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VISION

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

MISSION

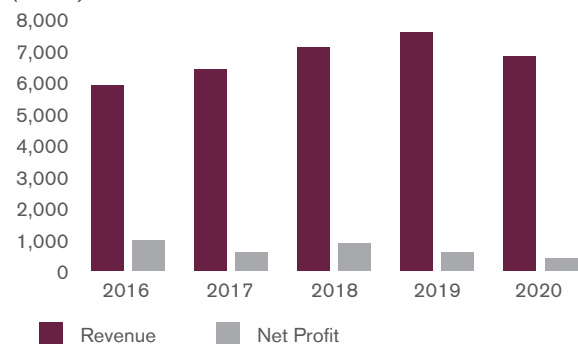
To offer cost effective healthcare solutions of international standards while maintaining exceptional and compassionate quality.

PERFORMANCE HIGHLIGHTS

		2020	2019	Change %
Financial Performance				
Revenue	Rs. million	6,804	7,549	(10)
Results from operating activities	Rs. million	196	653	(70)
Profit before tax	Rs. million	410	841	(51)
Profit after tax	Rs. million	385	581	(34)
Profit attributable to owners of the parent	Rs. million	385	581	(34)
Dividends	Rs. million	Nil	392	N/A
Gross Profit Margin	%	42	44	(5)
Operating Profit Margin	%	3	9	(67)
Net Profit Margin	%	6	8	(25)
Earnings per share (basic)	Rs.	1.72	2.60	(34)
Return on Assets (ROA)	%	4	6	(33)
Return on Capital Employed (ROCE)	%	3	10	(70)
Financial Position and Ratios				
Total Assets	Rs. million	9,882	9,427	5
Shareholders' funds	Rs. million	7,169	6,630	8
Gearing ratio	Times	N/A	N/A	N/A
Asset Turnover	Times	0.70	0.80	(12)
Net assets per share	Rs.	32.04	29.63	8
Current ratio	Times	3.87	3.77	3
Quick asset ratio	Times	3.50	3.41	3
Market / Shareholder Information				
Market value per share	Rs.	53.40	40.70	31
Dividend per share	Rs.	N/A	1.75	N/A
Company market capitalization	Rs. million	11,947	9,106	31
Price earnings ratio	Times	31.05	15.65	98
Dividend yield ratio	%	N/A	4.30	N/A
Dividend payout ratio	%	N/A	67.31	N/A
Dividend Cover	Times	N/A	1.49	N/A
Infrastructure and Technology				
Property, Plant and Equipment	Rs. million	4,757	4,375	9
CAPEX	Rs. million	610	300	103
No. of beds	No.	367	367	-
Laboratory collection network	No.	35	32	9
Pharmacy network	No.	25	23	9

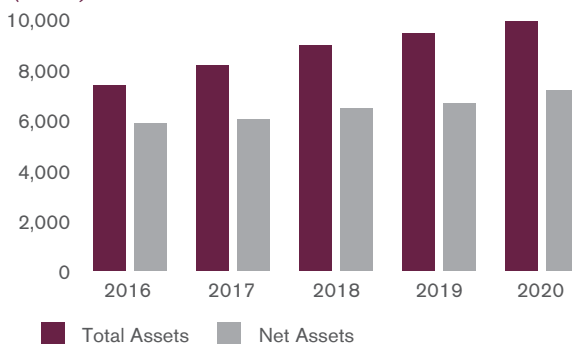
GROUP REVENUE AND NET PROFIT

(Rs. Mn)



TOTAL ASSETS VS NET ASSETS

(Rs. Mn)



LANKA HOSPITALS AT A GLANCE

A LEADER IN SRI LANKAN HEALTHCARE

Lanka Hospitals is a leader in the Sri Lankan private healthcare sector, offering an unmatched range of primary, secondary and tertiary healthcare services. The Hospital's competitive edge is underpinned by its state-of-the-art medical and clinical technology, international standards of quality as attested by a range of international accreditations, its service excellence and its strategic location in the heart of Colombo.



22,100+
INPATIENTS



264,100+
OUTPATIENTS



367
BEDS



920
CONSULTANTS



525
NURSING STAFF



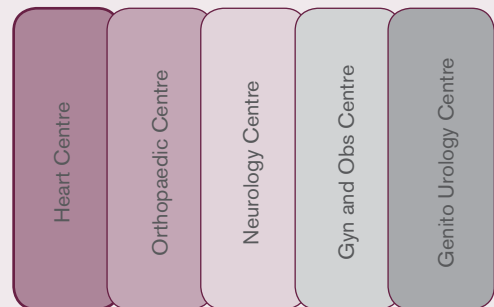
1,929
EMPLOYEES



59%
FEMALE
REPRESENTATION
RATE

CENTRES OF EXCELLENCE

Through which highly-skilled teams offer our core specialty services, catering to Sri Lanka's changing demographic and disease patterns.



LANKA HOSPITALS DIAGNOSTICS (LHD)

The diagnostic arm of Lanka Hospitals accredited by the College of American Pathologists (CAP), the gold standard for laboratory accreditation, provides more than 1,100 routine and high-end laboratory tests, some introduced to the country for the first time.



8
REGIONAL
LABS



35
COMPANY OWNED
COLLECTION
CENTRES



1,325
COLLECTION
CENTRES

OUR SERVICE PHILOSOPHY

We remain committed to international clinical standards, a compassionate & caring approach and service excellence that transcends convention.



98%
CUSTOMER SATISFACTION

INTERNATIONAL ACCREDITATION

We are the most accredited private healthcare provider in Sri Lanka and is testament to our commitment to clinical and service excellence.

JCI

Gold seal of approval for quality of healthcare and patient safety

MTQUA

Excellence in delivering treatment and care to medical travellers and health tourists

CAP

Attestation to quality laboratory practices

WHAT SETS US APART

Adopting international standards, best-in-class patient care and advanced technology has enabled Lanka Hospitals to sustain a unique competitive edge in an intensely competitive environment.

PHARMACY

Three dedicated pharmacies located within the hospital staffed by professional, qualified staff cater to our patients' pharmaceutical needs. This is complemented by a network of 22 outside pharmacies.

OWNERSHIP

As a 51.34% owned subsidiary of the state-owned Sri Lanka Insurance Corporation Ltd., we play a vital role in supporting the Government's vision of providing increasing access to world-class healthcare at affordable prices.

CHAIRMAN'S REVIEW

LHC is well positioned to spearhead the recovery of the private healthcare sector with its growing reputation as a thought leader and its proven track record as a pioneer in a number of fields. With cashflow stabilised once again and a strong balance sheet, we are able to undertake cautious investments.

Dear Shareholders,

The Lanka Hospitals Corporation PLC delivered a commendable performance for the financial year ended 31st December 2020 recording a Profit After Tax of Rs.385 Mn. The year proved to be a test of resilience and agility as the twin health and economic crises challenged individuals, entities and governments across the world. Operating in the health sector, LHC was in the front line and starkly aware of the need to manage the twin threat with detailed plans of action that balanced stakeholder interests. Clear communication of plans and changes to operating procedures, strict implementation and monitoring supported the performance of LHC, strengthening its reputation for high standards of care and its growing reputation as a thought leader in the sector.

PERSPECTIVES ON 2020

Unprecedented border closures and lockdowns caused significant disruption to global supply chains and triggered an economic crisis across the world as global growth declined sharply to -3.5%. Governments around the world adopted accommodative stances on monetary policy to support businesses stay afloat in the wake of dramatic changes in consumer behaviour as the world adapted to a socially distanced lifestyle. The economic scarring was evident as over 33 sovereign ratings were downgraded during the year as changes in trade flows and capital flows increased vulnerabilities of emerging markets, particularly those with weaker economic fundamentals going into 2020.

Sri Lanka adopted a cautious approach to manage the pandemic with a lockdown in March which proved a drag on an economy that was beginning its recovery after the Easter Sunday attacks in 2019. However, the lockdown also averted the loss of lives we saw across a number of other countries and supported a recovery in the 3rd quarter. The second wave affected activity in the 4th quarter to a lesser extent as it was managed with localised lockdowns and domestic travel restrictions to support the fragile economic recovery. For the second time in two years, the government established wide ranging moratoria for affected businesses while extending the duration of the moratoria offered to the tourism sector in 2019. An accommodative policy stance saw interest rates decline sharply in 2020 and inflation remained relatively flat supported by lower fuel prices offsetting the pressure from increasing food inflation. The rupee weakened further with the subdued performance of the export sector and the absence of foreign exchange earnings from the tourism sector. Accordingly, the country's economy contracted by 3.6% in 2020 and

the weakened outlook also resulted in the downgrade of its sovereign rating.

2020 HEALTH SECTOR REVIEW

Human health activities, residential care and social work activities sub sector accounted for 2.7% of the country's GDP in 2020 reflecting an increase of 15% over 2019 reflecting the increased activity in this sector, particularly in the government sector. Health related inflation was a negative 2.9% in 2020 compared to 3.7% in the previous year reflecting the decrease in healthcare expenditure by households.

While the medium-term outlook for private healthcare services remain attractive, 2020 revealed the vulnerabilities of the sector to a pandemic, government policy and patient sentiment. The highly contagious nature of the virus resulted in patients staying away from large healthcare facilities and seeking treatment only for urgent matters and opting for smaller general practices for consultations. Additionally, the government policies to confine PCR testing and treatment of COVID-19 patients only at government facilities at the initial stages resulted in private sector being unable to expand their activities to support their regular clientele with relevant services although it mitigated potential risks of contagion in private healthcare facilities. Opening up PCR testing to the private sector in May 2020 and treatment of COVID-19 patients at external facilities in January 2021 revealed the demand for pandemic related services from the private sector as LHC conducted over 551 PCR tests in the first month and admitted 95 patients on the opening day of the COVID-19 patient care facility. Patient sentiment is also normalising with the roll out of the vaccine, normalising of economic activity and greater awareness of the precautions in place.

As stated in my previous year's message, the outlook for private healthcare remains attractive supported by Sri Lanka's ageing population and the increasing prevalence of non-communicable diseases which require long term care with hospitalization and palliative care from time to time, supporting demand. Funding of private sector healthcare is supported by healthy growth in Health Insurance which was the second largest category of general insurance business for 2019 with Gross Written Premiums of Rs. 16.6 Bn and an encouraging growth of 17.07% in 2019. However, Health Insurance recorded a decrease of 10.7% for the first half of 2020 although Life Insurance increased by 3.8% for the same period. In 2020, we also witnessed encouraging activity from the insurance companies which introduced a number of health related policies in the general insurance business and healthcare riders to their

long term life insurance business which will support funding side concerns. The COVID-19 treatment facility generated interest from corporate customers as well, reflecting an appetite for supporting the health and wellbeing of their employees as these risks increased during the year.

Challenges increased significantly during the year for private sector healthcare. The additional health and safety protocols necessary to safeguard our employees and patients resulted in increased costs and reduced operational efficiencies. Capacity challenges also remain due to the paucity of qualified physicians and nursing staff. Price regulations on drugs, diagnostic tests and charges while levelling the field also present challenges. Additionally, medical tourism which was a lucrative sector for LHC was affected for the second consecutive year by the pandemic exerting pressure on margins as capacity utilisation reduced significantly. Digitalisation of the healthcare sector which commenced in 2019 accelerated in 2020 as a part of risk mitigation strategies with channelling being enabled among the leading players.

FLEXIBLE & AGILE

Lanka Hospitals commenced its COVID-19 preparations in February, collating and reviewing emerging information on the progress and treatment of the virus to build the necessary expertise and formulate strategies in the eventuality it would impact Sri Lanka. Consequently, we had health and safety protocols in place ahead of the lockdown to protect our staff and patients. The fluidity of the situation and the critical nature of our work necessitated a flexible and agile strategy with increased rigour of oversight to ensure that due care and process were upheld to established high standards in our daily operations.

Footfall was virtually at a standstill except for urgent and critical care patients as demand fell to an all-time low, impacting cash inflows. The introduction of virtual channelling enabled contact with patients from all parts of the island and also international patients. Critical treatments and surgeries were carried out throughout the lockdown. We availed ourselves of the moratorium offered to ease cashflow constraints which have now been regularised as business volumes increased from the 3rd quarter. Planned capital expenditure was deferred except for the cathlab which was ordered prior to the onset of the pandemic.

