arrangement contains a lease and lease classification; and

Note 71 – Consolidation: whether the Group has de facto control over an investee.

### 4.2 Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the year ended 31 March 2023 is included in the following Notes:

Note 31 – Measurement of defined benefit obligations: key actuarial assumptions;

Note 32 – Recognition of deferred tax assets: availability of future taxable profit against which tax losses carried forward can be used;

Note 18 – Measurement of the useful lifetime of property, plant and equipment

Note 18 – Valuation of leasehold building

Notes 44 – Recognition and measurement of provisions and contingencies: key assumptions about the likelihood and magnitude of an outflow of resources; and

Note 48 – Uncertainties involved in the use of going concern assumption

### 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 31
Investment in unquoted shares	Fair value

### > 6. CHANGES IN 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.

### > 7. 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
7.1	Basis of consolidation	85
7.2	Foreign currency translation	85
18	Property, plant and equipment	102-109
19	Leases	110-111
20	Investment property	112
24	Inventories	116
17	Financial instruments	100-101
7.3	Impairment of assets	85
28	Stated capital	122
44	Provisions	154
31	Employee benefits	123-125
10	Revenue recognition	90-91
12	Expenditure recognition	92
14	Income tax expenses	94-96
41	Related party transactions	150-152
45	Events after the reporting date	156
15	Earnings per share	97
9	Segmental information	87-89
27	Cash and cash equivalents	120
38	Fair value measurement	139-143
21	Investment in subsidiaries	112
22	Investment in equity accounted investees	113

## 7.1 Basis of consolidation

### Business combinations

The Group accounts for business combinations using the acquisition method when the acquired set of activities and assets meet the definition of a business and control is transferred to the Group. In determining whether a particular set of activities and assets is a business, the Group assesses whether the set of assets and activities acquired includes, at a minimum, an input and substantive process and whether the acquired set has the ability to produce outputs.

The Group has an option to apply a "concentration test" that permits a simplified assessment of whether an acquired set of activities and assets is a business. The optional concentration test is met if substantially all of the fair value of gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets.

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 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.

### Non-controlling interests

Non-controlling interests 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 Non-controlling interests 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.

## 7.2 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.

## 7.3 Impairment of assets

### 7.3.1 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.

### 7.3.2 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.

## > 8. NEW/AMENDMENTS TO ACCOUNTING STANDARD ISSUED BUT NOT EFFECTIVE AS AT THE REPORTING DATE

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 after 01 April 2023. Accordingly, the Group/Company has not applied these amendments in preparing these Financial Statements.

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

### 8.1 Classification of liabilities as current or non-current (amendments to LKAS 1)

Under existing LKAS 1 requirements, companies classify a liability as current when they do not have an unconditional right to defer settlement of the liability for at least twelve months after the end of the reporting period. As part of its amendments, IASB has removed the requirement for a right to be unconditional and instead, now requires that a right to defer settlement must have substance and exist at the end of the reporting period.

### 8.2 Deferred tax related to assets and liabilities arising from a single transaction (Amendment to LKAS 12)

### 8.3 Disclosure of accounting policies (Amendments to LKAS 1)

### 8.4 Definition of accounting estimates (Amendments to LKAS 8)

## > 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.

## 9.2 Geographic allocation of segment information

	Colombo		Negombo	
	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
<b>External operating income</b>				
Revenue	9,305,061,318	13,694,791,194	-	1,607,477,012
Other income	138,255,580	826,458,957	-	59,189,978
Total operating income	9,443,316,898	14,521,250,151	-	1,666,666,990
Depreciation and amortisation	(977,383,188)	(891,112,931)	-	(112,777,518)
Segment profit/(loss) before tax	(1,910,781,335)	1,107,190,319	-	375,310,168
Share of profit of equity accounted investee (net of tax)	159,885,388	-	-	-
Income tax expenses	(527,674,160)	(541,459,551)	-	(11,147,421)
Net profit/(loss) for the year, attributable to equity holders of the parent	(2,438,455,495)	565,730,768	-	364,162,747
Segment assets	18,995,059,239	18,040,781,409	-	2,059,265,449
Segment liabilities	14,071,558,352	12,832,587,431	-	585,094,996
Capital expenditure	133,060,439	937,428,052	-	178,922,843

The following table presents the income, profit, asset and liability information on the Group's strategic business divisions for the year ended 31 March 2023 and comparative figures for the year ended 31 March 2022.

	Hospital services		Pharmaceutical		Laboratories	
	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
Revenue	3,738,912,819	5,197,272,317	2,699,999,793	2,491,335,795	1,983,217,365	6,755,537,762
Other income	-	-	-	-	-	-
Total operating income	3,738,912,819	5,197,272,317	2,699,999,793	2,491,335,795	1,983,217,365	6,755,537,762
Share of profit of equity accounted investee (net of tax)	-	-	-	-	-	-
Depreciation and amortisation						
Profit/(loss) before tax						
Income tax expense						
Net profit for the year, attributable to equity holders of the parent						

Unallocated/eliminations		Total	
2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
-	-	9,305,061,318	15,302,268,206
-	(749,127,038)	138,255,580	136,521,897
-	(749,127,038)	9,443,316,898	15,438,790,103
-	-	(977,383,188)	(1,003,890,449)
-	(1,026,481,833)	(1,910,781,335)	456,018,655
159,885,388	-	159,885,388	-
-	-	(527,674,160)	(552,606,972)
-	-	(2,438,455,495)	(96,588,317)
-	-	18,995,059,239	20,100,046,857
-	-	14,071,558,352	13,417,628,427
-	-	133,060,439	1,116,350,895

Radiology services		Unallocated/eliminations		Total	
2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
883,719,402	857,563,106	(788,061)	559,226	9,305,061,318	15,302,268,206
-	-	138,255,580	136,521,897	138,255,580	136,521,897
883,719,402	857,563,106	137,467,519	137,081,123	9,443,316,898	15,438,790,103
-	-	159,885,388	-	159,885,388	-
				(977,383,188)	(1,003,890,449)
				(1,910,781,335)	456,018,655
				(527,674,160)	(552,606,972)
				(2,438,455,495)	(96,588,317)

**> 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 31 March	Note	Group		Company	
		2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
Revenue from contracts with customers	10.2	<u>9,305,061,318</u>	<u>15,302,268,206</u>	<u>4,779,052,407</u>	<u>6,119,455,452</u>
		<u>9,305,061,318</u>	<u>15,302,268,206</u>	<u>4,779,052,407</u>	<u>6,119,455,452</u>

**10.2 Disaggregation of revenue from contracts with customers**

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

For the year ended 31 March	Group		Company	
	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
<b>Primary geographic markets</b>				
Colombo	<u>9,305,061,318</u>	<u>13,694,791,194</u>	<u>4,779,052,407</u>	<u>6,119,455,452</u>
Negombo/Gampaha	<u>-</u>	<u>1,607,477,012</u>	<u>-</u>	<u>-</u>
	<u>9,305,061,318</u>	<u>15,302,268,206</u>	<u>4,779,052,407</u>	<u>6,119,455,452</u>
<b>Major product/service lines</b>				
Hospital revenue	<u>3,738,912,819</u>	<u>5,197,272,317</u>	<u>2,046,012,835</u>	<u>3,135,101,109</u>
Pharmacy revenue	<u>2,699,999,793</u>	<u>2,491,335,795</u>	<u>1,791,986,077</u>	<u>1,533,236,520</u>
Laboratory revenue	<u>1,983,217,365</u>	<u>6,755,537,762</u>	<u>209,183,025</u>	<u>812,633,807</u>
Radiology services	<u>883,719,402</u>	<u>857,563,106</u>	<u>732,658,531</u>	<u>637,924,790</u>
Deferred revenue	<u>(788,061)</u>	<u>559,226</u>	<u>(788,061)</u>	<u>559,226</u>
	<u>9,305,061,318</u>	<u>15,302,268,206</u>	<u>4,779,052,407</u>	<u>6,119,455,452</u>
<b>Timing of revenue recognition</b>				
Products transferred at a point in time	<u>2,699,999,793</u>	<u>9,499,013,661</u>	<u>1,791,986,077</u>	<u>1,005,327,881</u>
Products and services transferred over time	<u>6,605,061,525</u>	<u>5,803,254,545</u>	<u>2,987,066,330</u>	<u>5,114,127,571</u>
Revenue from contracts with customers	<u>9,305,061,318</u>	<u>15,302,268,206</u>	<u>4,779,052,407</u>	<u>6,119,455,452</u>
External revenue as reported in Note 9	<u>9,305,061,318</u>	<u>15,302,268,206</u>	<u>4,779,052,407</u>	<u>6,119,455,452</u>

**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 31 March 2023 of the Group is Rs. 38,807,464/- (2022 – Rs. 40,685,116/-) and for the Company is Rs. 15,239,115/- (2022 – Rs. 31,220,428/-).

## 10.4 Performance obligations and revenue recognition policies

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

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

Type of product/service	Nature of timing of satisfaction of performance obligations, including significant payment terms	Revenue recognition
<b>Healthcare service</b>	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 recognised over time as the services are provided. The stage of completion for determining the amount of revenue to recognise is assessed based on provision of services. If the services under a single arrangement are rendered in different reporting periods, then the consideration is allocated based on their relative stand-alone selling prices. The stand-alone selling price is determined based on the list prices at which the Group sells the services in separate transactions.
	The service revenues are presented net of related doctor fees and diagnostic charges in cases where the Group is not the primary obligor and does not have the pricing latitude.	
<b>Sale of goods</b>	Pharmacy sales are recognised when the risk and reward of ownership are 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 recognised in profit or loss on the date that the Group's right to receive payment is established.

#### b. Other Income

Other income is recognised on an accrual basis.

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

For the year ended 31 March	Group		Company	
	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
– Dividend income	-	-	-	600,000,000
– Rental services	33,775,331	44,622,788	31,376,056	31,184,720
– Profit on sale of assets	-	5,046,562	-	5,046,562
– Car park income	67,113,096	25,692,626	-	-
– Other sundry income	37,367,153	61,159,921	30,905,858	29,750,714
	138,255,580	136,521,897	62,281,914	665,981,996

**> 12. PROFIT FROM OPERATIONS****Accounting policy**

Operating profit is the result generated from the continuing principal revenue-producing activities of the Group as well as other income and expenses related to operating activities. Operating profit excludes net finance costs, and income taxes.

**Expenses**

All expenditure incurred in the running of the business has been charged to income in arriving at the profit for the year. Repairs and renewals are charged to Statement of Profit or Loss in the year in which the expenditure is incurred.

**Borrowing costs**

Borrowing costs are recognised as an expense in the period in which they are incurred, except to the extent that they are directly attributable to the acquisition, construction or production of a qualifying asset, in which case they are capitalised as part of the cost of that asset.

The (loss)/profit from operations has been arrived after charging all expense including the following:

For the year ended 31 March	Note	Group		Company	
		2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
Staff costs		1,696,623,177	2,115,870,039	583,365,588	594,289,265
Emoluments paid to Directors		18,500,000	107,961,382	14,090,000	97,811,382
Auditor's remuneration – Audit and audit related services		6,545,000	4,750,000	2,650,000	2,050,000
Depreciation of property plant and equipment	18	828,428,271	830,284,920	297,642,227	319,651,855
Amortisation of right-of-use assets	19	148,954,917	173,605,529	10,346,881	18,794,936
Charity and donation		4,229,323	7,130,628	4,229,323	6,419,458

**12.1 Staff costs**

For the year ended 31 March	Note	Group		Company	
		2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
Salaries and wages		1,438,346,997	1,874,288,037	482,347,617	512,961,627
Contribution to Employees' Provident Fund		142,422,230	140,539,752	45,650,743	46,824,942
Contribution to Employees' Trust Fund		35,605,557	35,134,938	11,412,686	11,706,236
Provision for retirement benefit liability	31.2.b	80,248,393	65,907,312	43,954,542	22,796,460
		1,696,623,177	2,115,870,039	583,365,588	594,289,265

## > 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 recognised using the effective interest method.

The "effective interest rate" is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instruments to:

- the gross carrying amount of the financial assets; or
- the amortised cost of the financial liability.

In calculating interest income and expenses, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortised cost of the liability. However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial assets. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

For the year ended 31 March	Note	Group		Company	
		2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
<b>Finance income</b>					
Interest on fixed deposits		25,200,865	18,290,609	13,531,817	4,759,302
Other interest		33,374,769	35,166,272	30,519,210	13,051,081
		<u>58,575,634</u>	53,456,881	<u>44,051,027</u>	17,810,383
<b>Finance costs</b>					
Overdraft interest		193,164,891	76,282,414	105,869,005	46,621,859
Foreign exchange loss		102,564,098	215,003,485	91,188,950	204,196,254
Placement fee		2,078,911	7,644,925	2,078,911	7,644,925
Debenture interest		2,511,795	15,473,588	2,511,795	15,473,588
Interest on borrowings	33.1	1,639,543,774	723,015,414	1,154,331,493	539,705,439
Interest on commercial papers	33.2	88,713,135	141,692,271	88,713,135	141,692,271
Interest on leases	34	27,205,345	78,611,349	3,076,239	5,024,674
		<u>2,055,781,949</u>	1,257,723,446	<u>1,447,769,528</u>	960,359,010
<b>Net finance costs</b>		<u>1,997,206,315</u>	1,204,266,565	<u>1,403,718,501</u>	942,548,627

## > 14. INCOME TAX EXPENSES

### *Accounting policy*

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

The Group has determined that interest and penalties relating to income taxes, including uncertain tax treatments, do not meet the definition of income taxes, and therefore accounted for them under LKAS 37 Provisions, Contingent Liabilities and Contingent Assets.

#### **Current tax**

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date. Current tax also includes any tax arising from dividends.

Current tax assets and liabilities are offset only if certain criteria are met.

#### **Deferred tax**

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date. Refer Note 32 for detailed accounting policy.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognise a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on the business plans for individual subsidiaries in the Group. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits.

Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

Deferred tax assets and liabilities are offset only if certain criteria are met.

#### **Tax exposures**

In determining the amount of current and deferred tax, the Group takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. This assessment relies on estimates and assumptions and may involve a series of 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 recognised in profit or loss**

For the year ended 31 March	Note	Group		Company	
		2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
<b>Current tax expense</b>					
Tax on current year profit	14.4	24,437,018	195,566,986	-	129,676,724
Over provision during prior year	36	(129,676,724)	-	(129,676,724)	-
		<u>(105,239,706)</u>	<u>195,566,986</u>	<u>(129,676,724)</u>	<u>129,676,724</u>
<b>Deferred tax expense</b>					
Charge to/(Reversal from) deferred taxation	32	632,913,866	357,039,986	51,771,528	(68,976,287)
		<u>632,913,866</u>	<u>357,039,986</u>	<u>51,771,528</u>	<u>(68,976,287)</u>
<b>Income tax expense/(reversal)</b>		<u>527,674,160</u>	<u>552,606,972</u>	<u>(77,905,196)</u>	<u>60,700,437</u>

As per the Inland Revenue Amendment Act No. 45 of 2022, the Group is liable to pay income tax on its taxable profits at following rates,

Company	Tax rate
Nawaloka Hospitals PLC	30% on the taxable profits* (2022: 14% on the taxable profits)
New Nawaloka Hospitals (Pvt) Ltd.	30% on the taxable profits* (2022: 14% on the taxable profits)
New Nawaloka Medical Centre (Pvt) Ltd.	30% on the taxable profits* (2022: 14% on the taxable profits)
Nawaloka Laboratories (Pvt) Ltd.	30% on the taxable profits* (2022: 14% on the taxable profits)

\*w.e.f. 01 October 2022, Prior to that the business income was taxed at 14% p.a.

**14.2 Amount recognised in OCI**

For the year ended 31 March	Notes	Group		Company	
		2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
<b>Items that will not be reclassified to profit or loss</b>					
Deferred tax impact on retirement benefit obligation	32	36,100,842	7,798,784	21,832,172	5,501,434
Deferred tax impact on fair value changes	32	590,522,756	428,978,652	48,391,846	53,881,437
Deferred tax impact on tax rate change on revaluation reserve	32	767,724,774	-	70,068,057	-
		<u>1,394,348,372</u>	<u>436,777,436</u>	<u>140,292,075</u>	<u>59,382,871</u>

**14.3 Amounts recognised directly in equity**

There were no items recognised directly in equity during the year ended 31 March 2023.

**14.4 Reconciliation between the accounting profit and tax expense**

For the year ended 31 March	Note	Group		Company	
		2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
Accounting (loss)/profit before tax		(1,910,781,335)	456,018,655	(732,631,418)	310,555,609
Share of profit from equity accounted investee	22.1	(159,885,388)	-	(159,885,388)	-
Other consolidation adjustments		-	1,026,481,832	-	-
		(2,070,666,723)	1,482,500,487	(892,516,806)	310,555,609
Aggregate disallowable expenses		2,401,642,453	1,922,477,586	1,216,120,874	1,189,380,873
Aggregate allowable expenses		(1,355,417,153)	(1,499,710,945)	(223,889,298)	(255,500,018)
Other sources of income		(92,341,027)	(822,389,981)	(75,505,921)	(803,168,693)
Tax loss from business		(1,232,281,640)	(242,411,830)	-	-
Taxable profit from business		115,499,190	1,037,978,807	24,208,849	441,267,771
Income exempt from income taxes due to tax holidays		-	(375,310,169)	-	-
Other sources of income liable for tax		92,341,027	812,364,071	75,505,921	793,142,783
Tax loss claimed during the year	14.5	(100,427,119)	(458,215,598)	(99,714,770)	(301,959,688)
<b>Taxable income</b>		<b>107,413,098</b>	<b>1,016,817,111</b>	<b>-</b>	<b>932,450,866</b>
Income tax at 10%		-	14,414,767	-	14,414,767
Income tax at 14%		6,390,323	15,444,179	-	11,758,825
Income tax at 24%		1,934,731	165,708,040	-	103,503,132
Income tax at 30%		16,111,964	-	-	-
<b>Total income tax</b>		<b>24,437,018</b>	<b>195,566,986</b>	<b>-</b>	<b>129,676,724</b>

**14.5 Tax losses carried forward**

For the year ended 31 March	Group		Company	
	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
<b>Reconciliation of tax losses</b>				
Tax losses brought forward	1,674,353,840	1,674,908,006	-	116,078,807
Adjustment due to finalisation of taxes of previous years	353,876,333	215,249,602	360,780,209	185,880,881
Tax loss claimed during the year	(100,427,119)	(458,215,598)	(99,714,770)	(301,959,688)
Tax loss for the year	1,232,281,640	242,811,830	-	-
<b>Tax loss carried forward</b>	<b>3,160,084,694</b>	<b>1,674,753,840</b>	<b>261,065,439</b>	<b>-</b>

## > 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 31 March	Group		Company	
	2023	2022	2023	2022
(Loss)/Profit for the year (Rs.)	(2,438,455,495)	(96,588,317)	(654,726,222)	249,855,172
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
(Loss)/Earnings per share (Rs.)	(1.73)	(0.07)	(0.46)	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 same as basic earning per share as shown in Note 15.1.