LHC also prepared and remained on alert for the extension of PCR testing to the private sector and later treatment of COVID-19 patients as the first mover in the market. We also shared our expertise with other players in the sector and the Maldivian hospitals as the industry came together to minimise a common threat.

CORPORATE GOVERNANCE

I welcome on to the Board Ms.Roshini Cabraal, Dr.Prasad Ariyawansa, Dr.Ravindra Ruberu, Ms.Lakshmi Sangakkara, Mr.Mayura Fernando, Mr.Kushan De Alwis PC, Mr. Nadun Fernando, and Ms.Dayakanthi Abeyrathne who were appointed during the year. I also record the Board's appreciation of the services of Dr.Prasad Ariyawansa who resigned during the year. The Board also appointed a Chief Executive Officer, Mr.Deepthi Lokuarachchi in 20th July 2020 following the resignation of Dr. Prasad Medawatte in 2020. The Board also changed the Company Secretaries during the year. While there was a short

period during which the company did not have the required number of independent directors, this was rectified, and we are in compliance with all the continued listing requirements. Despite the changes during the year, the Board remained in control of the affairs of the company, guiding and providing counsel on the way forward during an extremely volatile year.

WAY FORWARD

Forecasts for 2021 are cautiously positive with economists forecasting a levelling up by the 3rd quarter as vaccines support a return to normalcy. Global output is expected to increase by 5.5% in 2021 and 4.2% in 2022 although there will be a significant variation across countries and significant downside risks remain. This follows a severe collapse of the global economy in 2020 with severe consequences for governments, businesses and people.

Sri Lanka's growth is also expected to pick up although the forecasts vary on the strength of the recovery. There is no doubt that there are vulnerabilities such as sustainability of debt servicing, lack of foreign capital inflows, the consequential pressure on the rupee and rising oil prices which will exert upward pressure on inflation. Borders have been opened for tourism in January 2021 in a controlled manner in keeping with the South Asian trend to gradually open borders. Economic activity is also gradually normalising following the vaccinations and we have observed an increased footfall in the hospital as well.

LHC is well positioned to spearhead the recovery of the private healthcare sector with its growing reputation as a thought leader and its proven track record as a pioneer in a number of fields. With cashflow stabilised once again and a strong balance sheet, we are able to undertake cautious investments. Planned areas of investment include enhancing bed capacity, growing medical tourism, establishing a trading arm and increasing focus on outreach business. Digitalisation and Human Resources road maps have also been put in place to support our plans which have been approved up to 2023.

APPRECIATIONS

Year 2020 tested our ability and agility and the results set out in this annual report are testimony to both. I believe that the team seized the opportunities that come with every crisis to strengthen LHC's reputation and market leadership in line with its vision and I take this opportunity to thank them for their commitment, professionalism and due care despite the high level of personal risks. I also wish to thank our eminent panel of consultants for their contribution in supporting performance. The year saw a close collaboration with officials of the National Medical Regulatory Authority and public health officials and I am sincerely appreciative of their support and guidance. I conclude with thanks to our shareholders and business partners for their confidence as we look to a future of mutual growth.



Dr. Bandula Wijesiriwardena

Chairman

29th April 2021

GROUP CHIEF EXECUTIVE OFFICER’S REVIEW

LHC Group recorded a revenue of Rs. 6,804 Mn in 2020 despite the impact of the pandemic which resulted in a sharp decrease in outpatient consultations, hospital admissions and elective surgeries. Revenue was supported by the PCR testing which we were able to commence in September.

Dear Shareholders,

The Lanka Hospitals Corporation PLC delivered a Group Profit of Rs.384.99 Mn and asset growth of 4.8% for the financial year ending 31st December 2020 reflecting the agile mindsets and professionalism of a committed team in an extremely challenging year for the healthcare industry. We have strengthened our position as a leading player in the private healthcare sector in the country through the professionalism of our team and continuous investment in providing holistic solutions through our centres of excellence. Currently, LHC is the only healthcare facility in the country to comply with the latest edition (6th) of the JCI Accreditation, the gold standard in healthcare serving as testimony to our commitment to the highest standards of healthcare. In turn, this strengthens our ability to attract the country’s leading consultants, enabling us to capture emerging growth opportunities in the country’s private healthcare market.

AGILITY IN THE ABSENCE OF NORMS

The reporting year was dominated by the COVID-19 pandemic and its socioeconomic impacts which saw governments around the world adopt accommodative economic policies as they grappled with the twin economic and health crises. Unprecedented lockdowns in countries and the closure of borders globally changed the course of established capital flows, necessitating entities to discard their existing playbooks and develop agile strategies that enabled seizing new opportunities in an extremely fluid and volatile operating environment.

The impact on the healthcare industry in Sri Lanka was seismic as patients had multiple concerns to address prior to visiting a hospital due to potential risks. In addition, our own healthcare professionals could be exposed to the virus which could necessitate closure of facilities. Consequently, managing the risks related to the pandemic were of utmost importance and LHC implemented a comprehensive COVID-19 risk mitigation strategy from February 2020 onwards throughout the Group and also invested in increasing awareness of the risks to our

KEY ACHIEVEMENTS 2020



1st
Private Hospital to Commence PCR Testing



1st
Private Hospital to Commence Treatment of COVID-19 Patients at External Locations



Increasing
Room Capacity



Increased
Theatre Capacity



Introduced
Virtual Channelling



Recorded Profit After Tax of Rs. 385 Mn



Asset Growth of Nearly 5%

network of laboratories and channeling centres island-wide. The number of consultations decreased sharply with knock on effects on all areas of activity including laboratories and other diagnostic facilities, specialised centres of excellence and operating theatres which operated significantly below their

capacity. Additionally, many patients also postponed elective surgeries and other treatments which involved visits to the hospital by them and their families. Accordingly, activity in the immediate aftermath of COVID-19 pandemic were confined to critical and maternity patients.

LHC implemented virtual channeling for patients who were able to discuss their issues with consultants who would determine the next steps depending on the issues. This supported patient care while also minimising footfall at the hospital due to minor illnesses which could be treated online. It also enabled us to engage with international patients as medical tourism, which was beginning to pick up after the Easter terror attacks, came to a grinding halt with the border closures. High levels of digitalization achieved prior to this supported our strategies to minimise footfall particularly with diagnostics as reports were delivered electronically. Homecare was also offered to patients who were critical but could be treated at home in the vicinity of the hospital. The additional precautions also carried a cost for PPE and the additional sanitization procedures while some mandatory procedures also prolonged the time taken for certain tasks. However, the opportunity was also COVID-19 and early identification of this enabled us to deliberate and prepare to implement a well thought-out strategy which was rolled out in the 3rd and 4th quarters of 2020.

A COORDINATED RESPONSE TO COVID

The hospital has strengthened its position as an innovative thought leader as we successfully adapted our operations to support the government efforts to curtail the pandemic as the first hospital to commence PCR testing and again as the first hospital to treat COVID-19 patients. A holistic approach and meticulous preparations enabled us to test patients safely and care for them in a controlled environment with negative pressure to prevent the spread of the disease. Setting up a dedicated intensive care unit for COVID-19 patients enabled us to treat those needing critical care while they awaited transfer to government health care facilities, saving lives. Once approval was obtained to operate an off-site facility dedicated to care of COVID-19 patients, detailed preparations enabled us to ensure appropriate treatment supported by a dedicated critical care unit for those who needed it. It is noteworthy that the COVID-19 treatment facility was occupied almost to capacity on the day we commenced treatment, reflecting the trust and confidence in our services. Zero incidents reflect the attention to detail in providing care to these patients.

As other hospitals commenced treatment, our early experience provided useful insights to them and we shared our insights with other players in the industry to mitigate the potential risks. LHC hosted webinars to create a knowledge sharing platform with around 14 hospitals with a panel of consultants sharing their expertise in managing COVID patients with hospitals outside Colombo. This was extended to cover clinical societies

outside Colombo and as well as the Maldivian hospitals positioning LHC as a as a thought leader in the country.

Testing and treatment capabilities were built on the holistic approach deployed to mitigate the risk of COVID-19 in our premises which was a critical risk from the early onset of the pandemic. Stepping into my role midway during the year as the country was emerging from the first wave, I was pleased to note the detailed planning and implementation of the COVID-19 response plan which was continuously monitored and improved upon as we gained greater understanding of the nature of the potential threats and mitigating factors. LHC continues to be vigilant and alert to the potential risks stemming from the pandemic, closely monitoring research and insights from around the world to ensure that we are ready to mitigate potential threats to patients, employees and consultants.

GEARING FOR GROWTH

A long term view of the industry necessitates continuous investments in upgrading our facilities. Despite the cashflow concerns, LHC continued to gear for growth by upgrading technology and increasing capacity. Accordingly, we installed a state-of-the-art cath lab with the most advanced technology available in the country in July 2020, enabling our consultants to carry out interventional cardiac radiology procedures in a faster and more accurate manner. The advanced technology provides patients the ability to undergo cardiology and neurological procedures such as angiograms, angioplasties, stenting and device-implants. Additionally, our theatre capacities were increased by 20% with the addition of two new operating theatres. Our room capacity was also increased with the addition of a further 17 rooms at the beginning of the year 2021. The networks of pharmacies were also increased by 2 outlets enhancing our reach.

AN INDOMITABLE TEAM

As stated above, 2020 was an extraordinarily challenging year for all as the pandemic caused loss of lives, livelihoods and economic hardship to many and brought the tourism industry to a standstill. The healthcare sector was also impacted in multiple ways and in a more complex way than most other entities. Our teams were at risk every day as we handled patients with varying symptoms who could be potential COVID-19 patients. Their careful attention to stringent implementation of health and safety protocols supported our continued operations during the year. Later the team collaborated to coordinate the COVID related responses of the hospital as the overburdened government sector permitted private sector players to support the national efforts, relieving the load on limited resources. The teams also ensure the continuation of our usual business in the new normal supporting patients through this stressful time. In recognition of the risks faced and their commitment, there were no salary

GROUP CHIEF EXECUTIVE OFFICER'S REVIEW CONTD.

cuts implemented by Lanka Hospitals despite the adverse impact of COVID-19 on the its operations and also paid bonus for month of April 2020 and token of appreciation in December 2020. I also commend the caring nature of the staff who donated a day's pay to the COVID Fund.

PERFORMANCE

The Group recorded a revenue of Rs. 6,804 Mn in 2020 despite the impact of the pandemic which resulted in a sharp decrease in outpatient consultations, hospital admissions and elective surgeries. Revenue was supported by the PCR testing which we were able to commence in September. The fixed nature of our costs and a high cost base impacted profitability as operating profit amounted to Rs.196 Mn which was a decline of 70% over the previous year. Profit after tax amounted to Rs. 385 Mn as the tax charge for the year was reduced due to deferred tax benefits supporting overall profitability of the Group.

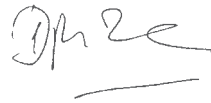
Total Assets of the Group increased by 4.8% during the year supported by capital expenditure and increased current assets. This was supported by an 8% increase in net assets as well reflecting prudent management of the balance sheet. LHC moves forward to the next year with a strong balance sheet on which to found its growth aspirations.

OUTLOOK

The new financial year witnessed the opening of the first COVID Treatment facility operated by a private entity by LHC at Intermediate Care Center located in close proximity to the Hospital. This will support revenue growth in the financial year that has commenced as our patients who utilised the facility have provided encouraging feedback. We have taken a second facility as well to cater to the high demand in the market. The roll out of vaccinations in the country will also support a return to normalcy in the near future. Re-opening of schools and return to work by the majority will drive also activity, albeit at a lower level than those observed prior to the onset of the pandemic. Encouragingly, maternity numbers remained strong during 2020 and this may continue as there is greater awareness of the benefits of being cared for at a fully fledged tertiary care facility. We are also optimistic that the opening of borders for tourism will be followed by increased demand for medical tourism although there is perhaps more that could be done to promote Sri Lanka's capabilities in treating international patients. Our increased capacity and advanced technology will also support the revenue streams.

ACKNOWLEDGEMENTS

As the results set out in this report are largely the efforts of my team, I would like to offer my sincere appreciation of their focused, intensive and effective work during a difficult year both for the institution and the individual. I also thank the Board for their guidance and counsel as we navigated a clear path through extremely turbulent times. I also wish to thank the regulatory authorities for their co-operation to drive the necessary changes to allow the participation of the private sector entities in the important work of caring for COVID-19 patients. I thank our shareholders for their confidence in LHC as we move to the gradual ascent to recovery from the COVID-19 pandemic.



Deepthi Lokuarachchi
Group Chief Executive Officer

29th April 2021

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group's immediate priorities will be on maintaining its liquidity position, effectively utilizing its assets, and maximizing profitability. Over the short to medium term, the Group's Strategic priorities remain unchanged and are centred on the key objectives.

HOSPITAL OPERATIONS

Performance

The COVID-19 pandemic presented challenges from several fronts to hospital operations. Inpatients and outpatient numbers decreased significantly as potential patients postponed elective surgeries, fear of possible infection prevented hospital visits and travel restrictions effectively brought medical tourism to a stop. Revenue decreased by 14% during the year. Stringent cost containment measures at the hospital which was operating at less than full capacity contributed to cost of sales declining by 8%. Other income increased substantially due to the dividend income received by LHD which increased to Rs. 414 Mn (2019: Rs. 124 Mn). A growth in net finance income by 43% and a decline in the income tax expense by 90% positioned the hospital to achieve a net profit of Rs. 444 Mn (+6%) for the year.

Outlook

We look forward to a year of recovery from the effects wrought upon the Hospital by the Covid-19 pandemic. In January 2021 we set up two intermediate care centres for Covid-19 positive

The most accredited hospital in Sri Lanka



Joint Commission
International (JCI)
Accreditation



Medical Travel
Quality Alliance
Certified

patients in partnership with star class hotels and have treated 1,101 patients in the months of January to March. With the Covid-19 vaccination programme carried out in the Western Province from February 2021 onwards, footfall to the Hospital was seen to increase, a positive development with respect to patient numbers. We are also in communication with the Tourist Board to facilitate medical tourism in a safe environment. In line with our strategic priorities of offering services with quality, excellence and value the Hospital will continue investing in expanding/updating its infrastructure and investing in medical equipment/systems with the latest technology.

Highlights 2020

- Built two new state-of-the-art modular surgical theatres that commenced operations
- Established a new Cath lab offering the latest technology for cardiac and neurological interventional procedures
- First private hospital in the country to establish a Covid-19 ward and a Covid-19 ICU unit
- Video/audio doctor channeling service comprising prominent consultants was introduced
- Provided thought leadership in the healthcare sector by conducting webinars for varying audiences on managing the Covid-19 pandemic within organisations

Our multi-disciplinary hospital specializes in:

- Cardiology
- Gynecology & obstetrics
- Oncology & haemato-oncology
- Internal medicine
- Gastroenterology
- Renal care
- Neurology
- General surgery
- Neonatal & paediatric care
- Orthopaedics
- Outpatient Department
- Subspecialities

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW - CONTD

DIAGNOSTICS

Performance

LHD performed well during a year of unforeseen challenges, with a revenue growth of 9%. Expansion of COVID-19 PCR testing in the 2nd quarter to the private healthcare sector resulted in increased revenues that made up for the subdued performance during the early part of the year as collection centres were affected due to lockdowns and travel restrictions. Cost containment measures implemented during the year resulted in operating costs decreasing by 2%, contributing to an operating profit of Rs. 355 Mn, a 34% growth over the previous year. LHD recorded a net profit of Rs. 367 Mn for the year, a 22% growth over the previous year, as the net finance income and income taxes declined by 72% and 86% respectively. A dividend of Rs. 414 Mn was paid by LHD to the parent company during the year (2019: Rs. 124 Mn); a significant contribution in a year of falling revenue at the hospital.

Highlights 2020

- Opened 01 new mini laboratory and 02 company owned collection centres
- Maintained the CAP accreditation, the gold standard in laboratory quality assurance
- PCR testing commenced at LHD from the 2nd quarter of 2020. As a result, many of the collection centres were converted to Covid-19 centres
- Facilitating social distancing by launching a drive through for blood sample collection - a first of its kind in Sri Lanka and commenced mobile door-step sample collection

Capacity

- Sri Lanka's first reference laboratory
- Offers more than 1,100 routine and high-end laboratory tests
- Only laboratory in Sri Lanka to obtain CAP accreditation
- 8 regional laboratories
- 35 company owned collection centres
- Network of 1,325 registered collection centres across the island

Our Accreditations



College of American
Pathologists
Accreditation



ISO 15189 -
Medical Laboratory
Accreditation

Outlook

We expect the demand for laboratory services to pick up in the ensuing months as travel restrictions ease and fear of Covid-19 infection among the general population becomes less with the Covid-19 vaccination drive. Expansion of regional laboratories that will reduce dependency on the main laboratory in Colombo will be a priority in the wake of Covid-19, as travel restrictions hampered collection centre operations.

PHARMACY

Performance

Revenue and profitability were negatively impacted due to the Covid-19 pandemic. Revenue decreased by 15% during the year. Supply shortages of a few key fast-moving products and changes in buying patterns of consumers and patients both during the lockdown periods and after, affected the performance of the pharmacy operations.

Highlights 2020

- Opening of two new outlets
- Throughout the Covid-19 lockdown period, medicine was dispensed to customers and patients at selected outlets
- Customers were also able to upload prescriptions through various online channels with medicines being made ready for collection
- The trading arm imported the first shipment of surgical beds for the hospital
- Registration obtained through NMRA to import and distribute two surgical products in Sri Lanka

Outlook

We are confident of performance growth in 2021 as we re-align our strategies to focus on changes brought by the Covid-19 pandemic and plan on opening several new outlets within the Keells supermarket chain & corporate locations in the coming year.

FINANCIAL REVIEW

Income

Group revenue decreased by 10% to Rs. 6.8 Bn during the year. The Covid-19 pandemic affected our inpatient and outpatient volumes negatively as individuals chose to postpone elective surgeries, were reluctant to visit hospitals and medical tourism came to a standstill with the imposition of travel restrictions. As a result, hospital revenue declined by 14%. Laboratory revenue grew by 9% as the government of Sri Lanka enhanced its capacity for conducting COVID-19 PCR testing to include private sector healthcare institutions such as LHD from the 2Q of 2020.

The finance income of the Group grew by 10% to Rs. 250 Mn supported by an increase in interest income earned from foreign currency deposits and an exchange gain recorded during the year compared to an exchange loss the previous year. In the meantime, interest income on rupee denominated fixed deposits decreased significantly due to falling interest rates.

Cost Management

Administrative and other operating expenses of the Group decreased by 1% and 2% respectively. Although costs for Personal Protective Equipment and sanitisers increased, overall costs were strictly controlled, as the hospital and laboratory operated at a lower capacity during most of the year. Costs were contained through control of overtime, energy savings (some wings of the hospital were closed due to low patient volumes) and negotiating rent discounts on leased property.

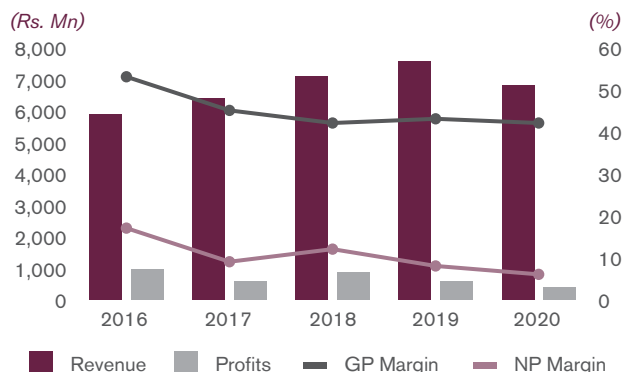
Profitability

With revenues declining at a greater rate than costs, the operational profit of the Group recorded a 70% decrease, at Rs.196 Mn. Growth in the net finance income by 14% resulted in profit before taxation falling by 51% to Rs. 410 Mn. A lower income tax expense further helped the bottom line as the Group recorded a net profit of Rs. 385 Mn, a 34% decrease from the previous year.

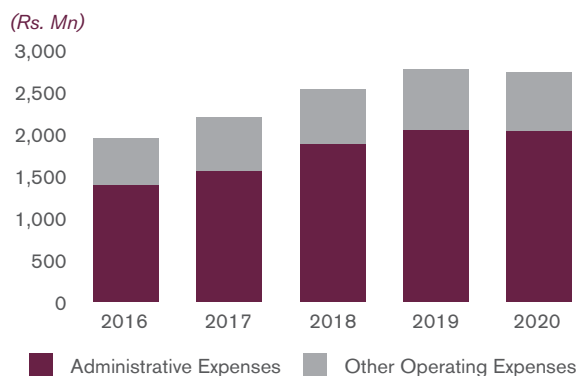
Financial Position

The Group maintained its financial strength amidst the challenges of the year. Total assets grew by 5% to Rs. 9.9 Bn. Property, plant and equipment forming 48% of total assets increased by 9% due to investment in capacity expansions and

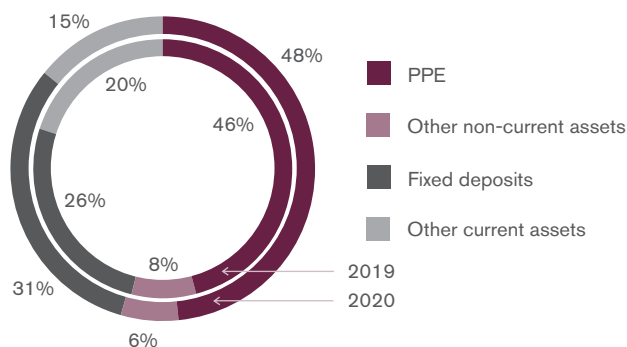
REVENUE AND PROFITABILITY



COSTS



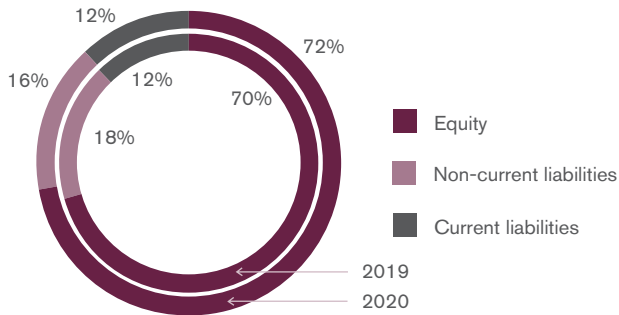
TOTAL ASSETS



MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW - CONTD

EQUITY AND LIABILITIES



medical equipment. Group fixed deposits constituting 31% of total assets increased by 25% as excess cash generated from operations was invested in these financial instruments. Inventories grew by 6% and trade receivables decreased by 26% at the end of the year. Although cash and cash equivalents declined by 44% at the end of the year, the Group collectively holds 34% of its total assets in the form of fixed deposits and cash and cash equivalents.

Funding Position

A strong funding profile has been maintained continuously by the Group, with total equity accounting for 72% of total assets.

Cashflow

Cash inflows from operating activities increased to Rs. 866 Mn during the year as the Group closely monitored its working capital. The cash inflows from the changes in working capital during the year amounted to Rs. 174 Mn compared to a cash outflow of Rs. 302 Mn in the previous year. Net cash used in investing activities was Rs. 1.1 Bn. Investment in property, plant & equipment, expenditure incurred on CWIP and investment in fixed deposits were the main outflows relating to investing activities. The group recorded a net cash outflow during the year, with the cash and cash equivalents balance of Rs. 35 Mn.

Outlook

Given the current conditions, the Group's immediate priorities will be on maintaining its liquidity position, effectively utilizing its assets, and maximising profitability. Over the short to medium term, the Group's strategic priorities remain unchanged and are centred on the key objectives of:

1. Quality and Compassionate care
2. Sustainable value for shareholders
3. Better value healthcare
4. Excellence in tertiary care
5. A Leader in Innovative technology.