## > 16. 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 amortisation.

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 disclosers by other entities.

### Reconciliation of adjusted EBITDA to profit from continuing operations – Group

	Note	2023 Rs.	2022 Rs.
Loss for the year		(2,438,455,495)	(96,588,317)
Income tax expense	14.1	527,674,160	552,606,972
<b>(Loss)/Profit before tax</b>		<b>(1,910,781,335)</b>	<b>456,018,655</b>
<b>Adjustment for:</b>			
Net finance costs	13	1,997,206,315	1,204,266,565
Depreciation	18.1	828,428,271	830,284,920
Amortisation	19.1	148,954,917	173,605,529
<b>Adjusted EBITDA</b>		<b>1,063,808,168</b>	<b>2,664,175,669</b>

## > 17. 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).

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.

**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, borrowings, amounts due to related parties, debentures 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.

**17. FINANCIAL ASSETS AND LIABILITIES****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.

Note	Group								
	2023				2022				
	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.	
<b>Financial assets</b>									
Trade and other receivables	25	448,963,213	-	-	448,963,213	1,575,472,564	-	-	1,575,472,564
Amounts due from related companies	26	650,125,077	-	-	650,125,077	1,124,518,986	-	-	1,124,518,986
Short-term investments	23.2	169,704,685	-	-	169,704,685	340,974,024	-	-	340,974,024
Cash and cash equivalents	27	120,313,592	-	-	120,313,592	461,899,333	-	-	461,899,333
Other long-term investments	23.1	-	-	-	-	-	14,805,000	-	14,805,000
<b>Total financial assets</b>		<b>1,389,106,567</b>	<b>-</b>	<b>-</b>	<b>1,389,106,567</b>	<b>3,502,864,907</b>	<b>14,805,000</b>	<b>-</b>	<b>3,517,669,907</b>
<b>Financial liabilities</b>									
Lease liabilities	34	-	-	35,567,215	35,567,215	-	-	214,960,263	214,960,263
Debentures	30	-	-	11,043,082	11,043,082	-	-	22,993,457	22,993,457
Borrowings	33	-	-	7,285,168,047	7,285,168,047	-	-	7,934,077,440	7,934,077,440
Trade creditors and other payables	35	-	-	683,694,002	683,694,002	-	-	996,811,199	996,811,199
Unclaimed dividends		-	-	4,592,917	4,592,917	-	-	4,592,917	4,592,917
Amounts due to related companies	37	-	-	13,202,002	13,202,002	-	-	65,428,041	65,428,041
Bank overdrafts	27	-	-	810,509,148	810,509,148	-	-	1,486,180,847	1,486,180,847
<b>Total financial liabilities</b>		<b>-</b>	<b>-</b>	<b>8,843,776,413</b>	<b>8,843,776,413</b>	<b>-</b>	<b>-</b>	<b>10,725,044,164</b>	<b>10,725,044,164</b>

Company								
2023				2022				
Amortised cost	FVOCI - equity instruments	Other financial liabilities	Total	Amortised cost	FVOCI - equity instruments	Other financial liabilities	Total	
Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
372,301,085	-	-	372,301,085	1,555,481,305	-	-	1,555,481,305	
4,378,662,654	-	-	4,378,662,654	4,767,427,665	-	-	4,767,427,665	
127,947,094	-	-	127,947,094	114,651,310	-	-	114,651,310	
87,233,537	-	-	87,233,537	305,772,893	-	-	305,772,893	
-	-	-	-	-	14,805,000	-	14,805,000	
4,966,144,370	-	-	4,966,144,370	6,743,333,173	14,805,000	-	6,758,138,173	
-	-	16,173,920	16,173,920	-	-	26,801,421	26,801,421	
-	-	11,043,082	11,043,082	-	-	22,993,457	22,993,457	
-	-	5,104,499,951	5,104,499,951	-	-	5,879,554,521	5,879,554,521	
-	-	485,126,503	485,126,503	-	-	841,918,934	841,918,934	
-	-	4,592,883	4,592,883	-	-	4,592,883	4,592,883	
-	-	89,704,029	89,704,029	-	-	59,402,033	59,402,033	
-	-	453,770,037	453,770,037	-	-	965,698,571	965,698,571	
-	-	6,164,910,405	6,164,910,405	-	-	7,800,961,820	7,800,961,820	

## > 18. PROPERTY, PLANT AND EQUIPMENT

### *Accounting policy*

#### **Recognition and measurement**

Items of property, plant and equipment are measured at cost, which includes capitalised borrowing costs, less accumulated depreciation and any accumulated impairment losses.

If significant parts of an item of property, plant and equipment have different useful lives, then they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment is recognised in profit or loss.

#### **Revaluation**

The Group applies the revaluation model for the entire class of buildings 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. Buildings 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.

**Capital work-in-progress**

These are expenses of a capital nature directly incurred in the construction of buildings, 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 exceeds the estimated recoverable amount the assets are written down to their recoverable amount. Impairment losses are recognised in the statement of comprehensive income unless it reverses a previous revaluation surplus for the same asset.

**18. PROPERTY, PLANT AND EQUIPMENT****18.1 Reconciliation of carrying amount**

GROUP	Note	Freehold land	Buildings constructed on leasehold land	Fixture and fittings	Plant and machinery	Motor vehicles
		Rs.	Rs.	Rs.	Rs.	Rs.
<b>Cost/valuation</b>						
<b>Balance as at 01 April</b>		42,188,000	13,215,034,997	637,793,051	54,001,945	544,337,453
Revaluation gain for the year		-	1,968,409,187	-	-	-
Additions during the year		-	-	13,007,895	-	-
Reclassification made during the year	19.1			-	-	9,650,000
Adjustment due to revaluation		-	(354,141,889)	-	-	-
Disposal/transfers during the year		-	-	(224,666)	-	-
Adjustment related to disposal of a subsidiary	42	-	-	-	-	-
<b>Balance as at 31 March</b>		42,188,000	14,829,302,295	650,576,280	54,001,945	553,987,453
<b>Accumulated depreciation</b>						
<b>Balance as at 01 April</b>		-	-	420,493,232	54,001,945	495,465,246
Charge for the year		-	354,141,889	42,172,465	-	26,169,340
Adjustment due to revaluation		-	(354,141,889)	-	-	-
Disposals during the year		-	-	(178,067)	-	-
Reclassification made during the year	19.1	-	-	-	-	6,969,238
Adjustment related to disposal of a subsidiary	42	-	-	-	-	-
<b>Balance as at 31 March</b>		-	-	462,487,630	54,001,945	528,603,824
<b>Carrying value</b>						
<b>As at 31 March 2023</b>		42,188,000	14,829,302,295	188,088,650	-	25,383,629
As at 31 March 2022		42,188,000	13,215,034,997	217,299,819	-	48,872,207

Hospital equipment	Medical equipment	Computer equipment	Furniture fittings	Work-in-progress	Total 2023	Total 2022
Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
652,608,036	5,389,788,992	357,898,367	264,143,909	4,814,301	21,162,609,051	20,165,025,310
-	-	-	-	-	1,968,409,187	3,064,009,228
24,613,468	57,905,831	11,808,873	2,267,037	23,457,335	133,060,439	1,116,350,895
-	-	-	-	-	9,650,000	-
-	-	-	-	-	(354,141,889)	(1,013,187,626)
(1,371,676)	(4,314,457)	(725,974)	(415,077)	(4,922,663)	(11,974,513)	(203,013,788)
-	-	-	-	-	-	(1,966,574,968)
675,849,828	5,443,380,366	368,981,266	265,995,869	23,348,973	22,907,612,275	21,162,609,051
449,745,635	3,828,921,208	284,660,541	148,334,556	-	5,681,622,363	6,435,032,046
44,004,502	311,437,532	28,854,860	21,647,683	-	828,428,271	830,284,920
-	-	-	-	-	(354,141,889)	(1,013,187,626)
(1,082,096)	(3,427,737)	(778,918)	(360,650)	-	(5,827,468)	(8,643,250)
-	-	-	-	-	6,969,238	-
-	-	-	-	-	-	(561,863,727)
492,668,041	4,136,931,003	312,736,483	169,621,589	-	6,157,050,515	5,681,622,363
183,181,787	1,306,449,363	56,244,783	96,374,280	23,348,973	16,750,561,760	
202,862,401	1,560,867,784	73,237,826	115,809,353	4,814,301		15,480,986,688

NOTES TO THE FINANCIAL STATEMENTS

COMPANY	Note	Freehold land	Buildings constructed on leasehold land	Fixture and fittings	Plant and machinery	Motor vehicles
		Rs.	Rs.	Rs.	Rs.	Rs.
<b>Cost/valuations</b>						
<b>Balance as at 01 April</b>		42,188,000	1,105,757,501	233,497,197	11,332,408	467,207,845
Revaluation gain for the year		-	161,306,154	-	-	-
Additions during the year		-	-	990,785	-	-
Reclassification made during the year	19.1	-	-	-	-	9,650,000
Adjustment due to revaluation		-	(47,293,355)	-	-	-
Disposal/transfers during the year		-	-	-	-	-
<b>Balance as at 31 March</b>		42,188,000	1,219,770,300	234,487,982	11,332,408	476,857,845
<b>Accumulated depreciation</b>						
Balance as at 01 April		-	-	179,078,529	11,332,408	420,422,976
Charge for the year		-	47,293,355	14,509,837	-	24,705,260
Adjustment due to revaluation		-	(47,293,355)	-	-	-
Reclassification made during the year	19.1	-	-	-	-	6,969,238
Disposals during the year		-	-	-	-	-
<b>Balance as at 31 March</b>		-	-	193,588,366	11,332,408	452,097,474
<b>Carrying value</b>						
<b>As at 31 March 2023</b>		42,188,000	1,219,770,300	40,899,616	-	24,760,371
As at 31 March 2022		42,188,000	1,105,757,501	54,418,668	-	46,784,869

Hospital equipment	Medical equipment	Computer equipment	Furniture fittings	Work-in-progress	Total 2023	Total 2022
Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
379,320,399	3,004,361,942	192,341,999	132,435,500	-	5,568,442,792	4,829,407,244
-	-	-	-	-	161,306,154	384,867,407
15,094,961	34,150,579	9,407,798	218,360	20,042,412	79,904,895	505,819,007
-	-	-	-	-	9,650,000	-
-	-	-	-	-	(47,293,355)	(141,054,178)
-	-	-	-	-	-	(10,596,688)
394,415,360	3,038,512,521	201,749,797	132,653,860	20,042,412	5,777,010,486	5,568,442,792
291,532,544	2,316,876,536	154,341,833	84,742,261	-	3,458,327,087	3,288,372,662
24,038,952	162,827,819	14,913,556	9,353,448	-	297,642,227	319,651,855
-	-	-	-	-	(47,293,355)	(141,054,178)
-	-	-	-	-	6,969,238	-
-	-	-	-	-	-	(8,643,250)
315,571,496	2,479,704,355	169,255,389	94,095,709	-	3,715,645,197	3,458,327,089
78,843,864	558,808,166	32,494,408	38,558,151	20,042,412	2,056,365,289	
87,787,855	687,485,406	38,000,166	47,693,239	-		2,110,115,703

## 18.2 Details of land and building under property plant and equipment stated at revaluation

The buildings constructed on leasehold lands of the Group were revalued By Mr G W G Abeygunawardene FRICS, Chartered valuer as at 31 March 2023.

Location	Extent	No of buildings	Revalued amount –	Carrying value	Carrying value
	Building (Sq. ft.)		buildings	after revaluation	if carried at cost
			Rs.	Rs.	Rs.
Nawaloka Hospitals PLC	90,984	1	1,219,770,300	1,219,770,300	600,404,817
New Nawaoka Hospitals (Pvt) Ltd.	112,826	1	1,319,161,400	1,319,161,400	1,189,383,494
New Nawaloka Medical Centre (Pvt) Ltd.	576,553	3	12,290,370,600	12,290,370,600	8,316,586,518

The leasehold properties with a land extent of 511.80 perches are located in No. 23, Deshamanya H K Dharmadasa Mawatha, Colombo 2.

## 18.3 Details of freehold lands stated at cost – Group/Company

Property	Extent (Perches)	Number of buildings	Square feet (Building)	Carrying value Rs.
Land situated at No. 15, Nelson lane, Kollupitiya, Colombo 03	20.2	–	–	42,188,000

## 18.4 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. Refer note 33.1 for the recovery actions taken by HNB.

## 18.5 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. 133 Mn. (2022:Rs. 1,116 Mn.). Cash payments amounting to Rs. 133 Mn. (2022 – Rs. 1,116 Mn.), were made during the year for purchase of property, plant and equipment.

## 18.6 Amount of contractual commitments for the acquisition of property, plant and equipment

The Group had no any contractual commitments for the acquisition of property, plant and equipment as at the reporting date. (2022: 245 Mn.)

## 18.7 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 2023. 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.

## 18.8 Property, plant and equipment pledged as security

Refer Note 33.

### 18.9 Temporarily idle property, plant and equipment

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

### 18.10 Fully depreciated assets

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

As at 31 March	Group		Company	
	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
Fixture and fittings	229,798,141	203,503,064	97,587,582	80,027,559
Plant and machinery	54,001,945	54,001,945	11,332,408	11,332,408
Motor vehicles	494,203,317	351,208,441	423,199,272	86,013,428
Hospital equipment	236,089,138	175,543,390	160,060,329	29,094,131
Medical equipment	2,431,677,866	1,702,162,749	1,519,925,182	753,506,066
Computer equipment	244,705,453	169,860,362	142,053,009	34,330,354
Furniture and fittings	53,057,910	33,089,519	45,315,234	965,099
	3,743,533,770	2,689,369,470	2,442,142,556	995,269,045

### 18.11 Compensation from third parties for items of property, plant and equipment

No impairment has been recognised for items of property, plant and equipments during the year and no compensation are receivable from third parties during the year. (2022: Nil)

### 18.12 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.

#### Valuation techniques and significant unobservable inputs

The table below sets out the significant unobservable inputs used in measuring buildings constructed on leasehold lands categorised as Level 3 in the fair value hierarchy as at 31 March 2023.

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.	Sensitivity of fair value to significant unobservable input
No. 23, Deshamanya H K Dharmadasa Mawatha, Colombo 2	DRC method of valuation	Building - Price per square feet	LKR 1,750/ - LKR 28,000/-	Price per square feet for building increases, (decreases)	Positively Correlated

The Group uses the revaluation model for measurement of buildings constructed on leasehold land. The buildings constructed on leasehold lands of the Group were revalued by Mr G W G Abeygunawardene FRICS, Chartered valuer as at 31 March 2023.

The Depreciated Replacement Cost ("DRC method") has been used as the fair value of buildings constructed on lease hold land. The cost approach is based on the assumption that an informed buyer will pay no more for a property than the cost of building a brand – new property with similar utility. In determining the DRC, the current condition of the buildings and future usability have been considered. This approach involves the analysis of transactions relating to direct comparable where available. Where evidence of direct comparison is not available, consideration is given to properties in locations further afield making appropriate allowances for configuration, permitted use, size, etc.

### 18.13 No borrowing costs

No borrowing costs were capitalised during the year under property, plant and equipment (2022: Nil).

## > 19. LEASES

### Accounting policy

#### Leased assets

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 01 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 amortised 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.

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 remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the 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 remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

#### Short-term leases and leases of low value assets

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

## 19.1 Right-of-use assets

As at 31 March	Notes	Group		Company	
		2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
<b>Cost</b>					
<b>Balance as at 1 April</b>		<b>822,918,621</b>	936,549,349	<b>158,667,080</b>	148,025,713
New leases obtained during the year		40,289,039	157,087,970	-	10,641,367
Remeasurement during the year		(6,250,654)	-	232,992	-
Derecognition of right-of-use assets		(46,235,302)	-	-	-
Reclassification made during the year	18	(9,650,000)	-	(9,650,000)	-
Adjustment related to disposal of a subsidiary	42	-	(270,718,698)	-	-
<b>Balance as at 31 March</b>		<b>801,071,704</b>	822,918,621	<b>149,250,072</b>	158,667,080
<b>Accumulated amortisation</b>					
<b>Balance as at 1 April</b>		<b>(457,730,900)</b>	(342,004,669)	<b>(89,528,619)</b>	(70,733,683)
Amortisation for the year		(148,954,917)	(173,605,529)	(10,346,881)	(18,794,936)
Derecognition of right-of-use assets		11,467,829	-	-	-
Reclassification made during the year	18	6,969,238	-	6,969,238	-
Adjustment related to disposal of a subsidiary	42	-	57,879,298	-	-
<b>Balance as at 31 March</b>		<b>(588,248,750)</b>	(457,730,900)	<b>(92,906,262)</b>	(89,528,619)
<b>Net carrying value</b>		<b>212,822,954</b>	365,187,721	<b>56,343,810</b>	69,138,431

Assets obtained on lease and balance term of leases as at 31 March 2023 are as follows,

### (a) Nawaloka Hospitals PLC

Type of asset	Balance lease term (Years)
Land	22 – 66 years
Buildings	2 – 4 years
Motor vehicles	3 – 4 years

### (b) New Nawaloka Hospitals (Private) Limited

Type of asset	Balance lease term (Years)
Land	70 years
Buildings	2 – 5 years

### (c) New Nawaloka Medical Centre (Private) Limited

Type of asset	Balance lease term (Years)
Land	80 years
Buildings	5 – 10 years

**> 20. 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 recognised in profit or loss. When investment property that was previously classified as property, plant and equipment is sold, any related amount included in the revaluation reserve is transferred to retained earnings.