BOARD OF DIRECTORS

VIDYA JYOTHI DR. BANDULA CHANDRANATH WIJESIRIWARDENA

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

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

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

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

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

MS. ROSHINI CABRAAL

Skills and experience: A finance professional with over 30 years' experience, Ms. Cabraal has served in several sectors including Insurance, Travel, Finance and Education. She qualified as a Chartered Accountant in 1979, obtaining her fellowship in 1997, and subsequently obtaining fellowship in the Society of Certified Management Accountants of Sri Lanka in 2001. A significant part of her professional career was at James Finlay & Co (Colombo) Ltd, in the consultancy division of KPMG Ford Rhodes Thornton & Co and at International Education Systems (Pvt) Ltd where she was also on the Board of Management of the British School in Colombo. She also served as the Head of Consultancy at Capital Reach Holdings Ltd. She joined the Board of The Lanka Hospitals Corporation PLC in May 2010 and resigned in January 2015. At the time of her resignation, she was Deputy Chairperson of LHC and was also on the Board of Directors of Lanka Hospitals Diagnostics (Pvt) Ltd, a subsidiary of LHC. Whilst on the Board of LHC she was appointed Chairman of the Audit Committee and member of the Remuneration Committee, which posts she held till the time of her resignation.

DR. RAVINDRA RUBERU

Skills and experience: A Board-Certified, Consultant ENT surgeon, Dr. Ruberu has held numerous medical and medical administration positions in the Government and Private health sectors. He obtained his MBBS Degree from the Faculty of Medicine, University of Colombo and his postgraduate education from the Postgraduate Institute of Medicine, University of Colombo, Royal College of Surgeons of England (UK) and Sikkim Manipal University, Manipal, India.

Previous appointments:

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

BOARD OF DIRECTORS

MS. LAKSHMI SANGAKKARA

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

Previous appointments:

- Director of People's Bank including Actg. Chairman for 2 weeks
- Director of Sri Lankan Airlines
- Director of People's Leasing Fleet Management
- Director of People's Merchant and Finance
- Director and Working Partner of Sellers Sportwear (Pvt) Ltd and Ronbro Garmets (Pvt) Ltd.

MR. MAYURA FERNANDO

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

Current appointments:

- Independent Non-Executive Director of DFCC Bank PLC, Laughs Power PLC, Laughs ECO Sri Ltd, Laughs Leisure Ltd. and Evoke International Ltd.

Previous appointments:

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

MR. KUSHAN DE ALWIS PC

Skills and experience: A President's Counsel with 34 years' experience as an Attorney-at-law, he has wide ranging expertise in the fields of civil, corporate, commercial and administrative law. Throughout his illustrious career he has been engaged by leading state and private sector organisations on matters of civil and commercial litigation, dispute resolution and legal due diligence among others. He obtained his law degree from the Sri Lanka Law College and was elected to the post of President of the Law Student's Union in 1984.

Previous appointments:

- Member of the Law Commission of Sri Lanka
- Member of the Public Representations Committee on Constitutional Reforms
- Vice Chairman of Civil Aviation Authority
- Member of the National Council for Economic Development of the Ministry of Finance and Planning
- Member of the Executive Committee of the Bar Association of Sri Lanka

MR. NADUN FERNANDO

Skills and experience: A finance professional with over 25 years' experience, including 15 years at senior management and strategic level positions. He is a member of the Brandix Leadership Team and the CEO of Brandix Apparel Solutions Ltd- Casualwear Division which employs over 6000 associates and operates 5 integrated manufacturing facilities in Sri Lanka and Bangladesh. He is a Fellow Member of CA Sri Lanka and holds a Bachelor of Science in Business Administration from the University of Sri Jayawardenapura.

DR. KANISHKA KARUNARATNE

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

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

Previous appointment:

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

MR. JAGATH WELLAWATTA

Skills and experience: Mr. Wellawatta has extensive leadership experience in the Government sector and at national policy formulation level through his expertise as a sociologist and Senior Lecturer at the Department of Sociology, University of Colombo.

Current appointments:

- Chairman of Sri Lanka Insurance Corporation Limited.

Previous appointments:

- Chairman of the State Mortgage and Investment Bank
- Chairman of the National Child Protection Authority
- Chairman of the Sri Lanka Foreign Employment Bureau

MR. ASHISH BHATIA

Skills and experience: He holds over 38 years of multi-disciplinary experience in healthcare management and marketing among others. Associated with the Fortis Group since its inception, he has held many leadership positions within the organisation, creating many successful businesses and powerful teams across the Fortis network. For instance, during his tenure as Director- Administration, Fortis Hospital Mohali obtained the prestigious JCI Accreditation, the first hospital in the network to do so. He is an alumnus of the Lawrence School, Sanawar.

Current appointments:

- COO (North and East) Fortis Healthcare, India

Previous appointments:

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

MS. RICHA DEBGUPTA

Skills and experience: She is currently the Chief of Strategy & Operations at Fortis Healthcare. She has been associated with the group for close to 11 years. Ms. Richa directly manages Strategy, Brand, Corporate Communications, PR, Marketing and Pricing. She is also part of 6 members Executive Committee involved in taking key decisions at Fortis Healthcare Ltd.

Ms. Richa has completed her master's Program in Hospital Management from the prestigious Indian Institute of Healthcare Management Research, Jaipur and has twenty-three years of experience as a Healthcare Management Professional. Over the years she has worked in setting up different healthcare format ranging from mother & child, single super specialty to multi speciality and quaternary care hospitals. She also has successfully led/ worked with teams through NABH and NABL Accreditations. Her core strength is in the area of enterprise

wide Profit and Loss and operational management. She has strong understanding of processes and is known as people's person.

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

MS. DAYAKANTHI ABEYRATHNE

Skills and experience: A professional with substantial experience in public administration, she is the representative of the Ministry of Finance to the Board of Directors of The Lanka Hospitals Corporation PLC. She is a Member of the Sri Lanka Administrative Service (Special Grade). Ms. Dayakanthi resigned from the Board of Directors of the Company on 10th April 2021.

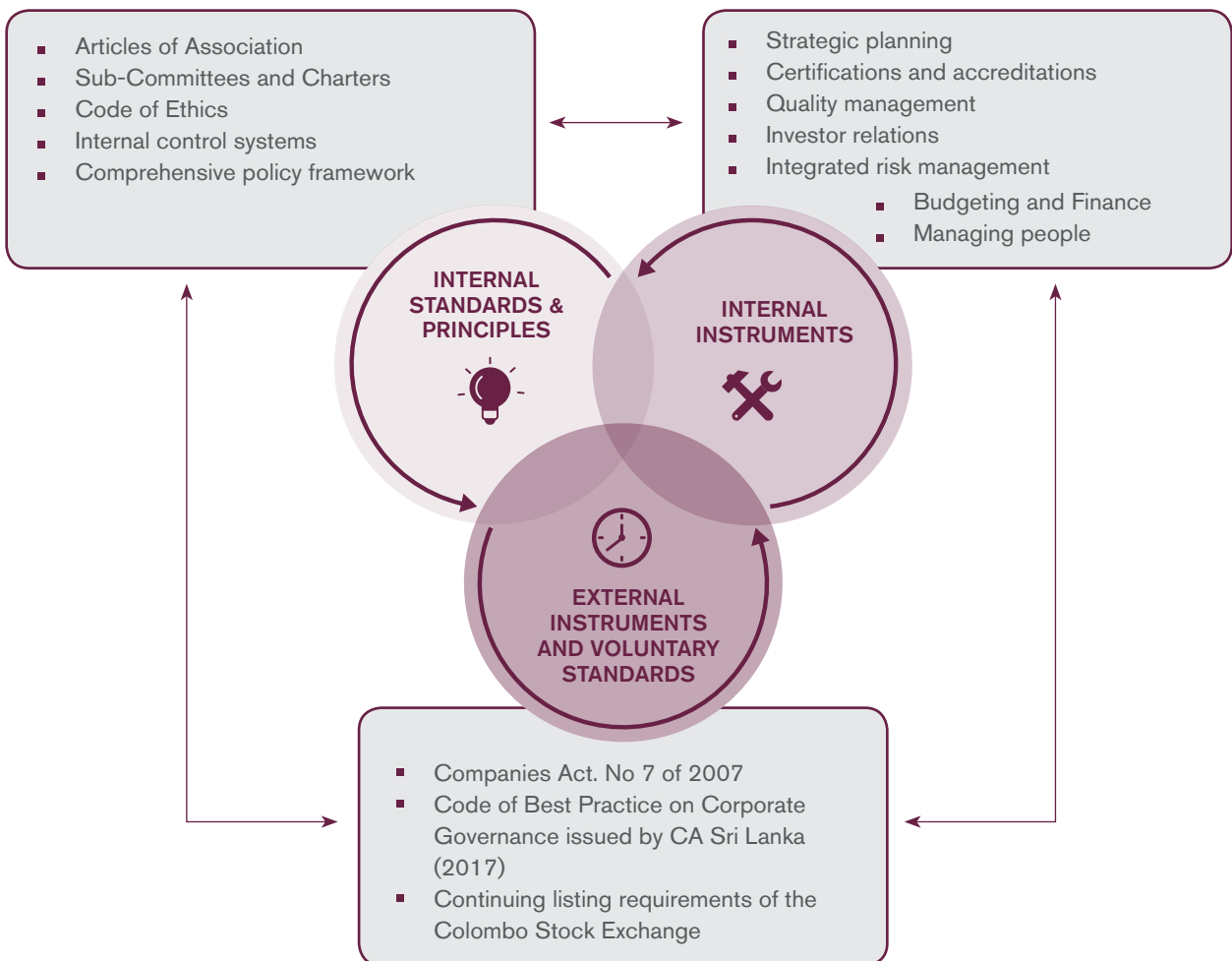
CORPORATE GOVERNANCE REVIEW

We highly believe strong and effective governance systems are critical in achieving our strategic goals and our unique business model ensures that our success will be reflected not only in our financial performance but also in other non-financial dimensions by achieving number of accolades in terms of superior quality.

CORPORATE GOVERNANCE REVIEW

Lanka Hospitals is committed to maintaining the highest standards of integrity and transparency in its operations, which in turn is founded on a framework of robust and effective governance practices. The Group’s approach to corporate governance reflects the expectations of its stakeholders,

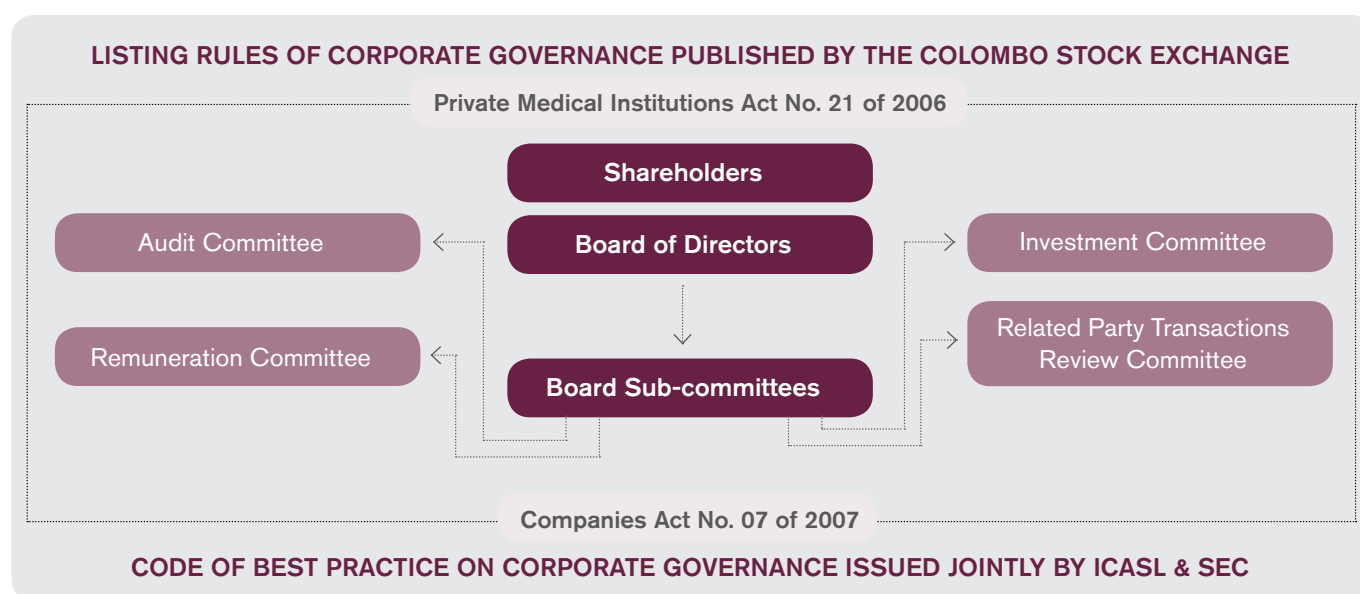
operating model, and its status as a state-owned enterprise. The framework, policies and procedures are aligned with the requirements of all relevant statutory requirements while embracing industry and international best practices. The framework is based on several external and internal steering instruments;



GOVERNANCE STRUCTURE

The group has a well-defined governance structure comprising of multi-level governance bodies, specific roles and responsibilities and clear reporting lines ensure accountability across the organisation. The Board is supported by several sub-committees in discharging its duties, as illustrated below.

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



Committee	Responsibilities	Composition
Board level committees		
Audit	Review the financial reporting process, internal controls and audit function to ensure the integrity of the financial statements	<ul style="list-style-type: none"> ■ Mr. Mayura Fernando - (NED/ID) Chairman ■ Dr. Prasad Ariyawansa - (NED/ID) (Resigned on w.e.f. 17th July 2020) ■ Ms. Roshini Cabraal - (NED/ID) ■ Dr. Kanishka Karunaratne - (NED/ID)
Remuneration	Assist the Board in the establishment of remuneration policies and practices	<ul style="list-style-type: none"> ■ Ms. Roshini Cabraal - (NED/ID) Chairperson ■ Dr. Ravindra Ruberu - (NED/ID) ■ Mr. Nadun Fernando - (NED/ID)
Related Party Transactions Review	Review the inter related transactions of the cluster while ensuring the existence of arm's length price	<ul style="list-style-type: none"> ■ Ms. Lakshmi Sangakkara - (NED/ID) Chairperson ■ Mr. Mayura Fernando - (NED/ID) ■ Mr. Kushan De Alwis PC - (NED/ID)
Investment	Ensure the highest return, associate with the tolerable risk level to maximise the company wealth	<ul style="list-style-type: none"> ■ Dr. Bandula Wijesiriwardena - (NED/ID) ■ Mr. Nadun Fernando - (NED/ID)

(NED-Non-Executive Director, NID - Non-Independent Director, ID - Independent Director)

CORPORATE GOVERNANCE REVIEW CONTD.

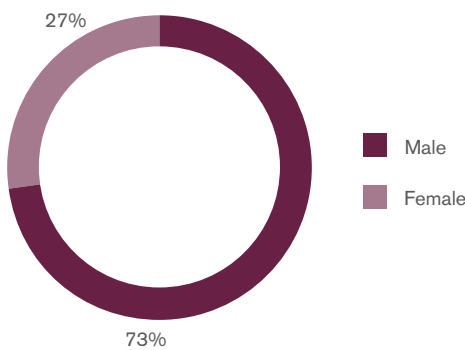
APPROACH TO CORPORATE GOVERNANCE

EFFECTIVE LEADERSHIP

Board Composition

The Board of Directors is the highest governing body responsible for setting the Group’s strategic direction and delivering sustainable stakeholder value. The Board comprises 12 Directors as at 31st December 2020, of whom 9 are Independent. The profiles of all directors are given on pages 13 to 15 of this Report. The present Board combines diversity in skills, experience, industry insights and demographic representation. This skill profile has enriched the Group’s decision making, increasing the depth of discussions, through diverse perspectives. There is also a clear division of responsibilities between Board activities and the executive responsibility of running the business.

BORAD COMPOSITION

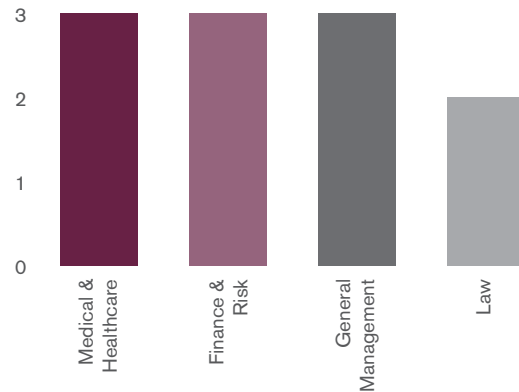


Board Refreshment

Following the resignation of the previous Board in 2019 December, a new Board was appointed in February 2020 except Dr. Bandula Wijesiriwardena appointed in December 2019. Appointments of new directors are promptly communicated to the CSE and shareholders. This communication would typically include a brief profile of the Director, relevant skills and industry experience and directorships in other entities. As per the Articles of Association, three (3) Directors will offer themselves for re-election at the AGM, depending on those who have held office for the longest time period since the election/re-appointment. In accordance with this provision, the following directors retire and offer themselves for re-election:

- Dr. Bandula Wijesiriwardena
- Mr. Ashish Bhatia
- Ms. Richa Debgupta

BOARD SKILLS



If a Director has been appointed as a result of a casual vacancy that has arisen since the previous AGM, he/she is subject to election by shareholders at the first general meeting after their appointment.

Roles and Responsibilities of the Board

The roles and responsibilities of the Board of Directors are set out in the Board Charter and Articles of Association. The Board of Directors is responsible for setting the strategic direction and holds overall accountability for the Group’s stewardship function. The Board’s primary roles and responsibilities include,

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

Board Independence

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

Name of Director/Capacity	Shareholding	Management/ Director ¹	Material Business Relationship ²	Employee of Company ³	Family Member a Director or CEO
Non-Executive Independent Directors					
Dr. Bandula Wijesiriwardena	None	Director	None	None	None
Ms. Roshini Cabraal	None	Director	None	None	None
Ms. Lakshmi Sangakkara	None	Director	None	None	None
Mr. Mayura Fernando	Note 3	Director	None	None	None
Mr. Kushan De Alwis PC	None	Director	None	None	None
Mr. Nadun Fernando	None	Director	None	None	None
Dr. Kanishka Karunaratne	None	Director	None	None	None
Dr. Prasad Ariyawansa (Resigned on 17.07.2020)	None	Director	None	None	None
Ms. Dayakanthi Abeyrathne	None	Director	None	None	None
Dr. Ravindra Ruberu	None	Director	None	None	None

Non-Executive Non-Independent Directors					
Ms. Richa Debgupta or her Alternate Mr. Rajiv Puri	None	Director	Note 1	None	None
Mr. Ashish Bhatia or his Alternate Mr. Anurag Kalra	None	Director	Note 1	None	None
Mr. Jagath Wellawatta	None	Director	Note 2	None	None

¹ Director of a listed Company in which they are employed, or having a significant shareholding with voting rights more than 10% of total or have a business connection where the transaction value is equivalent to or more than 10% of the turnover of the Company.

² Income non cash benefits derived from Company equivalent to 20% of annual income

³ Employed by Company two years immediately preceding appointment

Note 1 - Appointed by Fortis Global Healthcare Holdings Pte Ltd, which has shareholding of 28.66%

Note 2 - Chairman of Sri Lanka Insurance Corporation Limited, which has shareholding of 51.34%

Note 3 - Holds 500 number of shares at LHC

Board procedures

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

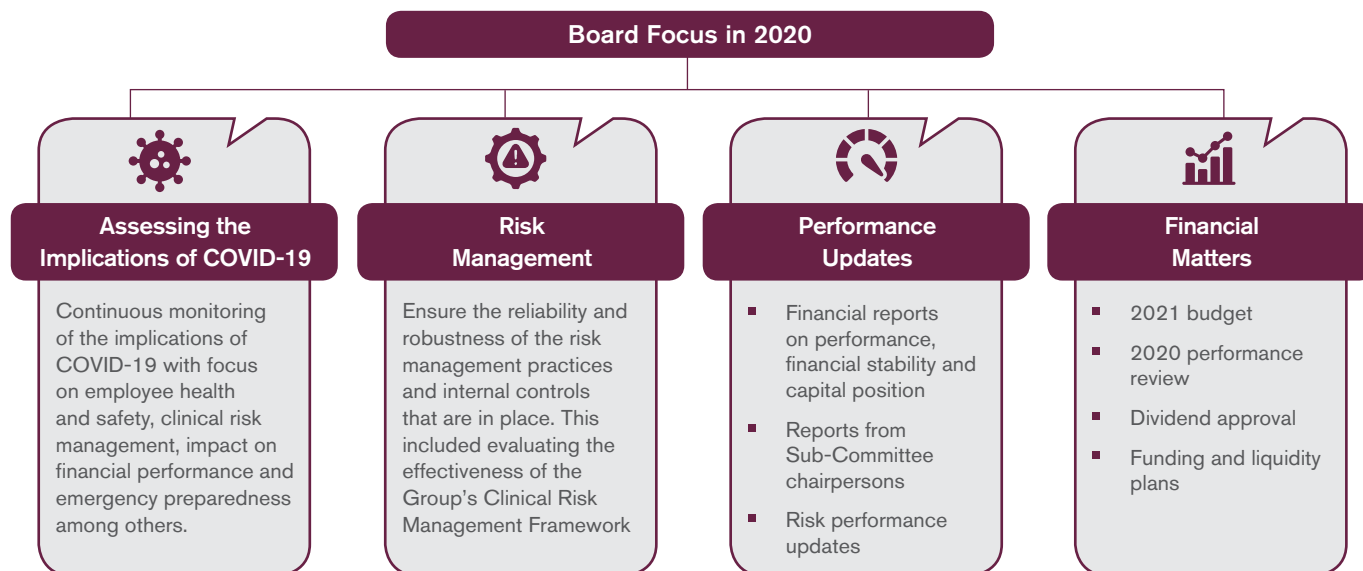
Access to information

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

CORPORATE GOVERNANCE REVIEW CONTD.

APPROACH TO CORPORATE GOVERNANCE

BOARD ACTIVITIES



BOARD MEETINGS AND ATTENDANCE

The Board meets at least on a monthly basis and convened 11 times during the year. Despite the conditions that prevailed during the year, the Board conducted its activities uninterrupted, through swiftly shifting to digital platforms. Meeting agendas and Board papers are circulated to all Board members electronically prior to Board and sub-committee

meetings, providing adequate time for preparation. The Board sub-committees convened 14 times in total during the year. Board meetings and Sub-committee meetings are scheduled well in advance and Board agendas and papers are circulated at least 7 days prior to the meeting to enable Directors to prepare adequately.

Attendance and Board and Sub-Committee meetings in 2020

Director	Board Meeting	Audit Committee	Remuneration Committee	Related party Transactions Committee
Dr. Bandula Wijesiriwardena	11/11	N/A	1/1	N/A
Ms. Roshini Cabraal	11/11	6/6	3/3	N/A
Ms. Lakshmi Sangakkara	11/11	N/A	N/A	4/4
Mr. Mayura Fernando	11/11	6/6	N/A	4/4
Mr. Kushan De Alwis PC	11/11	N/A	N/A	4/4
Mr. Nadun Fernando	11/11	N/A	4/4	N/A
Ms. Dayakanthi Abeyrathne	11/11	N/A	N/A	N/A
Dr. Prasad Ariyawansa	5/5	2/6	N/A	N/A
Dr. Kanishka Karunaratne	2/6	1/6	N/A	N/A
Ms. Richa Debgupta	5/11	N/A	N/A	N/A
Mr. Ashish Bhatia	8/11	N/A	N/A	N/A
Dr. Ravindra Ruberu	9/11	N/A	4/4	N/A
Mr. Jagath Wellawatta	2/2	N/A	N/A	N/A

BOARD EFFECTIVENESS

Training for Directors

Newly appointed Non-Executive Directors are apprised of the Group's values and culture, policies and procedures, strategy and the directors' responsibilities in accordance with current legislation. In addition, Directors are encouraged to update their skills and knowledge on a continuous basis, facilitated through the following;

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

Board appraisal

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

DIRECTOR'S REMUNERATION

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

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

The Board HR and Remuneration Committee comprises of 3 Non-Executive Directors and their profiles are detailed on pages 13 to 15 of this Report. Please refer The Board HR and Remuneration Committee Report on page 36 for further details on the Committee's activities during the year under review. The aggregate remuneration paid Non-Executive Directors is disclosed in the Notes to the Financial Statements on page 71 of this Report.