Rental income from investment property is recognised as revenue on a straight-line basis over the term of the lease.

**20.1 Reconciliation of carrying amount**

	Company	
	2023 Rs.	2022 Rs.
Investment property	-	192,417,100
Disposals during the year	-	(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.

Consequent to the decision taken by Board of Directors of the Company to dispose the subsidiary Nawaloka Medicare Pvt Ltd. on 31 December 2021. The Board decided to dispose the land located at No. 169, Colombo Road, Negombo which was previously leased to Nawaloka Medicare (Pvt) Ltd.

**> 21. INVESTMENT IN SUBSIDIARIES****Accounting policy****Recognition and measurement**

Subsidiaries are entities controlled by the Group. The Group "controls" an entity when it is exposed to, or has right to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Financial Statements of subsidiaries are included in the Consolidated Financial Statements from the date on which control commenced until the date on which control ceases.

Investments in subsidiaries are recognised at cost of acquisition and thereafter it is carried at cost less any impairment losses in the separate Financial Statements of the Company. The net assets of each subsidiary are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the recoverable amount of the investment is estimated and the impairment loss is recognised to the extent of its net assets loss.

As at 31 March	Holding %	No. of shares	Company	
			2023 Rs.	2022 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 Laboratories (Pvt) Ltd.	100	1	10	10
			945,933,066	945,933,066

**Assessment of impairment**

The Board of Directors has assessed the potential impairment of investment in subsidiaries as 31 March 2023. 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.

## > 22. INVESTMENT IN EQUITY ACCOUNTED INVESTEEES

### Accounting policy

An associate is an entity in which the Group has significant influence, but no control or joint control over the financial and operating policies significant influence is presumed to exist when the Group holds between 20 percent and 50 percent of the voting power of another entity.

The Group determines significant influence taking into account similar considerations necessary to determine control over subsidiaries. Interests in Associates are accounted for using equity method. They are initially recognised at cost, which includes transaction costs. Subsequent to the initial recognition, the consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of equity accounted investee.

The aggregate of the Group's share of profit or loss of an associate is shown on the face of the statement of profit or loss outside operating profit and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associate.

The financial statements of the associate are prepared as at 31 March. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

The Group discontinues the use of the equity method from the date that it ceases to have significant influence over an associate over the and accounts for the investment in accordance with the Group's accounting policy for financial instruments. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

The Company elected to apply equity method in accounting for its interest in associate in the separate financial statements.

Company	Principal activities	Class of shares held	Number of shares	Proportion of interest held by the Group/Company
Nawaloka College of Higher Studies (Private) Limited	Educational services	Ordinary	5,049,500	49.995%

### 22.1 Share of the equity accounted investees' statement of financial position

	Group		Company	
	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
<b>Opening balance as at 1 April 2022</b>	-	-	-	-
Investment made	50,495,000	-	50,495,000	-
Share of profits of equity accounted investee, net of tax	159,885,388	-	159,885,388	-
<b>Closing balance as at 31 March 2023</b>	<b>210,380,388</b>	-	<b>210,380,388</b>	-

**22.2 Summary of equity accounted investees' statement of financial position****Equity accounted investees' statement of financial position**

	Group		Company	
	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
Group interest	49.995%	-	49.995%	-
Current assets	637,177,773	-	637,177,773	-
Non-current assets	156,204,342	-	156,204,342	-
Current liabilities	(364,271,553)	-	(364,271,553)	-
Non-current liabilities	(8,307,705)	-	(8,307,705)	-
<b>Total net assets (100%)</b>	<b>420,802,857</b>	<b>-</b>	<b>420,802,857</b>	<b>-</b>
Less : NCI	-	-	-	-
<b>Total net assets attributable to equity holders</b>	<b>420,802,857</b>	<b>-</b>	<b>420,802,857</b>	<b>-</b>
Group share of net assets	210,380,388	-	210,380,388	-
Goodwill	-	-	-	-
<b>Share of net asset attributable to equity accounted investees</b>	<b>210,380,388</b>	<b>-</b>	<b>210,380,388</b>	<b>-</b>

**Equity accounted investees' statement of profit or loss and other comprehensive income**

	Group		Company	
	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
Revenue	938,607,353	-	938,607,353	-
Profit before income tax	344,532,178	-	344,532,178	-
Income tax	(22,739,133)	-	(22,739,133)	-
<b>Profit after tax</b>	<b>321,793,045</b>	<b>-</b>	<b>321,793,045</b>	<b>-</b>
Profit attributable to NCI	-	-	-	-
Profit attributable to equity holders	321,793,045	-	321,793,045	-
<b>Share of profit of equity accounted investees, net of tax</b>	<b>160,880,433</b>	<b>-</b>	<b>160,880,433</b>	<b>-</b>
<b>Other comprehensive income for the year, net of tax</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
OCI attributable to NCI	-	-	-	-
OCI attributable to equity holders	-	-	-	-
<b>Share of other comprehensive income of equity accounted investees, net of tax</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Share of total comprehensive income for the year</b>	<b>160,880,433</b>	<b>-</b>	<b>160,880,433</b>	<b>-</b>

## > 23. OTHER INVESTMENTS

See accounting policies in Note 17.

The Group's other investments are summarised as follows:

	Note	Group		Company	
		2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
Fair Value Through Other Comprehensive Income – FVOCI	23.1	-	14,805,000	-	14,805,000
Amortised cost	23.2	169,704,685	340,974,024	127,947,094	114,651,310
		169,704,685	355,779,024	127,947,094	129,456,310
Non-current investments	23.1	-	14,805,000	-	14,805,000
Current investments	23.2	169,704,685	340,974,024	127,947,094	114,651,310
		169,704,685	355,779,024	127,947,094	129,456,310

Information about the Group's exposure to credit and market risk, and fair value measurement, is included in Notes 38 and 39.

### 23.1 Fair Value through Other Comprehensive Income – FVOCI

The Group's financial instruments are summarised follows;

	Holding %	Group		Company	
		2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
<b>Investment in unquoted shares</b>					
Digital Health (Private) Limited – cost	15	14,805,000	14,805,000	14,805,000	14,805,000
Change in fair value		(14,805,000)	-	(14,805,000)	-
		-	14,805,000	-	14,805,000

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 dialing 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 25 April 2018. The Group designated this investment as FVOCI because this investment represent, 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 the net assets basis. This fair valuation has been classified as Level 3 as per the fair value measurement principles.

**23.2 Amortised cost**

	Group		Company	
	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
<b>Fixed deposits</b>				
Hatton National Bank PLC	41,757,591	154,349,996	-	-
Commercial Bank of Ceylon PLC	65,500,757	131,176,371	65,500,757	59,203,653
Nations Trust Bank PLC	62,446,337	55,447,657	62,446,337	55,447,657
	<b>169,704,685</b>	<b>340,974,024</b>	<b>127,947,094</b>	<b>114,651,310</b>

**> 24. INVENTORIES****Accounting policy**

Inventories have been valued at lower of cost and net realisable value after making due allowance for obsolete items. The First-In First-Out (FIFO) basis is adopted to arrive at the cost of inventories.

Net realisable value is the price at which inventories can be sold in the normal course of business after allowing for cost of realisation and/or cost of conversion from their existing state to saleable condition.

	Note	Group		Company	
		2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
Pharmaceutical items		280,519,502	424,342,994	163,752,655	228,538,266
General stocks		17,003,422	18,733,721	9,925,710	10,089,414
Reagent stock		79,220,682	105,113,042	-	-
		<b>376,743,606</b>	<b>548,189,757</b>	<b>173,678,365</b>	<b>238,627,680</b>
Provision for slow moving inventories	24.1	(27,669,268)	(3,330,269)	(17,538,107)	(3,330,269)
		<b>349,074,338</b>	<b>544,859,488</b>	<b>156,140,258</b>	<b>235,297,411</b>

**24.1 Provision for slow moving inventories**

Balance as at 1 April	3,330,269	3,330,269	3,330,269	3,330,269
Charge during the year	24,338,999	-	14,207,838	-
Balance as at 31 March	<b>27,669,268</b>	<b>3,330,269</b>	<b>17,538,107</b>	<b>3,330,269</b>

The 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 17.

	Note	Group		Company	
		2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
<b>Financial assets</b>					
Trade receivables					
- Key management personnel		863,351	123,003,610	51,299	123,003,610
- Other related companies		220,806,752	146,056,167	220,806,752	146,056,167
- Others		509,030,277	2,076,327,837	497,036,035	2,072,923,497
		730,700,380	2,345,387,614	717,894,086	2,341,983,274
Less: Provision for impairment	25.1	(513,707,330)	(891,871,931)	(513,707,330)	(891,871,931)
		216,993,050	1,453,515,683	204,186,756	1,450,111,343
Other debtors		862,841,842	114,611,225	422,102,089	98,024,306
Staff loans		9,724,011	7,345,656	9,724,011	7,345,656
Provision for impairment of other debtors	25.2	(620,161,764)	-	(243,277,845)	-
		469,397,139	1,575,472,564	392,735,011	1,555,481,305
<b>Non-financial assets</b>					
Import control					
		-	40,328,577	-	40,328,577
Pre payments		18,046,953	98,118,607	17,942,453	98,059,106
Other deposit and advances		73,489,499	52,895,870	51,615,562	28,886,810
Provision for impairment of prepayments	25.3	(8,423,220)	-	(8,423,220)	-
		83,113,232	191,343,054	61,134,795	167,274,493
		552,510,371	1,766,815,618	453,869,806	1,722,755,798

### 25.1 Provision for impairment of trade receivables

	Note	Group		Company	
		2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
Balance as at 1 April		891,871,931	326,458,480	891,871,931	313,861,252
(Reversal)/provision for the year		(94,468,719)	583,154,722	(94,468,719)	578,010,679
Write-off during the year		(283,695,882)	-	(283,695,882)	-
Adjustment related to disposal of a subsidiary	42	-	(17,741,271)	-	-
Balance as at 31 March		513,707,330	891,871,931	513,707,330	891,871,931

### 25.2 Provision for impairment of other debtors

	Note	Group		Company	
		2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
Balance as at 1 April		-	-	-	-
Transferred from related party receivable provisions	26.1	185,384,165	-	53,463,585	-
Provision for the year		434,777,599	-	189,814,260	-
<b>Balance as at 31 March</b>		<b>620,161,764</b>	<b>-</b>	<b>243,277,845</b>	<b>-</b>

**25.3 Provision for impairment of prepayments**

	Group		Company	
	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
Balance as at 1 April	-	13,634,298	-	13,634,298
Provision/(reversal) for the year	8,423,220	(13,634,298)	8,423,220	(13,634,298)
Balance as at 31 March	8,423,220	-	8,423,220	-

**> 26. AMOUNTS DUE FROM RELATED PARTIES**

See accounting policies in Note 17.

As at 31 March	Note	Group		Company	
		2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
Alcobronz (Pvt) Ltd.		11,000,000	11,000,000	11,000,000	11,000,000
AT Cooray (Pvt) Ltd.	26.2	-	600,000	-	600,000
Battharamulla Medical Centre *		51,561,727	35,445,929	51,561,727	35,445,929
Bernard Philknit Ceylon (Pvt) Limited	26.2	-	10,200,000	-	10,200,000
Ceyoka (Pvt) Ltd.	26.2	-	3,305,850	-	1,320,000
Ceyoka Engineering (Pvt) Ltd.	26.2	-	60,000,000	-	25,000,000
CAFÉ 77		532,475	77,075	455,400	-
Ceylon Nutrinit Holding (Pvt) Ltd.	26.2	-	12,882,104	-	12,882,104
Cinestar Foundation		-	406,211	-	406,211
East West Marketing (Pvt) Ltd.	26.2	-	164,103,090	-	109,316,290
Kandana Medical Centre *		9,768,324	9,768,324	9,768,324	9,768,324
Kiribathgoda Medical Centre *		96,361,626	49,245,838	96,361,626	49,245,838
Karapitiya Medical Centre *		9,850,554	9,850,554	9,850,554	9,850,554
Koala (Pvt) Limited	26.2	-	800,000	-	800,000
Panadura Medical Centre *		87,437,008	67,693,444	87,437,008	67,693,444
Redline (Pvt) Ltd.		4,685,025	4,685,025	-	-
Kottawa Medical Centre *		27,822,557	1,866,911	27,822,557	1,866,910
Nawata (Pvt) Ltd.		10,352,200	5,552,200	5,800,000	1,000,000
Nawaloka Aviation (Pvt) Ltd.		4,479,419	4,479,419	4,479,419	4,479,419
Nawaloka ACG		10,000	10,000	10,000	10,000
Nawaloka Trading (Pvt) Ltd.		-	1,352,549	-	1,352,549
Nawaloka Institute of Health Care (Pvt) Ltd.		9,322,473	649,444	9,322,473	649,444
Nawaloka College of Higher Studies (Pvt) Ltd.		33,013,397	83,508,397	33,013,397	83,508,397
Nawaloka Construction Company (Pvt) Ltd.		59,540,011	-	59,540,011	-
Nawaloka Steel Industries (Pvt) Ltd.		297,997,359	225,677,970	295,447,119	223,127,730
Nawaloka Guardian International (Pvt) Ltd.		29,954,207	332,995	29,621,212	-
Nawaloka Laboratories (Pvt) Ltd.		-	-	-	12,271,475
Nawaloka Engineering (Pvt) Ltd.		2,436,510	2,436,510	1,570,000	1,570,000
Nawaloka MEP Concepets (Pvt) Ltd.	26.2	-	23,084,129	-	23,084,129
New Ashford International (Pvt) Ltd.		3,050,000	3,050,000	3,050,000	3,050,000
Sarjah Polysacks (Pvt) Ltd.		22,429,200	22,429,200	22,429,200	22,429,200

As at 31 March	Note	Group		Company	
		2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
Sasiri Polysacks (Pvt) Ltd.		84,692,392	15,472,411	84,692,392	15,472,411
New Nawaloka Hospitals (Pvt) Ltd.		-	-	358,717,731	588,231,019
New Nawaloka Medical Centre (Pvt) Ltd.		-	-	3,380,206,969	3,210,357,905
Nawaloka Care (Pvt) Ltd.	26.2	-	366,913,549	-	366,913,549
Nawaloka Medicare (Pvt) Ltd.	26.2	-	91,008,594	-	3,524,554
M Branch (Pvt) Ltd.		16,215,698	16,215,698	16,215,698	16,215,698
Nawaloaka Research and Educational Centre Foundation		8,000,000	6,800,000	8,000,000	6,800,000
		880,512,162	1,310,903,420	4,606,372,817	4,929,443,084
Provision for impairment	26.1	(250,821,011)	(186,384,435)	(248,144,089)	(162,015,421)
		629,691,151	1,124,518,985	4,358,228,728	4,767,427,663

\* These medical centers are operated under the legal entity Nawaloka Medical Centres (Pvt) Ltd.

## 26.1 Provision for impairment

As at 31 March	Note	Group		Company	
		2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
Balance as at 1 April		186,384,435	135,099,023	162,015,421	61,604,917
Provision for the year		249,820,741	255,023,963	139,592,253	100,410,504
Transferred to impairment of other debtors	26.2	(185,384,165)	-	(53,463,585)	-
Adjustment related to disposal of a subsidiary	42	-	(203,738,551)	-	-
<b>Balance as at 31 March</b>		<b>250,821,011</b>	<b>186,384,435</b>	<b>248,144,089</b>	<b>162,015,421</b>

**26.2** Balance due from entities ceased to be related parties during the year were transferred to other debtors. Accordingly, the related provision for impairment balance was also transferred.

**> 27. CASH AND CASH EQUIVALENTS****Accounting policy**

The accounting policy for cash and cash equivalents has been given in Note 17.

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.

For cash flow purposes, cash and cash equivalents are presented net of bank overdrafts.