SHAREHOLDER ENGAGEMENT

The Annual General Meeting is used as the main platform for engaging with shareholders and is also the main forum of contact between small shareholders and the Board. In using the AGM constructively towards enhancing the Group's relationship with its shareholders, the following procedures are followed;

- Notice of the AGM and all relevant papers are sent to the shareholders at least 15 working days prior to the AGM in accordance with the rules stipulated by the Securities and Exchange Commission.
- Directors of the Board, including Chairmen of Audit, Remuneration and Related Party Transactions Review Committees are available to clarify any points raised by the shareholders.
- A summary of procedures governing voting at the AGM is provided in the proxy form, which is also circulated to shareholders 15 working days prior to the AGM.

In addition to the AGM, all material and price sensitive information about the Company is promptly communicated to shareholders through the CSE. Communication is also facilitated through the Group's corporate website, advertisements and press. There were no transactions which would materially affect the Group performance or assets nor any major related party transactions other than those disclosed on pages 91 to 92 of this Report.

Sustainability

The Group is committed to the principles of sustainability and strives to embed sustainability practices across all aspects of our operations.

ACCOUNTABILITY AND AUDIT

The Board holds overall responsible for presenting an accurate, balanced and understandable assessment of the Group's financial performance and position. The Group's Financial Statements are prepared in accordance with the Sri Lanka Financial Reporting Standards laid down by the Institute of Chartered Accountants of Sri Lanka and comply with the requirements of the Companies Act.

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

- The Annual Report of the Board of Directors on the Affairs of the Company on pages 30 to 34 of this Report contains the declarations prescribed by the Code.
- The Statement of Directors' Responsibility is given on page 35 of this Report.

CORPORATE GOVERNANCE REVIEW CONTD.

APPROACH TO CORPORATE GOVERNANCE

- The Independent Auditor's Report on pages 42 to 45 of this Report.
- The Board HR and Remuneration Committee Report on Page 36 of This Report.
- The Board Audit Committee Report on Pages 38 to 39 of This Report.
- The Board Related Party Transactions Review Committee Report on Page 37 of This Report.

Internal controls

The Board is responsible for formulating and implementing a framework of internal controls which ensure that the Group's assets are safeguarded and proper accounting records are maintained. The Board Audit Committee supports the Board in ensuring the adequacy and effectiveness of the Group's internal control systems. Meanwhile, the Internal Audit function conducts independent reviews of the Group's risk management and internal controls on a regular basis. The Director's Report on page 35 includes a declaration on compliance with laws and regulations, review of the internal controls covering risk management and compliance controls and that they have obtained reasonable assurance of their effectiveness and compliance thereof.

Monitoring compliance

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

Audit Committee

The Board has established an Audit Committee comprising 3 Non-Executive Independent Directors and information regarding its activities is provided in the Audit Committee Report on pages 38 to 39. The Terms of Reference of the Audit Committee complies with the recommendations of the Code of Best Practice on Board Audit Committees issued by ICASL and the relevant regulations of the Colombo Stock Exchange. The GCEO, GCFO, Head of Internal Audit, and representatives of the External auditors are invited to attend Committee meetings.

The Auditor General is the Company's external auditor and key oversight is provided by the Audit Committee, whose primary relationship is with the Committee. The external auditors have

not provided any non-audited related services to the Group during the year. The audit fees paid by the Company and Group to its Auditors are separately classified in Note number 8 to the Financial Statements of the Annual Report.

Code of Business Conduct and Ethics

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

Whistleblowing Policy

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

Cybersecurity

The Group has made considerable investments in strengthening its IT infrastructure and has deployed technical controls to mitigate cyber risks such as firewalls, virus guards and anti-malware solutions.

Corporate Governance disclosures

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

ESG reporting

The Group adopted Integrated Reporting, however, given the conditions that prevailed during the year opted to produce a statutorily compliant Annual Report. That said, the mechanisms and processes which are required to produce an Integrated Report are still in place, and the Group will revert to producing Integrated Annual Reports once industry conditions stabilise.

Compliance with Corporate Governance Rules as per section 7.10 of the Listing Rules of the Colombo Stock Exchange

Rule No.	Subject	Requirement	Compliance Status	Details
7.10.1. (a)	Non-Executive Directors	Two or one third of the Directors, whichever is higher, should be Non-Executive Directors.	Complied with	There are 12 Directors as at 31 December 2020, and as of the date of the Annual Report. All these Directors in the board are Non-Executive Directors.
7.10.2. (a)	Independent Directors	Two or one third of Non-Executive Directors, whichever is higher, should be independent.	Complied with	The Board comprises 9 Independent Non-Executive Directors as of 31st December 2020, and 8 Independent Non-Executive Directors as of the date of the Annual Report.
7.10.2 (b)	Independent Directors	Each Non-Executive Director should submit a declaration of independence/ Non-Independence in the prescribed format.	Complied with	All the Directors have submitted declarations of Independence/ Non-Independence in the prescribed format.
7.10.3. (a)	Disclosure relating to the Directors	Names of Independent Directors should be disclosed in the Annual Report.	Complied with	Please refer page 27 of this report.
7.10.3.(b)	Disclosure relating to the Directors	In the event a Director does not qualify as independent as per rules of corporate governance however the Board is of the opinion that the Director is nevertheless independent, it shall specify the basis of the determination in the annual report.	Complied with	All the Independent Directors satisfy the "criteria of independence" as per rules on corporate governance.
7.10.3.(c)	Disclosure relating to the Directors	A brief resume of each Director should be published in the annual report including the areas of expertise.	Complied with	Please refer to pages 13 to 15 of this report.
7.10.3.(d)	Disclosure relating to the Directors	A brief resume of any new Director appointed to the board should be provided to the CSE.	Complied with	Brief resumes of all newly appointed Directors have been provided to the Colombo Stock Exchange.
7.10.5	Remuneration Committee	A listed company shall have a Remuneration Committee.	Complied with	Please refer to page 36 of this report.
7.10.5 (a)	The composition of the Remuneration Committee	The Remuneration Committee shall comprise a minimum of two independent Non-Executive Directors or Non-Executive Directors, a majority of whom shall be Independent, whichever is higher.	Complied with	As of 31st December 2020, the Remuneration Committee comprises three Independent Non-Executive Directors as of the date of the Annual Report.
	Chairman of the Remuneration Committee	One Non-Executive Director shall be appointed as Chairman of the committee by the Board.	Complied with	Please refer to page 36 of this report.
7.10.5 (b)	Functions of the Remuneration Committee	The Remuneration Committee shall recommend the remuneration of the Group Chief Executive Officer and the Executive Directors.	Complied with	Please refer to the Scope of the Remuneration Committee on page 36 of this report.

CORPORATE GOVERNANCE REVIEW CONTD.

APPROACH TO CORPORATE GOVERNANCE

Rule No.	Subject	Requirement	Compliance Status	Details
7.10.5 (c)		The annual report shall set out:		
		The names of the Directors that comprise the Remuneration Committee.	Complied with	Please refer to page 36.
		A statement of remuneration policy.	Complied with	Please refer to page 36.
		Aggregate remuneration paid to Executive and Non-Executive Directors.	Complied with	Please refer to page 36.
7.10.6	Audit Committee	A listed company shall have an Audit Committee.	Complied with	Please refer to pages 38 to 39.
7.10.6 (a)	Composition of the Audit Committee	The Audit Committee shall comprise a minimum of two independent Non-Executive Directors, or Non-Executive Directors, a majority of whom shall be independent whichever is higher.	Complied with	As of 31st December 2020, and as of the date of the Annual Report, the Audit Committee comprised three Independent Non- Executive Directors.
		One Non- Executive Director shall be appointed as Chairman of the Audit Committee by the Board.	Complied with	The Chairman of the Audit Committee Mr. Mayura Fernando is a Non- Executive Director in the Board.
		The Chief Executive Officer and Chief Financial Officer shall attend Audit Committee meetings.	Complied with	Group Chief Executive Officer and Group Chief Financial Officer attend meetings by invitation.
		The Chairman or one member of the Committee should be a member of a recognised professional accounting body.	Complied with	The Chairman of the Audit Committee is a member of the Institute of Chartered Accountants Sri Lanka.
7.10.6 (b)		The Audit Committee shall have functions as set out in section 7.10 of the listing rules.	Complied with	Please refer to the Audit Committee Report on pages 38 to 39.
7.10.6 (c)		The annual report shall set out:		
		The names of the Directors who comprise the Audit Committee.	Complied with	Please refer to the Audit Committee Report on pages 38 to 39.
		The Audit Committee shall make a determination of the independence of the Auditors and disclose the basis for such determination.	Complied with	Please refer to the Audit Committee Report on pages 38 to 39.
		A report by the Audit Committee setting out the manner of compliance of the functions set out in section 7.10 of the listing rules.	Complied with	Please refer to the Audit Committee Report on pages 38 to 39.

Rule No.	Corporate Governance Principles	Compliance Status	Details
9.2.1 & 9.2.3	Related Party Transaction Review Committee	Complied with	The functions of the committee are stated in the Related Party Transactions Review Committee report on page 37.
9.2.2	Composition of the Related Party Transaction Review Committee	Complied with	Please refer the Related Party Transaction Review Committee report on page 37.
9.2.4	Related Party Transactions Review Committee Meetings	Complied with	The Committee met four times during the Financial Year 2020.
9.3.1	Immediate Disclosures	Complied with	Company did not have any non recurrent related party transactions which require immediate disclosures to the Colombo Stock Exchange.
9.3.2 (a)	Disclosure – Non recurrent Related Party Transactions	Complied with	Company did not have any non recurrent related party transactions with aggregate value which exceeds 10% of the equity or 5% of the total assets whichever is lower. Hence no disclosure is required.
9.3.2 (b)	Disclosure - recurrent Related Party Transactions	Complied with	Please refer to pages 91 to 92.
9.3.2 (c)	Report by the Related Party Transaction Review Committee	Complied with	Refer the Related Party Transactions Review Committee report on page 37.
9.3.2 (d)	A declaration by the Board of Directors	Complied with	Please refer to page 37.

CORPORATE GOVERNANCE REVIEW CONTD.

APPROACH TO CORPORATE GOVERNANCE

Rule No.	Requirement	Compliance Status	Details
168(1)(a)	The nature of the business together with any change thereof	Complied with	Please refer pages 30 to 34 of this report.
168(1)(b)	Signed Financial Statements of the Group and the company	Complied with	Please refer pages 46 to 101 of this report.
168(1)(c)	Auditors' Report on Financial Statements	Complied with	Please refer pages 42 to 45 of this report.
168(1)(d)	Accounting policies and any changes therein	Complied with	Please refer pages 54 to 69 of this report.
168(1)(e)	Particulars of the entries made in the interests register	Complied with	<p>All Directors have made declarations as required by the Section 192(1) and (2) of the Companies Act aforesaid and all related entries were made in the Interest register during the year under review.</p> <p>The Interest Register is available for inspection by shareholders or their authorised representatives as required by Section 119(1) (d) of the Companies Act No.07 of 2007.</p>
168(1)(f)	Remuneration and other benefits paid to Directors of the company	Complied with	Refer note 28.2 to the Financial Statements on page 91.
168(1)(g)	Corporate donations made by the company	Complied with	Refer page no 30 of this report.
168(1)(h)	Information on Directorate of the company at the end of accounting period	Complied with	Please refer pages 27 and pages 30 to 34 of this report.
168(1)(i)	Amounts paid/payable to the External auditor as audit fees and fees for other services rendered	Complied with	Refer note 8 to the Financial Statements on page 71.

Composition As at 31st Dec 2020

Name of the Director	Directorship Status
Dr. Bandula Wijesiriwardhana	Independent Non-Executive
Ms. Roshini Cabraal	Independent Non-Executive
Mr. Ashish Bhatia	Non-Independent Non-Executive
Ms. Richa Debgupta	Non-Independent Non-Executive
Dr. Ravindra Ruberu	Independent Non-Executive
Ms. Lakshmi Sangakkara	Independent Non-Executive
Mr. Mayura Fernando	Independent Non-Executive
Mr. Kushan De Alwis PC	Independent Non-Executive
Ms. Dayakanthi Abeyrathne	Independent Non-Executive
Mr. Nadun Fernando	Independent Non-Executive
Dr. Kanishka Karunaratne	Independent Non-Executive
Mr. Jagath Wellawatta	Non-Independent Non-Executive

Composition As at 21st May 2021

Name of the Director	Directorship Status
Dr. Bandula Wijesiriwardhana	Independent Non-Executive
Ms. Roshini Cabraal	Independent Non-Executive
Mr. Ashish Bhatia	Non-Independent Non-Executive
Ms. Richa Debgupta	Non-Independent Non-Executive
Dr. Ravindra Ruberu	Independent Non-Executive
Ms. Lakshmi Sangakkara	Independent Non-Executive
Mr. Mayura Fernando	Independent Non-Executive
Mr. Kushan De Alwis PC	Independent Non-Executive
Mr. Nadun Fernando	Independent Non-Executive
Dr. Kanishka Karunaratne	Independent Non-Executive
Mr. Jagath Wellawatta	Non-Independent Non-Executive

RISK MANAGEMENT

PRINCIPAL RISKS







An overview of the key risk exposures of the Group is given below. We have a structured enterprise risk management framework that details the process for identifying potential risks encompassing both medical and non-medical areas, eliminating/mitigating risks and monitoring risks. To proactively identify risks, we continually keep up-to-date of changes in the regulatory, economic and industry landscapes.

Risk Evaluation

The impact if a risk materializes combined with the likelihood of occurrence is considered for the risk score that determines risk exposure. Risks are classified according to the risk exposure into three groups as follows.

- Critical - requires active monitoring
- High - requires periodic monitoring
- Low - requires annual review

Key Risks	Risk Exposure	Mitigation Measures
<p>COVID-19 and its impacts There are several key risks that have arisen due to the effect of Covid-19 on our patients, other stakeholders and performance.</p> <ul style="list-style-type: none"> ■ Drop in patient numbers and occupancy as result of social distancing measures maintained to contain the spread of Covid-19 ■ Patient safety ■ Employee safety ■ Supply chain disruption 	●	<ul style="list-style-type: none"> ■ Comprehensive safety protocols covering employees, patients and visitors ■ Adherence to health and safety guidelines for Covid-19 issued by the Ministry of Health ■ A special ward with negative pressure maintained for suspected Covid-19 patients, who if tested positive, are transferred to government hospitals ■ Raising awareness about COVID-19 among employees, patients and visitors
<p>Medical Risks Includes the following key risks.</p> <ul style="list-style-type: none"> ■ Staff exposure to infection ■ Hazardous incidence occurrence at the laboratory ■ Issuing erroneous test results 	●	<ul style="list-style-type: none"> ■ Hospital and laboratory operational standards underpinned by international accreditations ■ Strong initiatives in place for infection prevention and control ■ Safety protocols meeting international standards maintained at the laboratory which is CAP accredited ■ Comprehensive controls in place at the laboratory and hospital that meets international accreditation standards to avoid issuing erroneous test results
<p>Attracting the best consultants The ability to retain and attract consultants of high repute</p>	●	<ul style="list-style-type: none"> ■ Proactive identification and attraction of the next generation of consultants prior to competitors ■ Ensure key consultants are satisfied with the hospital facilities & medical equipment, remuneration, quality of staff etc.
<p>Risk of competition Increased competition from new entrants of repute with high investments and current market players, can result decreasing our market share, affecting revenue generation</p>	●	<ul style="list-style-type: none"> ■ Promote brand loyalty with reputed in-house consultants, innovative technology, better value healthcare and specialty services ■ Expand our medical services portfolio and the number of service locations ■ Growth through capital/debt funding, joint ventures or acquisitions

Key Risks	Risk Exposure	Mitigation Measures
<p>Heightened security due to an act of terrorism Possible isolated acts of terrorism will have a negative impact on hospital patient numbers. The hospital was significantly impacted due to the Easter Sunday attacks that lead to a dramatic decrease in medical tourists and general tourists who seek our services due to international accreditations.</p>		<ul style="list-style-type: none"> ■ Maintain the additional security measures that were imposed subsequent to the Easter Sunday attacks ■ Regularly monitor the adequacy of controls
<p>Physical infrastructure Challenge of maintaining infrastructure, theatres and wards which includes sewerage & drainage systems, electrical infrastructure, fire safety, air flow/ventilation, hot and cold water lines etc., in excellent condition. Inappropriate maintenance could lead to compromising patient & staff safety, noncompliance with external regulations and/or internal standards/audits and adverse media publicity.</p>		<ul style="list-style-type: none"> ■ Maintenance needs are identified and prioritised according to time, cost and accreditation requirements etc.
<p>Skilled labour shortage Technically skilled staff such as nurses, laboratory technicians and pharmacists are in short supply in the country. Inability to attract and retain sufficient numbers of technical staff to run our operations could negatively affect quality of care given by the Group.</p>		<ul style="list-style-type: none"> ■ Maintaining competitive remuneration packages ■ Enhance loyalty to the Group with an open organizational culture that provides growth and learning opportunities
<p>Technological obsolescence Medical technology is constantly evolving. Inability to acquire or have access to the latest technology will be a challenge to enter new markets, attract medical tourists and maintain our current market position.</p>		<ul style="list-style-type: none"> ■ Investing in the latest available technology for our specialties ■ Being up to date with developments in the world of medical technology and evaluating suitability of the same for the Group
<p>IT Risks including Cyber Security System failures, breakdowns and compromising confidential patient information are risks that we face with increased digitalisation of operations. Litigation, reputational damage, operational disruption and financial losses may result from such breaches.</p>		<ul style="list-style-type: none"> ■ Comprehensive IT and information systems security policy ■ Access and password controls ■ Disaster recovery and business continuity plans
<p>Financial Risks The Group's activities exposes it to several financial risks such as investment risk, liquidity risk and market risk.</p>		<ul style="list-style-type: none"> ■ Monitoring and managing cash flows ■ Negotiating favourable rates on deposits ■ Monitoring and forecasting future funding needs ■ Monitoring the maturity profile of the Group's investments to meet expected future cash outflows

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

1. GENERAL

The Directors of The Lanka Hospitals Corporation PLC (Company) have pleasure in presenting to the Shareholders this Report together with the Consolidated Financial Statements for the year ended December 31, 2020 of the Company and the Group and the Auditors' Report on those Financial Statements, conforming to the requirements of the Companies Act No. 07 of 2007.

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

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

This Report provides the information as required by the Companies Act No. 07 of 2007, Listing Rules of the Colombo Stock Exchange and the Corporate Governance Code issued by the Institute of Chartered Accountants of Sri Lanka and was reviewed and approved by the Board of Directors of the Company.

2. REVIEW OF BUSINESS

2.1 Vision, Mission and Corporate Conduct

LHC's Vision and Mission are given on page 1. The business activities of LHC and its subsidiary are conducted maintaining the highest level of ethical standards in achieving its Vision and Mission as set out in the Company's Code of Ethics, which reflects our commitment to the high standards of business conduct and ethics.

2.2 Review on Operations of LHC and its Subsidiary

The CEO's Review and the 'Management Discussion and Analysis' on pages 6 to 8 and 9 to 12 provide an overall assessment on the operational performance and financial position of LHC and its subsidiary, and the status of affairs together with important events that took place during the year in detail, as required by the Section 168 of the Companies Act No. 07 of 2007.

2.2.1 Principal Activities of The Lanka Hospitals Corporation PLC

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

2.2.2 Principal Activities of Lanka Hospitals Diagnostics (Private) Limited

Lanka Hospitals Diagnostics (Private) Limited - a fully owned subsidiary of The Lanka Hospitals Corporation PLC incorporated on 06th February 2013 and gained Section 17 BOI approval. The commercial operation of the company commenced in July 2014. The principal activity of the company is providing of state-of-the-art laboratory services. It is the first referral lab in Sri Lanka. Lanka Hospitals Diagnostics (Private) Limited has over 1,300 collection centres in the main cities.

2.3 Financial Statements of LHC and its Subsidiary

The Audited Financial Statements of the company together with the consolidated financial statements of the Group are given on pages 46 to 101.

2.4 Directors' Responsibility for Financial Reporting

The Directors are responsible for the preparation of the Financial Statements of the LHC and its subsidiary and Group Financial statements as noted in page 35.

2.5 Auditors' Report

The Auditor General as the Auditors of the Company performed the audit on the Consolidated Financial Statements for the year ended December 31, 2020 and the Auditors' Report issued thereon is given on pages 42 to 45 as required by Section 168 (1) (c) of the Companies Act No. 07 of 2007.

2.6 Accounting Policies and Changes during the Year

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

2.7 Entries in the Interests Register of the Company

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

The share ownership of Directors is disclosed on page 103. The Interests Register is available for inspection by the Shareholders or their authorized representatives as required by Section 119 (1) (d) of the Companies Act No. 07 of 2007.

2.8 Directors' Remuneration and Other Benefits

Directors' remuneration and other benefits, in respect of the Company and its subsidiary for the financial year ended December 31, 2020, are given in Note 28.2 to the Financial Statements on page 91.

2.9 Corporate Donations by the Company

During the year, the Company made donations amounting to Rs 3,851,592/-.

3. REVENUE AND PROFITABILITY

The Revenue of the Group for 2020 was Rs. 6.80 Bn (Rs. 7.55 Bn in 2019), while LHC's revenue was Rs. 5.25 Bn (Rs. 6.13 Bn in 2019). The profit after tax of the Group stood at Rs. 385 Mn (Rs. 581 Mn in 2019), while LHC's profit after tax was Rs. 444 Mn (Rs. 420 Mn in 2019).

4. DIVIDENDS AND RESERVES

4.1 Dividends on Ordinary Shares

The final dividend of Rs. 0.75 per share for the year ended 31st December 2020 was paid on 23rd April 2021. This dividend was paid out of the dividends income received by the Company. The total amount distributed by way of dividend out of dividend income during the year 2020 was Rs. 167,799,127.

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

4.2 Reserves

Information on the movement of reserves is given in the Statement of Changes in Equity on pages 50 to 51 in Notes to the Financial Statements.

5. PROPERTY, PLANT & EQUIPMENT, LEASEHOLD PROPERTY AND INTANGIBLE ASSETS

Capital expenditure incurred on Property, Plant & Equipment (including Capital Work-in-Progress), Intangible Assets and Leasehold Property of the Group are given in Notes 12 to 14 on pages 74 to 81 to the Financial Statements respectively. Capital expenditure approved and contracted for, are given in Note 30 to the Financial Statements on page 93.

6. MARKET VALUE OF FREEHOLD PROPERTIES

The buildings of the Company were revalued by professionally qualified independent valuers as at December 31, 2020, and brought into the Financial Statements. The Directors are of the opinion that the revalued amounts are not in excess of the current market values of such properties. The details of freehold properties owned by the Company are given in Note 12.2.4 to the Financial Statements on pages 78 to 79.

7. STATED CAPITAL

The Stated Capital as at 31st December 2020 was Rs. 2,671,543,090/- comprising of 223,732,169 ordinary voting shares (Rs. 2,671,543,090/- as at 31st December 2019 comprising of 223,732,169 ordinary voting shares).

8. SHARE INFORMATION

Information relating to earnings, dividend, net assets and market value per share is given in the 'Financial Highlights' on pages 2 and 102 to 103.

9. MAJOR SHAREHOLDINGS

Details of the top twenty Shareholders, percentages of their respective holdings and percentage holding of the public are given in the Section on 'Investor Relations' on page 102.

10. DISTRIBUTION SCHEDULE FOR SHAREHOLDINGS

Information on the distribution of Shareholdings and the respective percentages are given in the Section on 'Investor Relations' on page 103.