As at 31 March	Note	Group		Company	
		2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
Cash at bank		94,883,970	439,555,717	62,303,438	284,004,162
Cash in hand		25,429,622	22,343,616	24,930,099	21,768,731
<b>Cash and cash equivalents in the statement of financial position</b>		<b>120,313,592</b>	<b>461,899,333</b>	<b>87,233,537</b>	<b>305,772,893</b>
Bank overdrafts used for cash management purposes	27.1	(810,509,148)	(1,486,180,847)	(453,770,037)	(965,698,571)
<b>Cash and cash equivalents for the purpose of statement of cash flows</b>		<b>(690,195,556)</b>	<b>(1,024,281,514)</b>	<b>(366,536,500)</b>	<b>(659,925,678)</b>

**27.1 Bank overdrafts used for cash management purposes**

Company	Interest rate	Limit	31 March 2023 Rs.	31 March 2022 Rs.	Security
<b>Nawaloka Hospitals PLC</b>					
Hatton National Bank PLC	AWPLR+1.5%	25,000,000	25,000,000	184,863,171	Secondary concurrent mortgage bond for Rs 1,535 Mn. over Nawaloka Hospital PLC premises (lease hold) at No 15, Sir James Peiris Mawatha, Colombo 02 and everything standing thereon. with all fixtures, fittings, services and such other rights attached or appertaining thereto.
DFCC Bank PLC	AWPLR+2%	240,000,000	238,344,012	243,806,347	Joint & several Guarantees of Directors- Dr. H K J Dharmadasa, Mr Ugitha Harshith Dharmadasa and Mr. Anisha Givantha Dharmadasa.
Seylan Bank PLC	AWPLR+2.5% with a floor of 25% p.a.	10,000,000	9,981,625	8,372,908	(i)Assignment over credit and debit card receivables of minimum of Rs. 40 Mn. per Month (ii) assignment of insurance receipt totalling Rs. 20 Mn. per month (iii) corporate guarantee from New Nawaloka Hospital Pvt Ltd for Rs. 2.1 Bn. (iv) A letter of undertaking from Bank of Ceylon for assignment of 100% daily collections of Credit/Debit card receivables amounting to Rs. 70,000,000 (Minimum per month)
Commercial Bank of Ceylon PLC	Up to Rs 45 Mn at 7.75% p.a. From Rs 45 Mn to Rs 150 Mn AWPLR +0.5% p.a.	150,000,000	150,000,000	528,656,145	Corporate Guarantee from New Nawaloka Hospitals (Pvt) Ltd for Rs. 500,000,000/- and Corporate Guarantee from New Nawaloka Medical Centre (Pvt) Ltd for Rs. 500,000,000/-
Nation Trust Bank PLC	Weekly AWPLR	30,000,000	30,444,400	-	
			453,770,037	965,698,571	
<b>New Nawaloka Hospital (Pvt) Ltd</b>					
Hatton National Bank PLC	AWPLR+1.75%	150,000,000	152,067,426	151,287,384	Existing primary concurrent mortgage for Rs. 390 Mn. over leasehold Nawaloka Hospital Premises.
<b>New Nawaloka Medical Center (Pvt) Ltd - Note 33.3</b>					
Hatton National Bank PLC Facility (e)	AWPLR +1.5%	200,000,000	204,671,685	201,817,704	Registered primary floating mortgage bond for Rs. 775 Mn. over leasehold property at Sir James peries Mw, Colombo 02, 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.
			810,509,148	1,318,803,659	

**> 28. STATED CAPITAL****Accounting policy****Ordinary shares**

Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity. Income tax relating to transaction costs of an equity transaction is accounted for in accordance with LKAS 12.

As at 31 March	Group		Company	
	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
1,409,505,596 ordinary shares	<b>1,207,388,876</b>	1,207,388,876	<b>1,207,388,876</b>	1,207,388,876

**> 29. REVALUATION RESERVE****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 leasehold lands as at the date of revaluation.

As at 31 March	Group		Company	
	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
Balance as at 1 April	<b>3,929,158,538</b>	1,294,127,962	<b>376,615,807</b>	45,629,837
Revaluation gain for the year, net of tax	<b>610,161,657</b>	2,635,030,576	<b>42,846,251</b>	330,985,970
<b>Balance as at 31 March</b>	<b>4,539,320,195</b>	3,929,158,538	<b>419,462,058</b>	376,615,807

**> 30. DEBENTURES**

See accounting policies in Note 17.

As at 31 March	Group		Company	
	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
Debentures – Current	<b>11,043,082</b>	22,993,457	<b>11,043,082</b>	22,993,457
	<b>11,043,082</b>	22,993,457	<b>11,043,082</b>	22,993,457

During the financial year 2013/14 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 2023 Rs.	Value as at 31 March 2022 Rs.	Comparative government bonds rates %	Yield to maturity %
E	Public	14.40%	Listed	Quarterly	30.09.2013	30.09.2022	120,000	12,000,000	-	11,980,743	11.77	12.14
F	Public	14.45%	Listed	Quarterly	30.09.2013	30.09.2023	110,600	11,060,000	<b>11,043,082</b>	11,012,714	11.80	12.47
									<b>11,043,082</b>	22,993,457		

### 30.1 Purpose of the issue

Purpose of the debenture issue is for funding the construction of multistoried building with car park facilities, Channeling, Out Patient Department and Indoor admission facilities adjoining the existing hospital building and to restructure the balance sheet by refinancing the existing loans.

### 30.2 Credit ratings

ICRA Lanka Ltd. has affirmed Nawaloka Hospitals PLC's long and short-term corporate credit ratings as [SL]BBB- (Stable) which is read as [SL] triple B minus.

## > 31. EMPLOYEE BENEFITS

### *Accounting policy*

#### **Short-term benefits**

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related services are provided.

#### **Defined contribution plan**

Employees' Provident Fund and Employees' Trust Fund is a post-employment benefit plan under which an entity pays fixed contribution into a separate entity and will have no legal or constructive obligation to pay further amounts.

All the employees who are eligible for Employees' Provident Fund and Employees' Trust Fund are covered by relevant contribution funds in line with the respective statutes. Employer's contribution to the defined contribution plans are recognised as an expense in the Statement of Comprehensive Income when incurred.

#### **Defined benefit plan – Employee benefits**

The liability recognised in the Statement of Financial Position in respect of defined benefit plan is the present value of the defined benefit obligation at the reporting date. Benefits falling due more than 12 months after the reporting date are discounted to present value. The defined benefit obligation is calculated annually by Independent Actuary using Projected Unit Credit (PUC) method on recommended by LKAS 19 – "Employee Benefits". Gratuity liability was computed from the first year of service for all employees in conformity with Sri Lanka Accounting Standards 19 – "Employee Benefits".

However, under the Payment of Gratuity Act No. 12 of 1983, the liability to an employee arises only on completion of five years of continued service.

The Company is liable to pay gratuity in terms of the relevant statute.

The gratuity liability is not externally funded.

#### **Actuarial gains and losses**

The remeasurements of the net defined benefit liability, which comprise actuarial gains and losses are recognised in Other Comprehensive Income.

**31.1 Contribution to defined contribution plan**

	Group		Company	
	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
<b>Employee's Provident Fund</b>				
Employer's contribution	142,422,230	140,539,752	45,650,743	46,824,943
Employee's contribution	94,948,153	93,693,168	30,433,829	31,216,628
<b>Employee's Trust Fund</b>	<b>35,605,557</b>	<b>35,134,938</b>	<b>11,412,686</b>	<b>11,706,236</b>

**31.2 Present value of defined benefit obligations**

	Group		Company	
	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
<b>Present value of defined benefit obligations</b>	<b>252,546,976</b>	<b>328,076,235</b>	<b>172,779,008</b>	<b>224,066,102</b>

**31.2.a Movement in the Present Value of Defined Benefit Obligations (PV DBO)**

	Note	Group		Company	
		2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
<b>Balance as at 1 April</b>		<b>328,076,235</b>	<b>386,983,237</b>	<b>224,066,102</b>	<b>269,611,872</b>
Current service cost		35,740,285	40,129,361	13,705,619	5,218,710
Past service cost		-	(1,137,955)	-	(605,853)
Interest cost		44,508,108	26,915,906	30,248,923	18,183,603
Actuarial gain for the year		(120,336,137)	(52,806,508)	(72,773,906)	(39,295,962)
Payments made during the year		(35,441,515)	(44,855,700)	(22,467,730)	(29,046,268)
Adjustment related to disposal of a subsidiary	42	-	(27,152,106)	-	-
<b>Balance as at 31 March</b>		<b>252,546,976</b>	<b>328,076,235</b>	<b>172,779,008</b>	<b>224,066,102</b>

**31.2.b Amounts recognised in the income statement**

	Group		Company	
	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
Current service cost	35,740,285	40,129,361	13,705,619	5,218,710
Past service cost	-	(1,137,955)	-	(605,853)
Interest cost	44,508,108	26,915,906	30,248,923	18,183,603
	<b>80,248,393</b>	<b>65,907,312</b>	<b>43,954,542</b>	<b>22,796,460</b>

**31.2.c Amounts recognised in other comprehensive income**

	Group		Company	
	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
Actuarial gain recognised during the year	(120,336,137)	(52,806,508)	(72,773,906)	(39,295,962)

Present value of defined benefit obligation as at 31 March 2023 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.

**31.2.d Actuarial assumptions**

	2023	2022
Retirement age	60 Years	60 Years
Discount rate	19.50%	13.50%
Salary increment rate	10%	10%
Staff turnover rate	14%	14%
Weighted average duration	4.2 Years	5.5 Years

**31.2.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:

	Group		Company	
	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
1% increase in discount rate	(13,053,179)	(1,391,574)	(5,770,461)	(10,224,108)
1% decrease in discount rate	14,169,603	1,577,999	6,255,499	11,274,268
1% increase in salary increment rate	14,799,182	1,603,748	6,530,731	11,221,101
1% decrease in salary increment rate	(13,811,865)	(1,435,708)	(6,103,945)	(10,351,517)

## > 32. 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 and reflects uncertainty related to income taxes if any.

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.

Deferred tax assets and liabilities are offset only if certain criteria are met.

	Note	Group		Company	
		2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
Deferred tax assets	32.1	(246,345,746)	(170,792,743)	(219,376,007)	(156,231,324)
Deferred tax liabilities	32.1	3,579,708,259	1,476,893,018	456,730,164	201,521,878
Net deferred tax liabilities	32.1	3,333,362,513	1,306,100,275	237,354,157	45,290,554

**32.1 Movement in deferred tax**

For the year end 31 March 2023	Group						
	Net balances as at 1 April	Recognised in profit or loss	Recognised in OCI	Adjustment related to disposal of a subsidiary	Total	Deferred tax assets	Deferred tax liabilities
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
<b>Deferred tax liabilities</b>							
Property plant and equipment	1,463,329,454	696,975,193	1,358,247,530	-	3,518,552,177	-	3,518,552,177
Investment in associate	-	23,982,808	-	-	23,982,808	-	23,982,808
Net ROU asset/ (Net lease liability)	13,563,564	23,609,710	-	-	37,173,274	-	37,173,274
<b>Deferred tax assets</b>							
Defined benefit obligation	(45,930,673)	(65,934,263)	36,100,842	-	(75,764,094)	(75,764,094)	-
Provision for impairment of trade and other receivables	(124,862,070)	(37,418,802)	-	-	(162,280,872)	(162,280,872)	-
Provision for slow moving inventory	-	(8,300,780)	-	-	(8,300,780)	(8,300,780)	-
<b>Net deferred tax liabilities/(assets)</b>	<b>1,306,100,275</b>	<b>632,913,866</b>	<b>1,394,348,372</b>	<b>-</b>	<b>3,333,362,513</b>	<b>(246,345,746)</b>	<b>3,579,708,259</b>

For the Year end 31 March 2022	Group						
	Net balances as at 1 April	Recognised in profit or loss	Recognised in OCI	Adjustment related to disposal of a subsidiary	Total	Deferred tax assets	Deferred tax liabilities
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
<b>Deferred tax liabilities</b>							
Property plant and equipment (Including Revaluation reserve)	946,142,158	184,460,911	428,978,652	(96,252,267)	1,463,329,454	-	1,463,329,454
<b>Deferred tax assets</b>							
Defined benefit obligation	(54,177,653)	385,943	7,798,784	62,253	(45,930,673)	(45,930,673)	-
Provision for impairment of trade receivables and inventories	(45,704,187)	(80,921,495)	-	1,763,612	(124,862,070)	(124,862,070)	-
Accumulated tax losses	(234,487,120)	234,487,120	-	-	-	-	-
Net ROU Asset/ (Net lease liability)	(9,853,207)	18,627,507	-	4,789,264	13,563,564	-	13,563,564
<b>Net deferred tax liabilities/(assets)</b>	<b>601,919,991</b>	<b>357,039,986</b>	<b>436,777,436</b>	<b>(89,637,138)</b>	<b>1,306,100,275</b>	<b>(170,792,743)</b>	<b>1,476,893,018</b>

Company					
Net balances as at 1 April	Recognised in profit or loss	Recognised in OCI	Total	Deferred tax assets	Deferred tax liabilities
Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
195,594,697	106,641,789	118,459,903	420,696,389	-	420,696,389
-	23,982,808	-	23,982,808	-	23,982,808
5,927,181	6,123,786	-	12,050,967	-	12,050,967
(31,369,254)	(42,296,621)	21,832,172	(51,833,703)	(51,833,703)	-
(124,862,070)	(37,418,802)	-	(162,280,872)	(162,280,872)	-
-	(5,261,432)	-	(5,261,432)	(5,261,432)	-
45,290,554	51,771,528	140,292,075	237,354,157	(219,376,007)	456,730,164

Company					
Net balances as at 01 April	Recognised in profit or loss	Recognised in OCI	Total	Deferred tax assets	Deferred tax liabilities
Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
153,473,412	(11,760,152)	53,881,437	195,594,697	-	195,594,697
(37,745,662)	874,974	5,501,434	(31,369,254)	(31,369,254)	-
(43,940,575)	(80,921,495)	-	(124,862,070)	(124,862,070)	-
(16,251,033)	16,251,033	-	-	-	-
(652,172)	6,579,353	-	5,927,181	-	5,927,181
54,883,970	(68,976,287)	59,382,871	45,290,554	(156,231,324)	201,521,878

**32.2 Analysis of recognised deferred tax (assets)/liabilities**

	Group			
	2023		2022	
	Taxable/ (Deductible) temporary difference Rs.	Tax effect Rs.	Taxable/ (Deductible) temporary difference Rs.	Tax effect Rs.
Property plant and equipment (including reserves)	11,728,449,387	3,518,552,177	10,452,353,242	1,463,329,454
Investment in associate	159,885,388	23,982,808	-	-
Defined benefit obligation	(252,546,976)	(75,764,094)	(328,076,235)	(45,930,673)
Provision for impairment of trade and other receivables	(540,936,241)	(162,280,872)	(891,871,931)	(124,862,070)
Provision for slow moving inventories	(27,669,268)	(8,300,780)	-	-
Net ROU asset/(net lease liability)	123,910,911	37,173,274	96,882,601	13,563,564
	11,191,093,201	3,333,362,513	9,329,287,676	1,306,100,275

**32.3 Deferred tax reversal/(charge) for the Year**

	Group		Company	
	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
<b>Recognised in Profit or Loss for the Year</b>				
- Due to change in the effective tax rate	716,512,214	-	(24,594,778)	-
- Due to change in temporary differences	(83,598,348)	357,039,986	76,366,306	(68,976,287)
	632,913,866	357,039,986	51,771,528	(68,976,287)
<b>Recognised in OCI</b>				
- Due to change in the effective tax rate	767,724,774	-	70,068,057	-
- Due to change in temporary differences	626,623,598	436,777,436	70,224,018	59,382,871
	1,394,348,372	436,777,436	140,292,075	59,382,871

**32.4 Unrecognised deferred tax asset**

	Group			
	2023		2022	
	Deductible temporary difference Rs.	Tax effect Rs.	Deductible temporary difference Rs.	Tax effect Rs.
Accumulated tax losses	3,160,084,694	947,982,250	1,674,753,840	234,465,538
	3,160,084,694	947,982,250	1,674,753,840	234,465,538
	Company			
	2023		2022	
	Deductible temporary difference Rs.	Tax effect Rs.	Deductible temporary difference Rs.	Tax effect Rs.
Accumulated tax losses	261,065,439	78,319,631	-	-
	261,065,439	78,319,631	-	-

The Group and the Company has used the effective tax rate of 30% to calculate deferred tax asset/liability on temporary difference as at 31 March 2023 (2022:14%), The Group assumes that investment in associate will primarily realize through dividends. As a result, deferred tax on related temporary difference is calculated at the effective tax rate of 15%.

Company			
2023		2022	
Taxable/ (Deductible) temporary difference Rs.	Tax effect Rs.	Taxable/ (Deductible) temporary difference Rs.	Tax effect Rs.
1,402,321,295	420,696,389	1,397,104,980	195,594,697
159,885,388	23,982,808	-	-
(172,779,008)	(51,833,703)	(224,066,102)	(31,369,254)
(540,936,241)	(162,280,872)	(891,871,931)	(124,862,070)
(17,538,107)	(5,261,432)	-	-
40,169,890	12,050,967	42,337,010	5,927,181
871,123,217	237,354,157	323,503,957	45,290,554

### > 33. BORROWINGS

The accounting policies for borrowings has been given in Notes 13 and 17.

#### 33.1. Borrowings from Financial Institutions

	Note	Group		Company	
		2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
<b>Balance as at 1 April</b>		6,872,574,717	8,323,020,369	4,818,051,798	5,942,522,204
Exchange losses		49,537,479	259,534,357	49,537,479	123,712,970
Loans obtained during the year		1,857,572,359	4,542,687,447	1,857,572,359	4,396,412,056
Interest charge for the year		1,639,543,774	723,015,414	1,154,331,493	539,705,439
Loans paid during the year		(3,380,661,668)	(6,839,861,483)	(3,021,594,564)	(6,184,300,871)
Adjustment related to disposal of a subsidiary	42	-	(135,821,387)	-	-
<b>Closing balance as at 31 March</b>		7,038,566,661	6,872,574,717	4,857,898,565	4,818,051,798
Borrowings falling due within one year		4,258,868,879	546,246,039	2,107,773,810	100,563,734
Borrowings falling due after one year		2,779,697,782	6,326,328,678	2,750,124,755	4,717,488,064
		7,038,566,661	6,872,574,717	4,857,898,565	4,818,051,798

Borrowing based on the financial institutions is as follows:

	Group		Company	
	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
Amana Bank PLC	467,765,421	556,466,000	467,765,421	556,466,000
Bank of Ceylon	1,031,111,927	663,000,000	1,031,111,927	663,000,000
Commercial Bank of Ceylon PLC	964,607,879	772,972,463	964,607,879	772,972,464
Seylan Bank PLC	1,913,333,338	2,171,733,334	1,913,333,338	2,171,733,334
Hatton National Bank PLC	2,661,748,096	2,708,402,920	481,080,000	653,880,000
	<b>7,038,566,661</b>	<b>6,872,574,717</b>	<b>4,857,898,565</b>	<b>4,818,051,798</b>

### 33.2 Commercial paper borrowings

	Group		Company	
	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
Balance as at 1 of April	1,061,502,723	1,482,713,331	1,061,502,723	1,482,713,331
Obtained during the year	-	1,609,816,301	-	1,609,816,301
Paid during the year	(903,614,472)	(2,172,719,180)	(903,614,472)	(2,172,719,180)
Interest Accrued	88,713,135	141,692,271	88,713,135	141,692,271
<b>Balance as at 31 March</b>	<b>246,601,386</b>	<b>1,061,502,723</b>	<b>246,601,386</b>	<b>1,061,502,723</b>
Commercial papers falling due within one year	246,601,386	1,061,502,723	246,601,386	1,061,502,723
	<b>246,601,386</b>	<b>1,061,502,723</b>	<b>246,601,386</b>	<b>1,061,502,723</b>

Above commercial paper borrowings are obtained at interest rates ranging from 9.25%-30%.

#### Total borrowings

Total borrowings falling due within one year	4,505,470,265	1,607,748,762	2,354,375,196	1,162,066,457
Total borrowings falling due after one year	2,779,697,782	6,326,328,678	2,750,124,755	4,717,488,064
	<b>7,285,168,047</b>	<b>7,934,077,440</b>	<b>5,104,499,951</b>	<b>5,879,554,521</b>

Details of loans obtained by the Group are set out below:

Financial institution Long-term loan	Repayment terms	Security	Principal Rs.	Annual interest	Annual repayment Rs.	Balance as at 31 March 23 Rs.
<b>Nawaloka Hospitals PLC</b>						
Bank of Ceylon	Short-term revolving facilities	Joint & several Guarantees of Directors - Dr H K J Dharmadasa, Mr Ugitha Harshith Dharmadasa and Mr Anisha Givantha Dharmadasa.	1,000,000,000	AWPLR (Monthly review)	563,000,000	1,031,111,927
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/- to be signed by the directors of the company, Corporate Guarantee from New Nawaloka Medical Centre (Pvt) Ltd for Rs.500,000,000/- to be signed by the directors of the company, General Terms and Conditions relating to Term Loan for Rs.1,000,000,000/- to be signed by the directors of the company.	1,000,000,000	AWPLR+0.5%	186,469,373	565,669,077
Commercial Bank of Ceylon PLC	5 years in 59 monthly instalments USD 53,350/- and final instalment of USD 52,350/-	Corporate Guarantee for Rs. 500,000,000/- by New Nawaloka Hospital (Pvt) Ltd.	USD 3,200,000	LIBOR+ 4.5%	29,613,049	398,938,802
Hatton National Bank PLC	First 12 months Rs. 2.5 Mn. Next 29 months Rs. 4.9 Mn. and Final month Rs. 2.9 Mn.	Secondary concurrent mortgage bond for Rs. 757 Mn. over Nawaloka Hospital PLC premises (lease hold) at No 15, Sir James Peiris Mawatha, Colombo 02 and everything standing thereon. with all fixtures, fittings, services and such other rights attached or appertaining thereto.	175,000,000	AWPLR+2.5%	58,800,000	86,200,000
Hatton National Bank PLC	First 12 months Rs. 1.9 Mn Next 24 months Rs. 9.5 Mn. Next 12 months Rs. 12.5 Mn. Next 5 months Rs. 25 Mn. and Final month Rs. 5.88 Mn.	Secondary concurrent mortgage bond for Rs. 757 Mn. over Nawaloka Hospital PLC premises (lease hold) at No 15, Sir James Peiris Mawatha, Colombo 02 and everything standing thereon. with all fixtures, fittings, services and such other rights attached or appertaining thereto.	550,000,000	AWPLR+2.5%	114,000,000	394,880,000



**New Nawaloka Medical Centre (Pvt) Ltd. – Note 33.3**

Financial institution	Facility obtained	Security	Interest rate	Balance as at 31 March 2023 Rs.
Hatton National Bank PLC (a) Note 33.3	Rs. 300 Mn. to convert hardcore portion of Nawaloka Hospitals PLC	Registered primary floating mortgage bond for Rs. 775 Mn over lease hold property at Sir James Peiris Mawatha and everything standing thereto.	AWPLR +1.5%	212,710,983
Hatton National Bank PLC (b) Note 33.3	Rs. 275 Mn. to settle the overdraft facility obtained from Sampath Bank PLC.	Same security pledged for facility 01	AWPLR +1.75%	231,883,289
Hatton National Bank PLC (c) Note 33.3	Rs. 1 Bn. to finance the cost of hospital construction project	Secondary mortgage bond of Rs.1,535 Mn over Nawaloka Hospital PLC premises 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.	AWPLR +1.75%	937,741,224
Hatton National Bank PLC (d) Note 33.3	Rs. 1 Bn. to finance the cost of hospital construction project	Same security pledged for facility 03	AWPLR + 1.75%	715,839,765
				2,098,175,261

**33.3** As disclosed in Note 44.1 to these financial statements, Hatton National Bank PLC (HNB) has initiated recovery actions for loan facilities (a) and (b) mentioned in note no 33.2 and overdraft facility (e) mentioned in note 27.1. In addition, the Bank has sent a letter demanding immediate settlement of facilities (c) and (d) mentioned in note 33.2 on 17 January 2023. As a result, the outstanding balances on these loans and overdraft of New Nawaloka Medical Centre (Private) Limited have been classified as current liabilities as at 31 March 2023.

**> 34. LEASE LIABILITIES**

See accounting policies in Note 19

	Note	Group		Company	
		2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
Balance as at 1 of April		214,960,263	479,712,905	26,801,421	35,799,802
Leases obtained during the year		40,289,039	149,715,661	-	10,641,366
Remeasurement of leases		(6,250,654)	-	232,992	-
Interest charge for the year		27,205,345	78,611,349	3,076,239	5,024,674
Repayments during the year		(206,686,948)	(237,077,510)	(12,820,172)	(24,664,421)
Derecognition of lease liability		(33,949,830)	-	(1,116,560)	-
Adjustment due to disposal of subsidiary	42	-	(256,002,142)	-	-
<b>Balance as at 31 March</b>		<b>35,567,215</b>	<b>214,960,263</b>	<b>16,173,920</b>	<b>26,801,421</b>

**Classification of lease liabilities**

Current		16,589,210	91,971,272	13,870,438	15,281,044
Non current		18,978,005	122,988,991	2,303,482	11,520,377
		<b>35,567,215</b>	<b>214,960,263</b>	<b>16,173,920</b>	<b>26,801,421</b>

As at 31 March	Group		Company	
	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.

**Maturity analysis of lease liabilities**

Lease Payable within one Year		16,589,210	91,971,272	13,870,438	15,281,044
Lease Payable between 1 to 5 Years		4,137,885	118,940,718	2,303,482	11,520,377
Lease Payable more than five years		14,840,121	4,048,273	-	-
		<b>35,567,215</b>	<b>214,960,263</b>	<b>16,173,920</b>	<b>26,801,421</b>

**Maturity Analysis of Undiscounted cash flows**

Less than one year		32,456,255	181,469,958	13,609,484	21,211,830
One to five years		53,274,898	75,903,429	5,233,578	7,089,591
More than 5 years		11,900,000	4,790,534	-	-
<b>Total</b>		<b>97,631,153</b>	<b>260,663,921</b>	<b>18,843,062</b>	<b>28,301,421</b>

**34.1 Amount Recognised in the Statements of Profit Loss and Other Comprehensive Income**

As at 31 March	Note	Group		Company	
		2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
Amortisation of right-of-use assets	19.1	148,954,917	173,605,529	10,346,881	18,794,936
Interest costs		27,205,345	78,611,349	3,076,239	5,024,674
		176,160,262	252,216,878	13,423,120	23,819,610

**34.2 Amount Recognised in the Cash Flow Statement**

As at 31 March	Group		Company	
	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
Repayments of lease principal	206,686,948	237,077,510	12,820,172	24,664,421

**> 35. TRADE AND OTHER PAYABLES****Accounting policy**

The accounting policy for trade and other payables has been given in Note 17.

**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.

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As at 31 March	Group		Company	
	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
<b>Financial liabilities</b>				
Trade payables				
– Related parties	3,207,519	87,491,421	3,207,519	43,077,037
– Other	659,532,513	873,727,257	460,965,014	763,249,376
	662,740,032	961,218,678	464,172,533	806,326,413
Doctors' payables	20,953,970	35,592,521	20,953,970	35,592,521
	683,694,002	996,811,199	485,126,503	841,918,934
<b>Non financial liabilities</b>				
Other payables	1,555,404,118	862,593,672	1,137,864,576	770,625,008
	2,239,098,120	1,859,404,871	1,622,991,079	1,612,543,942

> **36. CURRENT TAX LIABILITY/(ASSET)**

The accounting policy for income taxes has been given in Note 14.

As at 31 March	Note	Group		Company	
		2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
Balance as at 01 April		195,868,081	14,232,036	129,676,724	-
Provision for the year	14.4	24,437,018	195,566,986	-	129,676,724
Reversal of over provision		(129,676,724)	-	(129,676,724)	-
Tax paid during the year		(4,160,043)	(13,930,941)	-	-
<b>Balance as at 31 March</b>		<b>86,468,332</b>	<b>195,868,081</b>	<b>-</b>	<b>129,676,724</b>

> **37. AMOUNTS DUE TO RELATED PARTIES**

The accounting policy for amount due to related parties has been given in Notes 41 and 17

As at 31 March	Group		Company	
	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
Nawaloka Construction (Pvt) Limited	813,630	7,704,605	-	6,890,975
CAFÉ 77	-	2,265,914	-	2,265,914
Nawaloka Petroleum (Pvt) Ltd.	6,126,605	-	6,126,605	-
Battharamulla Medical Centre*	-	1,500	-	-
Kiribathgoda Medical Centre*	-	43,780	-	-
Mount Lavinia Medical Centre*	4,525,675	5,167,098	-	-
Nawaloka Laboratories (Pvt) Ltd.	-	-	81,841,332	-
Nawaloka Guardian International (Pvt) Ltd.	-	50,245,144	-	50,245,144
Key Management personnel	1,736,092	-	1,736,092	-
	13,202,002	65,428,041	89,704,029	59,402,033

\* These medical centres are operated under the legal entity Nawaloka Medical Centres (Pvt) Ltd.

## > 38. FAIR VALUE MEASUREMENT

### *Accounting policy*

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Group has access at that date. The fair value of a liability reflects its non-performance risk.

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

When one is available, the Group measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as "active" if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the Group uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

If an asset or a liability measured at fair value has a bid price and an ask price, then the Group measures assets and long positions at a bid price and liabilities and short position at an ask price.

The best evidence of the fair value of a financial instrument or initial recognition is normally the transaction price- i.e. the fair value of the consideration given or received. If the Group determines that the fair value on initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability not based on a valuation techniques for which any unobservable inputs are judged to be insufficient in relation to the measurement, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value on initial recognition and the transaction price. Subsequently, the difference is recognised in profit or loss on an appropriate basis over the life of the instrument but not later than when the valuation is wholly supported by observable market data or the transaction is closed out.

The Group measures the fair value using the following fair value hierarchy, which reflects the significance of the inputs used in making the measurement. An analysis of the fair value measurement of financial and non-financial assets and liabilities are provided below:

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

When available, the Group measures the fair value of an instrument using active quoted prices or dealer price quotations (assets and long positions are measured at a bid price; liabilities and short positions are measured at an ask price), without any deduction for transaction costs. A market is regarded as active if transactions for asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

- **Level 2:** inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

This category includes instruments valued using;

- (a) quoted prices in active markets for similar instruments,
- (b) quoted prices for identical or similar instruments in markets that are considered to be less active, or
- (c) other valuation techniques in which almost all significant inputs are directly or indirectly observable from market data.

- **Level 3:** inputs for the asset or liability that are not based on observable market data (unobservable inputs). This category includes all instruments for which the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation.

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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 2023	Classification	Group			
		Total carrying amount	Fair Value	Level 1	Level 2
		Rs.	Rs.	Rs.	Rs.
<b>Financial assets measured at fair value</b>					
Investment in unquoted shares	Fair value through OCI	-	-	-	-
<b>Financial assets not measured at fair value</b>					
Cash and cash equivalents	Amortised cost	120,313,592	120,313,592	-	120,313,592
Trade and other receivables	Amortised cost	469,397,139	469,397,139	-	-
Receivable from related parties	Amortised cost	629,691,151	629,691,151	-	-
Investment in fixed deposits	Amortised cost	169,704,685	169,704,685	-	169,704,685
		1,389,106,567	1,389,106,567	-	290,018,277
<b>Financial liabilities not measured at fair value</b>					
Lease Liabilities	Other financial liabilities	35,567,216	35,567,216	-	-
Debentures	Other financial liabilities	11,043,082	11,043,082	-	-
Borrowings	Other financial liabilities	7,285,168,047	7,285,168,047	-	-
Trade and other payables	Other financial liabilities	683,694,002	683,694,002	-	-
Payable to related companies	Other financial liabilities	13,202,002	13,202,002	-	-
Unclaimed Dividend	Other financial liabilities	4,592,917	4,592,917	-	-
Bank Overdraft	Other financial liabilities	810,509,148	810,509,148	-	810,509,148
		8,843,776,414	8,843,776,414	-	810,509,148

Group				Company			
Level 3	Total	Total carrying amount	Fair value	Level 1	Level 2	Level 3	Total
Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
-	-	-	-	-	-	-	-
-	120,087,312	87,233,537	87,233,537	-	87,233,537	-	87,233,537
469,397,139	469,397,139	392,735,011	392,735,011	-	-	392,735,011	392,735,011
629,691,151	629,691,151	4,358,228,728	4,358,228,728	-	-	4,358,228,728	4,358,228,728
-	169,704,685	127,947,094	127,947,094	-	127,947,094	-	127,947,094
1,099,088,290	1,389,106,567	4,966,144,370	4,966,144,370	-	215,180,631	4,750,963,739	4,966,144,370
35,567,216	35,567,216	16,173,920	16,173,920	-	-	16,173,920	16,173,920
11,043,082	11,043,082	11,043,082	11,043,082	-	-	11,043,082	11,043,082
7,285,168,047	7,285,168,047	5,104,499,951	5,104,499,951	-	-	5,104,499,951	5,104,499,951
683,694,002	683,694,002	485,126,503	485,126,503	-	-	485,126,503	485,126,503
13,202,002	13,202,002	89,704,029	89,704,029	-	-	89,704,029	89,704,029
4,592,917	4,592,917	4,592,883	4,592,883	-	-	4,592,883	4,592,883
-	810,509,148	453,770,037	453,770,037	-	453,770,037	-	453,770,037
8,033,267,266	8,843,776,414	6,164,910,405	6,164,910,405	-	453,770,037	5,711,140,368	6,164,910,405

NOTES TO THE FINANCIAL STATEMENTS

31 March 2022	Classification	Group			
		Total Carrying Amount Rs.	Fair Value Rs.	Level 1 Rs.	Level 2 Rs.
<b>Financial assets measured at fair value</b>					
Investment in unquoted shares/FVOCI		14,805,000	14,805,000	-	-
<b>Financial assets not measured at fair value</b>					
Cash and cash equivalents	Amortised cost	461,899,333	461,899,333	-	461,899,333
Trade and other receivables	Amortised cost	1,575,472,564	1,575,472,564	-	-
Receivable from related parties	Amortised cost	1,124,518,986	1,124,518,986	-	-
Investment in fixed deposits	Amortised cost	340,974,024	340,974,024	-	340,974,024
		3,517,669,907	3,517,669,907	-	802,873,357
<b>Financial liabilities not measured at fair value</b>					
Lease Liabilities	Other financial liabilities	214,960,263	214,960,263	-	-
Debentures	Other financial liabilities	22,993,457	22,993,457	-	-
Borrowings	Other financial liabilities	7,934,077,440	7,934,077,440	-	-
Trade and other payables	Other financial liabilities	996,811,199	996,811,199	-	-
Payable to related companies	Other financial liabilities	65,428,041	65,428,041	-	-
Unclaimed Dividend	Other financial liabilities	4,592,917	4,592,917	-	-
Bank Overdraft	Other financial liabilities	1,486,180,847	1,486,180,847	-	1,486,180,847
		10,725,044,163	10,725,044,163	-	1,486,180,847

\*\* 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 and other 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.
14,805,000	14,805,000	14,805,000	14,805,000	-	-	14,805,000	14,805,000
-	461,899,333	305,772,893	305,772,893	-	305,772,893	-	305,772,893
1,575,472,564	1,575,472,564	1,555,481,305	1,555,481,305	-	-	1,555,481,305	1,555,481,305
1,124,518,986	1,124,518,986	4,767,427,664	4,767,427,664	-	-	4,767,427,664	4,767,427,664
-	340,974,024	114,651,310	114,651,310	-	-	114,651,310	114,651,310
2,714,796,550	3,517,669,907	6,758,138,171	6,758,138,171	-	305,772,893	6,452,365,278	6,758,138,171
214,960,263	214,960,263	26,801,421	26,801,421	-	-	26,801,421	26,801,421
22,993,457	22,993,457	22,993,457	22,993,457	-	-	22,993,457	22,993,457
7,934,077,440	7,934,077,440	5,879,554,521	5,879,554,521	-	-	5,879,554,521	5,879,554,521
996,811,199	996,811,199	841,918,934	841,918,934	-	-	841,918,934	841,918,934
65,428,041	65,428,041	59,402,033	59,402,033	-	-	59,402,033	59,402,033
4,592,917	4,592,917	4,592,883	4,592,883	-	-	4,592,883	4,592,883
-	1,486,180,847	965,698,571	965,698,571	-	965,698,571	-	965,698,571
9,238,863,317	10,725,044,163	7,800,961,820	7,800,961,820	-	965,698,571	6,835,263,249	7,800,961,820

## > 39. FINANCIAL RISK MANAGEMENT

The Group has exposure to the following risks arising from financial instruments:

- a. Credit Risk (Note 39.2)
- b. Liquidity Risk (Note 39.3)
- c. Market Risk (Note 39.4)
- d. Operational Risk (Note 39.5)

### 39.1 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.

### 39.2 Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and investments in debt securities.

The carrying amounts of financial assets and contract assets represent the maximum credit exposure.

Impairment losses on financial assets and contract assets recognised in profit or loss were as follows.

As at 31 March	Group		Company	
	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
Impairment loss on trade receivables contract assets arising from contracts with customers and amounts due from related companies	590,129,621	838,178,685	234,937,794	678,421,183
	<u>590,129,621</u>	<u>838,178,685</u>	<u>234,937,794</u>	<u>678,421,183</u>

### 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 31 March	Group		Company	
	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
Other investments	169,704,685	355,779,024	127,947,094	129,456,310
Trade and other receivables	469,397,139	1,575,472,564	392,735,011	1,555,481,305
Amount due from related parties	629,691,151	1,124,518,985	4,358,228,728	4,767,427,663
Cash and cash equivalents	94,883,970	439,555,717	62,303,438	284,004,162
	<b>1,363,676,945</b>	<b>3,495,326,290</b>	<b>4,941,214,271</b>	<b>6,736,369,440</b>

At 31 March 2023, the exposure to credit risk for trade receivables and contract assets by type of counterparty was as follows.

As at 31 March	Group		Company	
	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
Local government	35,319,335	142,892,257	35,319,335	142,892,257
Insurance companies	214,496,823	47,929,364	214,496,823	47,929,364
Other corporate clients	450,505,841	1,670,143,926	450,505,841	1,670,143,926
Other	30,378,381	484,422,066	17,572,087	481,017,726
	<b>730,700,380</b>	<b>2,345,387,613</b>	<b>717,894,086</b>	<b>2,341,983,273</b>

The following table provides information about the exposure to credit risk and ECLs for trade receivables and contract assets as at 31 March 2023.

As at 31 March 2023	Group			
	Weighted average loss rate %	Gross carrying amount Rs.	Loss allowance Rs.	Credit impaired Rs.
Current (not past due)	-	-	-	No
Past due > 6 months	70	730,700,380	513,707,330	No
		<b>730,700,380</b>	<b>513,707,330</b>	

As at 31 March 2022	Group			
	Weighted average loss rate %	Gross carrying amount Rs.	Loss allowance Rs.	Credit impaired Rs.
Current (not past due)	-	-	-	No
Past due > 6 months	38	2,345,387,614	891,871,931	No
		<b>2,345,387,614</b>	<b>891,871,931</b>	

### Cash and cash equivalents with banks

The Group held cash at Bank of Rs. 94,883,976/- at 31 March 2023 (2022: Rs. 439,555,717/-). The cash and cash equivalents are held with bank and financial institution counterparties, which are rated highly rated, based on ratings.

### Amounts due from related parties

Provision for impairment on amounts due from related parties are assessed individually considering the financial status of these related parties.

### 39.3 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.

It is not expected that cash flows included in the maturity analysis would occur significantly earlier or at significantly different amount.

#### Exposure to liquidity risk

The following are the remaining contractual maturities of financial liabilities at the reporting date. The amounts are gross and undiscounted, and include contractual interest payments and exclude the impact of netting agreements.

31 March 2023	Carrying amount Rs.	Contractual cash flows Rs.	Less than 1 year Rs.	1-5 years Rs.	More than 5 years Rs.
<b>Non-derivative financial liabilities</b>					
Debentures	11,043,082	11,043,082	11,043,082	-	-
Borrowings	7,285,168,047	7,285,168,047	4,515,823,159	2,769,344,888	-
Trade creditors and other payables	683,694,002	683,694,002	683,694,002	-	-
Unclaimed dividends	4,592,917	4,592,917	4,592,917	-	-
Lease liabilities	35,567,216	35,567,216	16,589,210	4,137,885	14,840,121
Payable to related companies	13,202,002	13,202,002	13,202,002	-	-
Bank overdrafts	810,509,148	810,509,148	810,509,148	-	-
	8,843,776,414	8,843,776,414	6,055,453,520	2,773,482,773	14,840,121

The Group has used overdraft of (Rs. 810,509,148/-) at the end of 2023.

31 March 2022	Carrying amount Rs.	Contractual cash flows Rs.	Less than 1 year Rs.	1-5 years Rs.	More than 5 years Rs.
<b>Non-derivative financial liabilities</b>					
Debentures	22,993,457	22,993,457	22,993,457	-	-
Borrowings	7,934,077,440	7,934,077,440	1,607,748,762	4,400,384,288	1,925,944,390
Trade creditors and other payables	996,811,199	996,811,199	996,811,199	-	-
Unclaimed dividends	4,592,917	4,592,917	4,592,917	-	-
Lease liabilities	214,960,263	214,960,263	91,971,272	118,940,718	4,048,273
Payable to related companies	65,428,041	65,428,041	65,428,041	-	-
Bank overdrafts	1,486,180,847	1,486,180,847	1,486,180,847	-	-
	10,725,044,164	10,725,044,164	4,275,726,494	4,519,325,006	1,929,992,663

The Company has used Overdraft of (Rs. 1,486,180,847/-) at the end of 2023

As at 31 March	2023		2022	
	Facility available Rs.	Facility utilised Rs.	Facility available Rs.	Facility utilised Rs.
<b>Overdraft</b>				
Hatton National Bank PLC	325,000,000	25,000,000	325,000,000	184,863,171
DFCC Bank PLC	240,000,000	238,344,012	240,000,000	243,806,347
Commercial Bank of Ceylon PLC	150,000,000	150,000,000	45,000,000	528,656,145
Seylan Bank PLC	10,000,000	9,981,624	10,000,000	8,372,908
Nation Trust Bank PLC	30,000,000	30,444,400	-	-
	755,000,000	453,770,036	620,000,000	965,698,571

### 39.4 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 optimising 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 monetary assets and liabilities denominated in foreign currencies, the Group'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.

The Group is exposed to currency risk on borrowings and supplier payable balances that are denominated in a currency other than Sri Lankan Rupees (Rs.). The foreign currency in which the set transactions primarily denominated is United States Dollars (USD).

### Exposure to Currency risk

The Group's exposure to foreign currency risk was as follows based on notional amounts:

	Group		Company	
	2022/23 USD	2021/22 USD	2022/23 USD	2021/22 USD
Interest bearing borrowings	1,187,274	1,267,624	1,187,274	1,267,624
Supplier payable balance	1,196,930	1,176,430	1,196,930	1,176,430
	2,384,204	2,444,054	2,384,204	2,444,054

The following significant exchange rates were applicable during the year;

	Average rate		Reporting date spot rate	
	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
USD	327.14	299.00	327.29	299.00

### Sensitivity analysis

A strengthening or weakening of the Sri Lankan Rupee, as indicated below, against the USD as at the reporting date would have increased/(decreased) the equity and profit or loss by the amounts shown below. This analysis is based on foreign currency exchange rate variances that the Group/Company considered to be reasonably possible at the end of the reporting period. The analysis assumes that all other variables, in particular interest rates, remain constant.

NOTES TO THE FINANCIAL STATEMENTS

As at 31 March 2023	Strengthening Rs. 000	Weakening Rs. 000
USD (10% movement)	(78,033)	78,033

As at 31 March 2022	Strengthening Rs. 000	Weakening Rs. 000
USD (10% movement)	(73,077)	73,077

**Interest rate risk**

Interest rate is the risk that fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's interest rate risk arises mainly from the borrowings. The fluctuation in the Average Weighted Prime Lending Rate (AWPLR) results in the effective interest rate of the borrowings usually without a corresponding change in the fair value. The Group analyses the interest rate exposure on a dynamic basis monitoring AWPLR.

The interest rate profile of the Group's interest-bearing financial instruments as reported to the management of the Group is as follows.

	Group		Company	
	As at 31 March 2023	As at 31 March 2022	As at 31 March 2023	As at 31 March 2022
<b>Fixed-rate instruments</b>				
Financial assets	169,704,685	340,974,024	127,947,094	114,651,310
Financial liabilities	293,211,684	1,299,456,443	273,818,388	1,111,297,601
	462,916,369	1,640,430,467	401,765,482	1,225,948,911
<b>Variable-rate instruments</b>				
Financial assets	-	-	-	-
Financial liabilities	7,942,952,387	8,358,755,564	5,311,668,602	5,783,750,369
	7,942,952,387	8,358,755,564	5,311,668,602	5,783,750,369

**Sensitivity analysis**

The following table demonstrate the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the profit before tax. A reasonably possible of +/- 1% is used, consistent with current trends in interest rates.

	Group		Company	
	+1% (100 Basis Points) Impact on profit Rs.	-1% (100 Basis Points) Impact on profit Rs.	+1% (100 Basis Points) Impact on profit Rs.	-1% (100 Basis Points) Impact on profit Rs.
<b>31 March 2023</b>				
<b>Financial Liabilities</b>				
Interest Bearing Loans and borrowings	(79,430)	79,430	(53,117)	53,117
<b>31 March 2022</b>				
<b>Financial Liabilities</b>				
Interest Bearing Loans and borrowings	(83,588)	83,588	(57,838)	57,838

### 39.5 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.

## > 40. CAPITAL MANAGEMENT

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain development of the business. Capital consists of ordinary shares, retained earnings and revaluation reserve of the Group. The Board of Directors monitors the return on capital as well as the level of dividends to ordinary shareholders.

The Group's net debt to adjusted equity ratio at the reporting date was as follow:

	As at 31 March 2023 Rs.	As at 31 March 2022 Rs.
Total liabilities	14,071,558,352	13,417,682,427
Less: Cash and cash equivalents	120,313,592	461,899,333
Net debt	13,951,244,760	12,955,783,094
Total equity	4,923,500,887	6,682,364,430
<b>Net debt to adjusted equity ratio</b>	<b>2.83</b>	<b>1.94</b>

## > 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

##### (a) Compensation of key management personnel

As at 31 March	Group		Company	
	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
Short-term employee benefits	61,346	107,961	61,346	97,811
	<u>61,346</u>	<u>107,961</u>	<u>61,346</u>	<u>97,811</u>

(b) Transactions with key management personnel are disclosed below. Balances with key management personnel are disclosed in Note no 25 and 37 to the financial statements.

	Rendering of services/sale of Goods Rs.	Receiving of services purchase of Goods Rs.	Fund transfers
Key Management Personnel	21,724	(1,736)	-
As at 31 March	2023 Rs.	2022 Rs.	
Balances due from KMP	<u>21,724</u>	-	
Balances due To KMP	<u>(1,736)</u>	-	

#### Close family members (CFM) of Key Management Personal

CFM of a KMP are those family members who may be expected to influence, or be influenced by, that KMP in their dealings with the entity. They may include KMP's domestic partner and children, children of the KMP's domestic partner and dependants of the KMP or the KMP's domestic partner, CFM are related parties to the Group/Company.

### 41.2 Transactions with related parties

#### Non-recurrent related party transactions

There were no non-recurrent related party transactions which in aggregate value exceeds 10% of the equity or 5% of the total assets whichever is lower of the Company as per 31 March 2023 audited financial statements, which required additional disclosures in the 2021/22 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 2023 audited financial Statements, which required additional disclosures in the 2021/22 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 Hospitals (Pvt) Ltd.		New Nawaloka MedicalCentre (Pvt) Ltd.		Nawaloka Laboratories (Pvt) Ltd.		Nawaloka Medicare (Pvt) Ltd.	
Shareholding	100%		100%		100%		100%	
	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
Opening balance due (to)/ from subsidiaries	588,231	1,658,540	3,210,359	2,901,299	12,271	(417,930)	-	(128,439)
Provision of Services	(1,168,075)	(832,677)	(902,360)	2,043,806	(916,061)	151,880	-	(2,730)
Cost of Pharmaceutical and General stores items	857,714	536,767	609,804	765,745	133	584,034	-	120,596
Transfer to other debtors	-	-	-	-	-	-	-	-
Fund Transfer	80,848	(456,274)	462,404	(2,241,079)	821,815	(305,713)	-	14,097
Closing balance due (to)/ from subsidiaries	358,718	588,231	3,380,207	3,210,359	(81,842)	12,271	-	3,524
Opening provision due (to)/from subsidiaries	-	-	-	-	-	-	-	(1,010)
Charged during the year	-	-	-	-	-	-	-	-
Transfer to other debtor	-	-	-	-	-	-	-	-
Closing provision due (to)/ from subsidiaries	-	-	-	-	-	-	-	(1,010)
<b>Directors</b>	Dr H K J Dharmadasa Mr A G Dharmadasa Prof L G Chandrasena		Dr H K J Dharmadasa Mr A G Dharmadasa		Dr H K J Dharmadasa Mr U H Dharmadasa Mr A G Dharmadasa Prof L G Chandrasena		Dr H K J Dharmadasa Mr 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 provided for New Nawaloka Medical Centre (Pvt) Ltd to invest on multi storied building with car park facilities.

New Nawaloka Medical Centre (Pvt) Ltd and New Nawaloka Hospitals (Pvt) Ltd are fully owned subsidiaries of Nawaloka Hospitals PLC. All three companies are located in the same premises and operational decisions as well as investment/expansion decisions are also executed as a single entity with common staff. As such, neither specific terms and conditions nor guarantees were agreed in relating to the funding of New Nawaloka Medical Centre (Pvt) Ltd to invest on multi storied building with car park facilities.

Outstanding balance relating to this transaction is included in the current account as disclosed in note 41.2 to these financial statements and considered as repayable on demand. Current account balances at year end are unsecured, interest free and settlement occurs in cash.

Nawaloka Medicare (Pvt) Ltd ceased to be a related party with effect from December 2021.

## Transactions with other related parties – Company

Name of the Company	Transfer to other debtor		Investment in associate		Rendering of services/Sale of Goods		Receiving of services/purchase of goods		Fund transfer		Balance as at 31 March DUE (TO)/FROM	
	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
Nawaloka Aviation (Pvt) Ltd.	-	-	-	-	-	-	-	-	-	-	4,479	4,479
AT Cooray (Pvt) Ltd.	(600)	-	-	-	-	-	-	-	-	600	-	600
Ceylon Nutrirut Holding (Pvt) Ltd.	(12,882)	-	-	-	-	380	-	-	-	12,502	-	12,882
Cinestar Foundation	-	-	-	-	-	-	40	-	(446)	406	-	406
Bernard Philkit (Pvt) Ltd.	(10,200)	-	-	-	-	-	-	-	-	-	-	10,200
M Branch (Pvt) Ltd.	-	-	-	-	-	-	-	265	-	-	16,216	16,216
Nawaloka Construction Co. (Pvt) Ltd.	-	-	-	-	151	-	517	-	65,763	-	59,540	(6,891)
Nawaloka Engineering (Pvt) Ltd.	-	-	-	-	-	-	-	-	-	-	1,570	1,570
Nawaloka ACG Aluminium Company (Pvt) Ltd.	-	-	-	-	-	-	-	-	-	-	10	10
Nawaloka Medical Centers (Pvt) Ltd.	-	-	-	-	(599)	-	-	-	109,531	(314)	282,802	173,870
Nawaloka Guardian International (Pvt) Ltd.	-	-	-	-	(1,244)	-	-	-	81,110	-	29,621	(50,245)
Nawaloka College of Higher Studies (Pvt) Ltd.	-	-	(50,495)	-	-	-	-	-	-	-	33,013	83,508
East West Marketing (Pvt) Ltd.	(109,316)	-	-	-	-	-	-	-	-	69,935	-	109,316
Nawaloka Institute of Health Care (Pvt) Ltd.	-	-	-	-	(11,055)	90	-	-	19,728	100	9,322	649
Polysacks Sharjah U.A.E	-	-	-	-	-	-	-	-	-	-	22,429	22,429
Nawaloka Trading (Pvt) Ltd.	(1,353)	-	-	-	-	-	-	-	-	1,600	-	1,353
Ceyoka (Pvt) Ltd.	(1,320)	-	-	-	-	-	-	-	-	(11,532)	-	1,320
Ceyoka Engineering (Pvt) Ltd.	(25,000)	-	-	-	-	-	-	-	-	-	-	25,000
Nawata Group (Pvt) Ltd.	-	-	-	-	-	-	-	-	4,800	1,000	5,800	1,000
Koala (Pvt) Ltd.	(800)	-	-	-	-	-	-	-	-	-	-	800
Nawaloka Steel Industries (Pvt) Ltd.	-	-	-	-	-	-	-	38,000	72,319	26,076	295,447	223,128
Sasiri Polysacks (Pvt) Ltd.	-	-	-	-	-	7,472	774	-	68,446	-	84,692	15,472
New Ashford International (Pvt) Ltd.	-	-	-	-	-	-	-	-	-	50	3,050	3,050
CAFÉ 77	-	-	-	-	455	-	(58,691)	-	60,957	-	455	(2,266)
Alcobronz (Pvt) Ltd.	-	-	-	-	-	-	-	-	-	-	11,000	11,000
Nawaloka Research and Education Foundation	-	-	-	-	-	-	1,200	-	-	2,400	8,000	6,800
Nawaloka MEP Concepts (Pvt) Ltd.	(23,084)	-	-	-	-	-	-	-	-	23,084	-	23,084
Nawaloka Care (Pvt) Ltd.	(366,914)	-	-	-	-	-	-	-	-	365,490	-	366,914
Nawaloka Petroleum (Pvt) Ltd.	-	-	-	-	(6,127)	-	-	-	-	-	(6,127)	-

## > 42. DISPOSAL OF SUBSIDIARY

Nawaloka Hospitals PLC divested the total investment in its subsidiary Nawaloka Medicare (Private) Limited for a consideration of Rs. 1,215 Mn. on 31 December 2021.

### 42.1 Disposal of investment

As at 31 March	2023	2022
	Company Rs.	Company Rs.
Fair value of the consideration received	-	1,215,200,000
Cost of Investment	-	1,071,052,320
<b>Gain on disposal of investment</b>	-	144,147,680

### 42.2 The aggregate effects of disposal of the subsidiary is as follows:

As at 31 March	2023	2022
	Group Rs.	Group Rs.
Total assets	-	2,336,282,344
Total liabilities	-	(862,380,648)
Carrying amount of the former subsidiary's net assets	-	1,473,901,696
Less: Fair value of the consideration received	-	1,215,200,000
<b>Loss associated with the loss of control attributable to the former controlling interest</b>	-	258,701,696

### 42.3 Identifiable assets (liabilities) disposed

The following table summarises the assets and liabilities disposed at the date of disposal.

As at 31 March	2023	2022
	Group Rs.	Group Rs.
<b>Nawaloka Medicare (Private) Limited</b>		
Property, plant and equipment	-	1,404,711,241
Right of use asset	-	212,839,400
Inventories	-	68,284,140
Trade and other receivables	-	86,911,951
Deposits and prepayments	-	33,897,667
Receivable from related companies	-	193,920,322
Cash and cash equivalents	-	335,717,623
Employee benefits	-	(27,152,106)
Deferred tax (asset)/liability	-	(89,637,138)
Lease liability	-	(256,002,142)
Trade creditors and other payables	-	(64,780,857)
Payable to related companies	-	(30,067,421)
Borrowings falling due within one year	-	(135,821,387)
Bank overdraft	-	(258,919,597)
<b>Total identifiable net assets disposed</b>	-	1,473,901,696

**42.4 Net cash inflow on disposal of the subsidiary**

As at 31 March	2023	2022
	Group Rs.	Group Rs.
Cash proceeds from disposal	-	1,215,200,000
Less: Cash and cash equivalent disposed	-	(76,798,027)
<b>Net cash inflow on disposal of the Subsidiary for Cash Flow Purposes</b>	<b>-</b>	<b>1,138,401,973</b>

**> 43. COMMITMENTS**

There were no contract for capital expenditure of material amounts approved or contracted for as at the reporting date for the Company/Group.

**> 44. CONTINGENT LIABILITIES****Accounting policy**

A provision is recognised if, as a result of a past event, the company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised in profit or loss.

Contingent liabilities are disclosed if there is a possible future obligation as a result of a past event, or if there is a present obligation as a result of a past event but either a payment is not probable or the amount cannot be reasonably estimated.

**Use of Judgements and Estimates****Provisions and Contingencies**

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

**Pending Litigations against Company/Group**

Based on the available information, the Management is of the view that there are no material litigation or claims other than those disclosed below that could have material impact on the financial position on the Group. Accordingly, no provision has been made for following legal claims in the Financial Statements.

The Board of Directors of the Company having consulted the legal council have determined that no provision is required for the below cases outstanding against the Group as at 31 March 2023.

**44.1 Commercial High Court of Colombo - Case 118/2023 MR**

Hatton National Bank PLC ("Bank") through its letter dated 14 March 2023 has notified New Nawaloka Medical Center (Private) Limited ("NNMC") of the decision taken by the Board of Directors of the Bank to auction the property mortgaged by NNMC to recover the certain outstanding debts.

NNMC has filed a case in the Commercial High Court of Colombo against the said decision of the Bank seeking inter alia a declaration that the resolution of the Board of Directors of the Bank is illegal, unlawful, bad in law and of no force or effect in law.

The matter was called for support on 18 May 2023 and having heard the submissions made, the Commercial High Court of Colombo issued an enjoining order restraining the said auction.

Subsequently, the matter was called on 10 October 2023 where both parties filled written submissions, and the matter was fixed for order in respect of the interim injunction on 23 November 2023. However, the order was postponed to 12 January 2024 and was again postponed to 23 January 2023.

As disclosed in note 33.3 to these financial statements, the said debts under recovery action include loans and permanent overdraft facilities with outstanding balances amounting to Rs. 450.9 Mn. and Rs. 204.6 Mn. respectively as at 31 March 2023. However, the said loan balance of Rs. 450.9 Mn. constitutes an interest of Rs. 6.3 Mn. that is under dispute by the Company. Both parties are negotiating to settle this matter and the management is confident that the parties could amicably settle the issue. As a result, NNMC has not recorded this interest under dispute as at 31 March 2023."

#### **44.2 Commercial High Court of Colombo – Case 59/2023 CO**

A former director/shareholder of the Company has filled a case at the Commercial High Court of Colombo seeking to make order by cancelling the 5,049,500 shares (wrongly and by an error) of Nawaloka College of Higher Studies (Private) Limited issued in favour of the Company.

The matter was called on 10 November 2023 and was fixed for objections of the Company on 02 February 2024. The Company is confident that this matter would be resolved in favour of the Company and as a result no adjustments were made to the financial statements as at 31 March 2023.

#### **44.3 District Court of Colombo – Case DMR 5339/19 and Civil Appellate High Court of Colombo – Case WP HCCA 87/2023 LA**

Plaintiff filled a case against the Company and one other claiming damages of Rs. 102 Mn. on the grounds of negligence of the defendants. An application was made under the Civil procedure code on 21 June 2022 to produce documents specified in the application for inspection. On 17 May 2023 the learned district judge allowed the application of the plaintiff and permitted him to inspect the documents specified in the application.

The Company having aggravated by the said order filed a leave to Civil Appellate High Court against the said order. The matter is set for next hearing on 06 June 2024.

Having considered the preliminary stage of the matter, the Company concluded that no provision is required to be made in the financial statements for the year ended 31 March 2023.

#### **44.4 District Court of Colombo – Case DMR 3969/19**

A case has been filed against the Company alleging medical negligence in the death of a patient claiming damages of Rs. 107 Mn. The matter is fixed for pretrial on 15 May 2024.

Having considered the preliminary stage of the matter, the Company concluded that no provision is required to be made in the financial statements for the year ended 31 March 2023.

#### **44.5 District Court of Colombo – Case DMR 1376/23**

The plaintiff by his plain dated 21 July 2023 sought Rs. 100 Mn. as damages for physical and mental pain due to medical negligence and cost of litigation. The matter was fixed for answer on 05 July 2024.

Having considered the preliminary stage of the matter, the Company concluded that no provision is required to be made in the Financial Statements for the year ended 31 March 2023.

## > 45. EVENTS AFTER THE REPORTING PERIOD

### *Accounting policy*

Events after the reporting period are those events, favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue.

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.

## > 46. COMPARATIVE INFORMATION

The Financial Statements for the comparative periods comprise results for the 12 month periods from 01 April 2021 to 31 March 2022.

In this circumstance, the comparative information for the Financial Position, Statement of Profit or Loss and Other Comprehensive Income, Statement of Changes in Equity and Cash Flow Statements 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.

## > 47. DIRECTORS RESPONSIBILITY

The Board of Directors is responsible for the preparation and presentation of the financial statements in accordance with Sri Lanka Accounting Standards.

## > 48. GOING CONCERN

The Company and the Group incurred a net loss of Rs. 654.7 Mn and Rs. 2,438.5 Mn (2022: Rs. 96.5 Mn) respectively during the year ended 31 March 2023 and, as of that date, the Group's current liabilities exceeded its current assets by Rs. 5,866 Mn. Further, the Company and the Group have reported accumulated losses of Rs. 887.3 Mn (2022: Rs. 268.7 Mn) and Rs. 823.2 Mn respectively as at 31 March 2023.

Further, as disclosed in notes 33.3 and 44.1 to these financial statements, Hatton National Bank PLC has initiated actions to recover outstanding debts of the subsidiary New Nawaloka Medical Center (Private) Limited ("NNMC) including public notice for parate' execution over properties mortgaged for these debt balances.

Therefore, these events or conditions indicate that a material uncertainty exists that may cast substantial doubts on the Group's and Company's ability to continue as a going concern and therefore that it may be unable to realise its assets and discharge its liabilities in the normal course of business.

Notwithstanding this uncertainty, the financial statements have been prepared on a going concern basis because, the Board of Directors are of the view that it is appropriate to use the going concern basis based for the preparation of financial statements due to the below facts and circumstances.

- The Group's management has diligently addressed challenges related to the improvement of Group's operational results, utilizing expertise and innovative approaches to minimize losses and optimize resource utilization.
- The Board of Directors foresee that the Group will generate additional income during the year ending 31 March 2024, compared to the preceding year, employing enhanced strategies to boost admissions and channel counts within the Group.

**These strategies encompass:**

- Attracting new general physicians, cardiologists, orthopaedic surgeons, and external referrals by allocating an increased marketing budget, which includes social media, mass media, below-the-line (BTL), and vlog campaigns.
- Introducing appealing discount schemes for the corporate sector at a minimum of 3% of revenue.
- Implementing the innovative concept of a "Surgical Hub" to attract and reduce outgoing theatre admissions.
- Enhancing service orientation through continuous professional development of in-house nurses via the Nursing School.

Additionally, the Board of Directors witnessed the revenue growth of the Group during the subsequent eight months ended 30 November 2023 which had been influenced by the broader economic upturn, impacting consumer spending and the demand for products or services.

These revenue streams are already well established and supported with enhanced investment and accordingly, the Board is confident that the Group is able to operate at a capacity to earn revenue from these streams without additional investments.

Furthermore, following changes in circumstances and actions taken by the Management is also expected to add positively to the improved financial performance and position of the Group and the Company.

- The Group's management has taken several steps to reduce its existing cost structure through initiatives such as training and education on cost savings, re-alignment of operational workflows, cost saving on energy cost etc.
- The substantial reduction in interest rates and finance costs contributed to a significant decrease in the overall finance costs is anticipated in the upcoming years.
- Management obtained additional credit facilities to ensure that it can pay its debts as and when they fall due and payable for a minimum of 12 months period from the date of approval of these financial statements by the Board of Directors.
- As disclosed in Note 44.1, the Management has taken steps to overcome the recovery actions taken by Hatton National Bank PLC and expects a positive outcome over restructuring and renegotiating terms over settling the dues in a way that will not impact the going concern of the Group.

Having considered these factors, the Board of Directors meticulously reviewed the individual companies operating within the Group. Following thorough analysis of potential outcomes and their likelihood, the Directors have ascertained that the Company and the Group possess adequate resources to sustain their operations well into the foreseeable future.

Further, the Management of the Company does not have any intention to liquidate the Company or the Group and to cease the operations in the near future.



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# FINANCIAL HIGHLIGHTS

For the year ended 31 March

	2022/23 Rs.	2021/22 Rs.	Change %
<b>Income statement data</b>			
Revenue	9,305,061,318	15,302,268,206	-39
Operating profit	(73,460,408)	1,660,285,220	-104
Profit/(loss) before tax	(1,910,781,335)	456,018,655	-537
Profit/(loss) after tax	(2,438,455,495)	(96,588,317)	2,023
Total comprehensive (expense)/income for the year	(1,758,863,543)	2,583,449,983	-168
Gross profit	4,635,090,908	7,840,936,166	-41
Gross profit margin (%)	50	51	-3
Operating (loss)/profit margin (%)	-1	11	-107
Net profit/(loss) margin (%)	-26.21	-0.63	3,391
Return on asset (ROA) (%)	-0.39	8.3	-105
Return on capital employed (ROCE) (%)	-1.49	24.85	-106
Interest cover	0.1	1.4	-95
Return on equity	-0.50	-0.01	2,781
<b>Financial position</b>			
Total assets	18,995,059,239	20,100,046,857	-5
Total liabilities	14,071,558,352	13,417,682,427	5
Shareholders' equity	4,923,500,887	6,682,364,430	-26
Debt ratio	0.74	0.67	11
Net assets per share	3.49	4.74	-26
Current ratio	0.24	0.79	-70
Quick assets ratio	0.19	0.69	-72
<b>Shareholder information</b>			
Number of shares in issue	1,409,505,596	1,409,505,596	0
Earnings per share	(1.73)	(0.07)	2,372
Dividend per share	-	-	0

## SHARE PRICES DURING THE INTERIM PERIOD AS AT 31 MARCH 2023

	31 March 2023 Rs.
Highest price	7.80
Lowest price	4.80
Closing price	5.70

## COMPOSITION OF SHAREHOLDERS

Category	31 March 2023			31 March 2022		
	Number of shareholders as at	Total holdings Rs.	%	Number of shareholders as at	Total holdings Rs.	%
Institutional shareholders	114	527,426,861	37.42	44	457,744,785	32.5
Individual shareholders	6,637	882,078,735	62.58	6,560	951,760,811	67.5
<b>Total</b>	<b>6,751</b>	<b>1,409,505,596</b>	<b>100</b>	<b>6,604</b>	<b>1,409,505,596</b>	<b>100</b>

## TOP 20 SHAREHOLDERS OF NAWALOKA HOSPITALS PLC AS AT 31 MARCH 2023

Names	Number of shares Rs.	%
1 Nawaloka Construction Company (Private) Limited	441,778,880	31.34
2 Mr H K J Dharmadasa	402,736,182	28.57
3 Mr K D D Perera	389,676,904	27.65
4 Seylan Bank Ltd./H K Jayantha Dharmadasa	60,000,000	4.26
5 Employees trust fund board	7,722,374	0.55
6 Miss A G Dharmadasa	5,066,686	0.36
7 Mrs P Nanayakkara	5,066,666	0.36
8 Mr L Hettiarachchi	3,890,000	0.28
9 Mr V R Ramanan	3,110,088	0.22
10 Mr A G Dharmadasa	3,004,026	0.21
11 Nawaloka Developments (Pvt) Ltd.	2,814,932	0.20
12 Mrs C S Dharmadasa	2,581,866	0.18
13 Mr K S Warusavitarana	2,500,066	0.18
14 J B Cocoshell (Pvt) Ltd.	1,973,914	0.14
15 Seylan Bank Plc/Andaradeniya Estate (Pvt) Ltd.	1,947,429	0.14
16 Tranz Dominion, L L C	1,750,000	0.12
17 Ranatunga Motors (Pvt) Ltd.	1,337,598	0.09
18 Mr G C Goonetilleke	1,205,000	0.09
19 Freudenberg Shipping Agencies Limited	1,044,392	0.07
20 Mr B V Selvanayagam	898,691	0.06
<b>Total shares</b>	<b>1,340,105,694</b>	<b>95.07</b>
<b>Balance</b>	<b>69,399,902</b>	<b>4.93</b>
<b>Total number of shares</b>	<b>1,409,505,596</b>	<b>100</b>

**DIRECTORS SHAREHOLDING AS AT 31 MARCH 2023**

Names	Number of shares
1. Mr H K J Dharmadasa	402,736,182
2. Seylan Bank Ltd./H K Jayantha Dharmadasa	60,000,000
3. Mr A G Dharmadasa	3,004,026
4. Miss A G Dharmadasa	5,066,686
5. Prof L G Chandrasena	601,198
6. Mr T De Zoysa	218,000
7. Mr V R Ramanan	3,110,088
8. Dr I M D Z Gunasekera	32,000
9. Dr V C P De Mel	500,000
10. Prof S K A A P De Silva	-
11. Mr D S Abeyratna	-
12. Mr T K Bandaranayake	-

**RANGE OF SHAREHOLDERS AS AT 31 MARCH 2023**

	Number of shareholders	Number of shares	% of share holdings
1 to 1,000 shares	3,264	991,518	0.07
1,001 to 10,000 shares	2,328	9,323,317	0.67
10,001 to 100,000 shares	1,025	30,174,001	2.14
100,001 to 1,000,000 shares	115	29,809,757	2.11
1,000,001 and above	19	1,339,207,003	95.01
<b>Total</b>	<b>6,751</b>	<b>1,409,505,596</b>	<b>100</b>

**PUBLIC SHAREHOLDING**

As at 31 March	2022/23	2021/22
Shares held by public	481,933,208	482,961,848
No. of public shareholders	6,734	6,570
Public holdings percentage	34.19%	34.19%
Compliant under option 3-Float adjusted market capitalisation (Rs. Mn.)	2,747	3,132

**SHARES HELD BY THE PUBLIC AS AT 31 MARCH 2023**

In calculating the shares held by the public as at 31 March 2023, the shares held by the Directors, their spouses, shares held by Nawaloka Construction Company (Private) Ltd, Nawaloka Developments (Private) Limited, shares held jointly by Mr H K J Dharmadasa/Seylan Bank Plc and shares held by Mr Victor R Ramanan and the holders of 10% and more than 10% shares wherever applicable have been excluded:

Name of the shareholder (Other than public)	Number of shares
Nawaloka Construction Company (Private) Limited	441,778,880
Nawaloka Developments (Pvt) Ltd.	2,814,932
Mr H K J Dharmadasa	402,736,182
Seylan Bank Ltd/H K Jayantha Dharmadasa	60,000,000
Mr A G Dharmadasa	3,004,026
Ms A G Dharmadasa	5,066,686
Prof Lal Chandrasena	601,198
Mr T De Zoysa	218,000
Mr V R Ramanan	3,110,088
Dr I M D Z Gunasekera	32,000
Dr V C P De Mel	500,000
Mrs C S Dharmadasa	2,581,866
Mr H K U N Dharmadasa	332
Mr H K U Dharmadasa	200
Ms S D Chandrasena	48,000
Mr C L Perera	13,332
Mrs P Nanayakkara	5,066,666
	927,572,388
%	65.81
Shares held by the public	481,933,208
%	34.19
	1,409,505,596
Numbers of public shareholders	6,734

**SHARES HELD BY THE PUBLIC AS AT 31 MARCH 2023**

Shares held by the public as at 31 March 2023

31 March 2023  
Rs.

Highest price	7.80
Lowest price	4.80
Closing price	5.70

## TEN YEAR FINANCIAL SUMMARY

GROUP	2022/23	2022/21	2021/20	2020/19	2019/18
<b>Income statement data</b>					
Revenue	9,305,061,318	15,302,268,206	11,827,738,761	9,035,829,577	8,534,267,449
Cost of sale	(4,669,970,410)	(7,461,332,040)	(6,285,289,880)	(4,248,181,070)	(4,143,850,942)
Gross profit	4,635,090,908	7,840,936,166	5,542,448,881	4,787,648,507	4,390,416,507
Other operating income	138,255,580	136,521,897	125,629,915	149,388,093	244,851,729
Profit/(Loss) from operations	(73,460,408)	1,660,285,220	1,503,505,332	1,179,734,344	802,357,905
Net profit/(loss) after taxation	(2,438,455,495)	(96,588,317)	501,263,947	15,980,740	(587,153,161)
<b>Balance sheet data</b>					
Shareholders' fund	4,923,500,887	6,682,364,430	4,098,914,447	3,430,129,485	3,441,663,445
<b>Financial ratios</b>					
Gross profit ratio (%)	50	51	47	53	51
Net profit ratio (%)	(26.21)	(0.63)	4.24	0.18	(6.88)
Increase in revenue (%)	(39.19)	29.38	30.90	6.00	7
Return on capital employed (%)	(1.49)	24.85	13.67	11.47	7
Current asset ratio (%)	0.24	0.79	0.57	0.40	0.45
Quick asset ratio (%)	0.19	0.69	0.51	0.34	0.35
Return on assets (Rs.)	(0.004)	0.08	2.68	0.09	(4.00)
Debt/equity ratio	2.86	2.00	1.44	0.62	1.77
Earnings/(loss) per share (after share split)	(1.73)	(0.07)	0.36	0.01	(0.42)
Net asset per share (Rs) (after share split)	3.49	4.74	2.91	2.43	2.56
Dividend per share	-	-	-	-	0.05
Dividend pay out ratio	-	-	-	-	-

	2018/17	2017/16	2016/15	2015/14	2014/13
	7,955,278,613	6,299,910,436	5,860,218,161	4,602,433,640	3,993,473,302
	(3,551,349,412)	(2,997,276,079)	(2,906,572,342)	(2,331,583,775)	(1,910,510,751)
	4,403,929,201	3,302,634,357	2,953,645,819	2,270,849,865	2,082,962,551
	198,816,074	129,152,153	94,495,240	65,199,571	64,194,796
	1,174,203,124	728,625,298	637,208,825	352,342,610	475,165,536
	179,958,540	282,840,629	206,034,228	87,470,836	208,953,909
	4,258,504,794	4,513,462,017	3,994,897,962	3,887,681,839	3,902,955,947
	55	52	50	49	52
	2	4	4	2	5
	26	8	27	15	(5)
	10.55	5.43	5.16	2.25	5
	0.53	0.83	0.89	1.03	1.11
	0.44	0.73	0.70	0.80	0.85
	1.00	2.00	2.00	1.00	3.00
	1.34	1.37	1.27	0.84	0.58
	0.13	0.17	0.15	0.06	0.15
	3.02	3.15	2.83	2.76	2.77
	0.10	0.08	0.07	0.06	0.05
	0.59	0.55	1.13	0.40	0.16

## TEN YEAR FINANCIAL SUMMARY

COMPANY	2022/23	2022/21	2021/20	2020/19	2019/18
<b>Income statement data</b>					
Revenue	4,779,052,407	6,119,455,452	3,554,428,501	3,732,633,886	3,471,447,762
Cost of sale	(2,424,266,002)	(3,152,249,596)	(1,572,724,022)	(1,710,637,789)	(1,805,766,151)
Gross profit	2,354,786,405	2,967,205,856	1,981,704,479	2,021,996,097	1,665,681,611
Other operating income	62,281,914	665,981,996	62,619,125	205,770,909	250,304,480
Profit/(Loss) from operations	511,201,695	1,253,104,236	526,624,258	772,251,090	(4,156,285)
Net profit/(loss) after taxation	(654,726,222)	249,855,172	(302,931,556)	99,022,051	(251,631,403)
<b>Balance sheet data</b>					
Shareholders' fund	739,533,830	1,315,277,067	700,641,397	1,023,216,365	934,921,037
<b>Financial ratios</b>					
Gross profit ratio (%)	49	48	56	54	48
Net profit ratio (%)	(14)	4	(9)	3.00	(7.25)
Increase in revenue (%)	(21.90)	72.16	(4.77)	7.52	(2.73)
Return on capital employed (%)	69.12	95	11.14	16.64	0.08
Current asset ratio (%)	1.14	1.80	1.14	1.08	1.23
Quick asset ratio (%)	1.10	1.74	1.11	1.05	1.17
Return on assets (Rs.)	0.06	2.43	(2.70)	0.91	(2.74)
Debt/equity ratio	10.43	3.80	5.28	3.32	4.15
Earnings/(loss) per share (after share split)	(0.46)	0.18	(0.21)	0.07	(0.18)
Net asset per share (Rs.) (after share split)	0.52	0.93	0.50	0.73	0.66
Dividend per share	-	-	-	-	0.05
Dividend pay out ratio	-	-	-	-	-

	2018/17	2017/16	2016/15	2015/14	2014/13
	3,568,770,483	2,568,162,863	2,833,195,719	2,497,830,914	2,112,827,471
	(1,532,151,922)	(1,359,482,350)	(1,490,055,615)	(1,229,903,547)	(957,537,962)
	2,036,618,561	1,208,680,513	1,343,140,104	1,267,927,367	1,155,289,509
	534,238,430	212,984,776	86,694,974	152,643,920	132,467,166
	993,606,987	19,979,747	201,126,820	375,219,106	291,176,935
	453,607,982	(373,558,926)	(127,565,499)	89,938,006	107,751,965
	1,274,086,896	1,043,158,707	1,466,336,065	1,693,759,266	1,704,925,831
	57	47	47	51	55
	13	(17)	(5)	4	5
	38.96	(9)	13	18	1
	19.83	(45.00)	(9.00)	5.31	6.00
	1.11	1.30	1.83	1.62	1.12
	1.06	1.24	1.75	1.53	1.01
	4.30	(5.00)	(1.60)	1.51	2.00
	2.68	4.80	3.21	1.78	1.20
	0.32	(0.31)	(0.09)	0.06	0.08
	0.90	0.69	1.04	1.20	1.21
	0.10	0.08	0.07	0.06	0.05
	(0.32)	(0.88)	1.10	0.78	0.28

## NOTICE OF MEETING

Notice is hereby given that the Annual General Meeting of NAWALOKA HOSPITALS PLC will be held on Wednesday, the 14th day of February 2024 as a virtual meeting (on a virtual platform as a Zoom video conference) which will be coordinated from the Auditorium, of Nawaloka Hospitals PLC at No. 23, Deshamanya H K Dharmadasa Mawatha, Colombo 02 commencing at 10.00 am for the following purposes:-

### AGENDA

1. To receive and consider the Report of the Board of Directors on the Affairs of the Company and the Financial Statements for the year ended 31 March 2023 together with the Report of Auditors thereon.
2. To resolve in terms of Section 211 of the Companies Act No. 07 of 2007 to appoint/re-appoint Dr Hewa Komanage Jayantha Dharmadasa (who has attained the age of 75 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. 07 of 2007 to appoint/re-appoint Vidya Jyothi Professor Lal Chandrasena (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.
4. To resolve in terms of Section 211 of the Companies Act No. 07 of 2007 to appoint/re-appoint Deshabandu Tilak De Zoysa (who has 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.
5. To resolve in terms of Section 211 of the Companies Act No. 07 of 2007 to appoint/re-appoint Mr Tissa K Bandaranayake (who has attained the age of 80 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. 07 of 2007 to appoint/re-appoint Mr D Sunil AbeyRatna (who has attained the age of 75 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 resolve in terms of Section 211 of the Companies Act No. 07 of 2007 to appoint/re-appoint Dr Maithri (Maiya) Gunasekera (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.
8. To re-elect Directors as follows:
  - a. Re-elect, as a Director, in terms of Article 74, Mr Anisha Dharmadasa who retires by rotation and offers himself for re-election.
9. To authorise the Board of Directors to determine and make donations to charities.

10. To re-appoint Messrs KPMG (Chartered Accountants) as Auditors of the Company and authorise the Board of Directors to determine their remuneration.
11. To inform the shareholders that a failure to resolve the matters giving rise to the qualified opinion during the time period and in the manner specified in the Listing Rules will result in the suspension of trading.

By Order of the Board,



**Charuni Gunawardana**  
Director

**C G CORPORATE CONSULTANTS (PRIVATE) LIMITED**  
Company Secretaries for Nawaloka Hospitals PLC



Scan to view the PDF version of the Annual Report.

### Notes

- (1) This Notice and the submission of the Form of Proxy should be read in conjunction with the "Circular to Shareholders" and "Guidelines and the Registration process for the Virtual Annual General Meeting of the Company scheduled for 14 February 2024".
- (2) Shareholders who wish to participate at the Virtual AGM through Zoom are kindly requested to complete and forward the "Application Form for registration for the virtual Annual General Meeting" as more fully explained in the said "Guidelines and the Registration process for the Virtual Annual General Meeting".
- (3) 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.
- (4) The completed Form of Proxy together with the "Application Form" for registration to participate at the virtual AGM via "Zoom" Videoconferencing App must be emailed to charuni@c-g-associates.com or have it delivered by hand or post to the Finance Department (10th Floor), No. 23, Deshamanya H K Dharmadasa Mawatha, Colombo 02, Sri Lanka not later than 10.00am on 12 February 2024 (Forty Eight hours prior to the meeting).
- (5) A person representing a Corporation is required to forward a certified copy of the Resolution authorizing him/her to act as the Representative of the Corporation. A Representative need not to be a Member.
- (6) A person representing a Shareholder as the Attorney (Power of Attorney) is required to forward the original or a certified copy of the said Power of Attorney.
- (7) The Transfer book of the Company will be kept open.

### > 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

(+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 up to 18 May 2022)
3. Mr A G Dharmadasa (Deputy Chairman since 18 May 2022)
4. Vidya Jyothi Prof Lal G Chandrasena  
(Director/General Manager)
5. Deshabandu Tilak de Zoysa
6. Mr Tissa K Bandaranayake
7. Ms A G Dharmadasa
8. Mr Palitha Kumarasinghe PC (up to 30 June 2022)
9. Mr D Sunil AbeyRatna
10. Mr Victor R Ramanan
11. Dr W Chandima Prasad De Mel
12. Vidya Jyothi Prof S K A Arjun Priyadarsin De Silva
13. Dr I M de Z Gunasekera (from 25 May 2022)

### > SECRETARIES TO THE COMPANY

M & A Company Secretaries (Private) Limited  
(up to 07 June 2022)  
No. 28 (Level 2), W A D Ramanayake Mawatha,  
Colombo 02.

C G Corporate Consultants (Private) Limited (from 7 June 2022)  
No. 45, Visakha Road, Colombo 04.

### > AUDITORS

KPMG

Chartered Accountants,

No. 32A, Sir Mohamed Macan Markar Mawatha,  
Colombo 03.

### > LAWYER(S)

Nithi Murugesu & Associates (up to 7 June 2022)  
Attorneys-at-Law & Notaries Public,  
No. 28 (Level 2),  
W A D Ramanayake Mawatha,  
Colombo 02.

Mr Sanath Wijewardane, (from 7 June 2022)  
Attorney-at-Law & Notary Public  
No 28, Wilson Street,  
Colombo 12.

### > BANKERS

Commercial Bank of Ceylon 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 (Private) Limited  
New Nawaloka Medical Centre (Private) Limited  
Nawaloka Laboratories (Private) Limited

### > EQUITE ACCOUNTED INVESTEEES

Nawaloka College of Higher Studies (Private) Limited



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# 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
Mr A G 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
Ms A G Dharmadasa	or failing her
Mr D Sunil AbeyRatna	or failing him
Mr Victor R Ramanan	or failing him
Dr W Chandima P De Mel	or failing him
Vidya Jyothi Prof S K A Arjuna P De Silva	or failing him
Dr I Maithri de Z Gunasekera	or failing him

as \*my/our Proxy \*\* ..... (NIC/PP No.) to vote as indicated hereunder for me\*/us on my\*/our behalf at the Annual General Meeting of the Company to be held on the 14 day of February 2024 at 10.00 am at the Auditorium of Nawaloka Hospitals PLC at No. 23, Deshamanya H K Dharmadasa Mawatha, Colombo 02 by means of Zoom video conference and at any adjournment thereof and at every poll which may be taken in consequence thereof:

	For	Against
(i) To receive and consider the Report of the Board of Directors on the Affairs of the Company and the Financial Statement for the year ended 31 March 2023, together with the Report of Auditors thereon;	<input type="checkbox"/>	<input type="checkbox"/>
(ii) To resolve in terms of Section 211 of the Companies Act No. 07 of 2007 to appoint/re-appoint Dr. Hewa Komanage Jayantha Dharmadasa (who has attained the age of 75 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;	<input type="checkbox"/>	<input type="checkbox"/>
(iii) To resolve in terms of Section 211 of the Companies Act No. 07 of 2007 to appoint/re-appoint Vidya Jyothi Professor Lal Chandrasena (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;	<input type="checkbox"/>	<input type="checkbox"/>
(iv) To resolve in terms of Section 211 of the Companies Act No. 07 of 2007 to appoint/re-appoint Deshabandu Tilak De Zoysa (who has attained the age of 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;	<input type="checkbox"/>	<input type="checkbox"/>
(v) To resolve in terms of Section 211 of the Companies Act No. 07 of 2007 to appoint/re-appoint Mr Tissa K Bandaranayake (who has attained the age of 80 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;	<input type="checkbox"/>	<input type="checkbox"/>
(vi) To resolve in terms of Section 211 of the Companies Act No. 07 of 2007 to appoint/re-appoint Mr D Sunil AbeyRatna (who has attained the age of 75 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;	<input type="checkbox"/>	<input type="checkbox"/>
(vii) To resolve in terms of Section 211 of the Companies Act No. 07 of 2007 to appoint/re-appoint Dr. Maiya Gunasekera (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;	<input type="checkbox"/>	<input type="checkbox"/>
(viii) To re-elect Directors as follows: (a) Re-elect, as a Director, in terms of Article 74, Mr Anisha Dharmadasa who retires by rotation and offers himself for re-election;	<input type="checkbox"/>	<input type="checkbox"/>
(ix) To authorise the Board of Directors to determine and make donations to charities;	<input type="checkbox"/>	<input type="checkbox"/>
(x) To re-appoint Messrs KPMG (Chartered Accountants) as Auditors of the Company and authorise the Board of Directors to determine their remuneration; and	<input type="checkbox"/>	<input type="checkbox"/>

In witness \*my/our hands this ..... day of ..... Two Thousand and Twenty Four.

.....  
 Signature of Shareholder/s

**Note:**

(a) \*Please delete the inappropriate words.

(b) \*\*If you wish your proxy to speak at the meeting you should interpolate the words "Speak and" in the place indicated with and initial such interpolation.

**> INSTRUCTIONS AS TO COMPLETION**

1. In terms of Article 40(a) of the Articles of Association of the Company: The instrument appointing a proxy shall be in writing and
  - (i) In the case of an individual, shall be signed by the appointer or his Attorney (if signed by the Attorney, the Company reserves the right to request to be furnished with a copy of the said Power of Attorney); and
  - (ii) In the case of a corporation or company shall be either under its common seal or signed by its Attorney or by an Officer on behalf of the Company. The Company may, but shall not be bound to, furnish evidence of the authority of any such Attorney or Officer. A proxy need not be a Member of the Company.
2. Kindly perfect the Form of Proxy by filling it legibly with your full name and address and it must be signed at the space provided. Please fill in the date of signature and indicate with an "X" in the space provided, as to how your proxy is to vote on each Resolution. If no indication is given, the proxy, in his/her discretion may vote as he/she thinks fit.
3. In terms of Article 52 of the Articles of Association of the Company, in the case of joint-holding of a share, the senior tenders a vote, whether in person or by proxy or by Attorney or by Representative and that vote shall be accepted to the exclusion of the votes of the other joint holders and for this purpose seniority shall be determined by the order in which the names stand in the Register of Members in respect of the joint holding.
4. In case of a joint holding, only one member or his duly appointed proxy may attend.
5. To be valid, the completed Form of Proxy together with the application form for registration to participate at the virtual AGM via Zoom Videoconferencing App should be submitted to the Company no later than 10.00am on 12 February 2024:- Via email to <charuni@c-g-associates.com>; By hand or by post to the Finance Department, 10th Floor, No. 23, Deshamanya H K Dharmadasa Mawatha, Colombo 02.



**Late Deshamanya H K Dharmadasa**

Founder Chairman Nawaloka Hospitals PLC



Nawaloka Hospitals PLC  
No. 23, Deshamanya H. K. Dharmadasa Mawatha,  
Colombo 02,  
Sri Lanka.

[www.nawaloka.com](http://www.nawaloka.com)