11. DIRECTORS

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

11.1.1 List of Directors

The Board of Directors of the Company as at December 31, 2020 consisted of twelve. The current Board consists of eleven members with wide financial, medical and commercial knowledge and experience. The qualifications and experience of the Directors are given in the 'Board of Directors - Profiles' on pages 13 to 15.

Names of the Directors of the Company as at 31st December 2020 as required by the Section 168 (1) (h) of the Companies Act No. 07 of 2007, are given below:

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

Name of the Director	Status of Directorship
Dr. Bandula Wijesiriwardena	Independent Non-Executive Director
Mr. Ashish Bhatia	Non-Independent Non-Executive Director
Ms. Richa Debgupta	Non-Independent Non-Executive Director
Ms. Roshini Cabraal	Independent Non-Executive Director
Dr. Ravindra Ruberu	Independent Non-Executive Director
Ms. Lakshmi Sangakkara	Independent Non-Executive Director
Mr. Mayura Fernando	Independent Non-Executive Director
Mr. Kushan De Alwis PC	Independent Non-Executive Director
Mr. Nadun Fernando	Independent Non-Executive Director
Ms. Dayakanthi Abeyrathne	Independent Non-Executive Director
Dr. Kanishka Karunaratne	Independent Non-Executive Director
Mr. Jagath Wellawatta	Non-Independent Non-Executive Director
Mr. Rajiv Puri (Alternate Director to Ms. Richa Debgupta)	Non-Independent Non-Executive Director
Mr. Anurag Kalra (Alternate Director to Mr. Ashish Bhatia)	Non-Independent Non-Executive Director

11.1.2 Directors Holding Office in Lanka Hospital Diagnostics (Private) Limited as at 31st December 2020.

Name of the Director
Dr. Bandula Wijesiriwardena
Ms. Roshini Cabraal
Dr. Ravindra Ruberu
Mr. Mayura Fernando
Mr. Nadun Fernando
Ms. Dayakanthi Abeyrathne
Dr. Kanishka Karunaratne

11.1.3 New Appointments and Resignations

The information on new appointments and resignations to and from the Board of Directors of the Company subsequent to the last Annual General Meeting is given below.

Name of Director	Appointments	Resignation
Dr. Prasad Ariyawansa	-	17th July 2020
Mr. Jagath Wellawatte	20th November 2020	-
Ms. Dayakanthi Abeyrathne	-	10th April 2021

11.1.4 Recommendations for Re-election

1. *Directors who were appointed to fill casual vacancies*
All the Directors appointed to the Board to fill casual vacancies are permitted to hold office only until the following AGM,

hence, they are required to offer themselves for re-election at this Annual General Meeting. Accordingly, Mr Jagath Wellawatte who was appointed to the Board subsequent to last Annual General Meeting offer himself for re-election as Director of the Company at this Annual General Meeting.

2. Directors to retire by rotation

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

In terms of Article of Association 1/3 of the Directors retire at the Annual General Meeting. Accordingly Mr. Ashish Bhatia, Ms. Richa Debgupta and Dr. Bandula Wijesiriwardena retire at this Annual General Meeting and are eligible for re-election.

11.1.5 Details of Directors attendance at Directors' meetings are presented on page 20 under Corporate Governance.

11.1.6 Board Sub-Committees.

The Board Sub Committees in keeping with the rules of the Listing Rules of the Colombo Stock Exchange, Audit Committee, HR and Remuneration Committee and Related Party Transaction Review Committee are active and fully functional Sub-Committees and its functions presented under Corporate Governance on page 17 of the Annual Report.

The Composition of Board Sub Committees are as follows:*Audit Committee*

Mr. Mayura Fernando - Chairman

Ms. Roshini Cabraal - Member

Dr. Kanishka Karunaratne - Member

HR and Remuneration Committee

Ms. Roshini Cabraal - Chairperson

Dr. Ravindra Ruberu - Member

Mr. Nadun Fernando - Member

Related Party Transaction Review Committee

Ms. Lakshmi Sangakkara - Chairperson

Mr. Mayura Fernando - Member

Mr. Kushan De Alwis PC - Member

The Directors declare that the company is in compliance with Rule 9 of the Listing Rules of the Colombo Stock Exchange pertaining to Related Party Transactions during the financial year ended 31st December 2020.

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

Name of the Director	No. Shares 2020	No. Shares 2019
Dr. Bandula Wijesiriwardena	Nil	Nil
Mr. Ashish Bhatia	Nil	Nil
Ms. Richa Debgupta	Nil	Nil
Ms. Roshini Cabraal	Nil	N/A
Dr. Ravindra Ruberu	Nil	N/A
Ms. Lakshmi Sangakkara	Nil	N/A
Mr. Mayura Fernando	500	500
Mr. Kushan De Alwis PC	Nil	N/A
Mr. Nadun Fernando	Nil	N/A
Ms. Dayakanthi Abeyrathne	Nil	N/A
Dr. Kanishka Karunaratne	Nil	N/A
Mr. Jagath Wellawatta	Nil	N/A
Mr. Rajiv Puri (Alternate Director to Ms. Richa Debgupta)	Nil	Nil
Mr. Anurag Kalra (Alternate Director to Mr. Ashish Bhatia)	Nil	Nil

11.3 Directors' Interests in Contracts or Proposed Contracts

Directors' interests in contracts or proposed contracts with the Company, both direct and indirect are disclosed on page 91. These interests have been declared at Directors' meetings. Directors have no direct or indirect interest in any other contract or proposed contract with the Company. Directors' remuneration and other benefits, in respect of the Group and the Company for the financial year ended 31st December 2020 are given in Note 8 to the Financial Statements on page 71.

12. RISK MANAGEMENT AND INTERNAL CONTROLS

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

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

13. ENVIRONMENTAL PROTECTION

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

14. STATUTORY PAYMENTS

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

15. EVENTS AFTER DATE OF THE STATEMENT OF FINANCIAL POSITION

No event of material significance that require adjustments to the Financial Statements has occurred subsequent to the date of the Statement of Financial Position, other than those disclosed in Note 31 to the Financial Statements on page 93.

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

16. APPOINTMENT OF AUDITORS

In terms of Article 154 of the Constitution of the Democratic Socialist Republic of Sri Lanka, The Auditor General serves as the External Auditors for the company and its subsidiary Lanka Hospitals Diagnostics (Private) Limited. Fees paid to the Auditors are given on page 71 to the Annual Report.

17. DIRECTORS' DECLARATIONS

The Directors declare that;

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

18. GOING CONCERN

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

19. CONTINGENT LIABILITIES

Details with regard to the contingent liabilities are given in note 29 to the Financial Statements.

20. ANNUAL GENERAL MEETING

The Annual General Meeting of the Company will be held as a Virtual meeting on 17th June 2021 at 3.00 pm at the Dr. Prathap C Reddy Auditorium of The Lanka Hospitals Corporation PLC, No.578, Elvitigala Mawatha, Colombo 5.

For and on behalf of the Board



Dr. Bandula Wijesiriwardena
Chairman



Mayura Fernando
Director

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



Accounting Systems Secretarial Services (Private) Limited,
Secretaries to the Company,

21st May 2021

STATEMENT OF DIRECTORS' RESPONSIBILITY

THE RESPONSIBILITY OF THE DIRECTORS, IN RELATION TO THE FINANCIAL STATEMENTS OF THE LANKA HOSPITALS CORPORATION PLC (LHC) AND THE CONSOLIDATED FINANCIAL STATEMENTS OF THE LHC AND ITS SUBSIDIARY (GROUP), IS SET OUT IN THIS STATEMENT.

In terms of Sections 150 (1), 151, 152 and 153 (1) & (2) of the Companies Act No. 07 of 2007, the Directors of the LHC are responsible for ensuring that the Group and the LHC keeps proper books of accounts of all transactions and prepare Financial Statements that give a true and fair view of the financial position of the LHC and the Group as at end of each financial year and place them before the General Meeting. The Financial Statements comprise of the Statement of Financial Position as at December 31, 2020, the Statement of Comprehensive Income, Statement of Changes in Equity, Statement of Cash Flows for the year then ended and Notes thereto.

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

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

In terms of Section 150(1)(b) and Section 152(1)(b) of the Companies Act, these Financial Statements of the LHC and the Group have been certified by the LHC's Group Chief Financial Officer, the Officer responsible for the preparation. In addition, the Financial Statements of the LHC and the Group have been signed by two Directors of the LHC on 25th February 2021 as required by Sections 150 (1) (c) and 152 (1) (c) of the Companies Act and other regulatory requirements. In terms of Section 148 (1) of the Companies Act, the Directors are also responsible for ensuring that proper accounting records which correctly record and explain the LHC's transactions are maintained to facilitate proper audit of the Financial Statements. Accordingly, the Directors have taken reasonable steps to ensure that the LHC and the Group maintain proper books of account and review the financial reporting system through the Board Audit Committee. The Board of Directors also approves the Interim Financial Statements prior to their release to the Colombo Stock Exchange, upon a review and recommendation by the Board Audit Committee.

The Directors confirm that these Financial Statements for the year 2020, prepared and presented in this Annual Report are in agreement with

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

The Directors also confirm that the underlying books of accounts are in conformity with the requirements of the Sri Lanka Accounting Standards, Companies Act No. 07 of 2007, Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995, the National Audit Act No. 19 of 2018, the Listing Rules of the Colombo Stock Exchange and the Code of Best Practice on Corporate Governance issued jointly by The Institute of Chartered Accountants of Sri Lanka (ICASL) and the Securities and Exchange Commission of Sri Lanka (SEC).

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

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

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

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



Accounting Systems Secretarial Services (Private) Limited,
Secretaries to the Company,

21st May 2021

THE BOARD HR AND REMUNERATION COMMITTEE REPORT

COMMITTEE COMPOSITION

- Ms. Roshini Cabraal (NED/ID) Chairperson (appointed w.e.f. 18th June 2020)
- Dr. Ravindra Ruberu (NED/ID)
- Mr. Nadun Fernando (NED/ID)
- Dr. Bandula Wijesiriwardena (NED/ID) (resigned w.e.f. 18th June 2020)

(NED-Non-Executive Director, NID - Non Independent Director, ID - Independent Director)

DUTIES AND RESPONSIBILITIES

The Committee shall be responsible in advising/making recommendations to the Board of Directors on the following in order to assist the Board in fulfilling its corporate governance responsibilities in respect of the HR and Remuneration functions of the organisation;

- Strategic HR Policies of the Company
- The Remuneration policy of the Company and its specific application to the CEO and the general application to the Key Management Personnel (KMP)
- Evaluation of the performance of the CEO
- A review of the Company's;
 - Organisation structure
 - Management development plans
 - Performance appraisal schemes
 - Succession plan
 - Promotion criteria
- The effective communication with shareholders on the remuneration policy and committees work on behalf of the Board through a HR and Remuneration Committee report

ACTIVITIES DURING THE YEAR

The HR and Remuneration Committee met 4 times during the year, the proceedings of the meetings have been handed over to the Board of Directors in adequate detail. Attendance at Committee meetings is set-out alongside. During the year, the Committee reviewed, revised and approved the Organisation structure at the Senior Management level, and is in the process of having reviewed once again the Company's rewards and benefits policy which covers all aspects related to employee remuneration as described above.

Director	Attendance
Dr. Bandula Wijesiriwardena	1/1
Ms. Roshini Cabraal	3/3
Dr. Ravindra Ruberu	4/4
Mr. Nadun Fernando	4/4

REMUNERATION POLICY

The Remuneration policy is formulated with the objective of creating a conducive and positive work ethos that encourages and rewards enhanced performance leading to motivation, retention and continued business success. Accordingly, periodic reviews of salaries and other benefits are carried out taking into account the performance of the Individual and the Industry standards. Incentive packages, which are in consonance with existing industry practices, are also provided based on regular reviews of achievements. The remuneration policy also ensures that the risk in remuneration strategy, policy and arrangements are adequately considered, and that processes are in place to mitigate risk exposures.

On behalf of the Committee;



Ms. Roshini Cabraal

Chairperson - Board HR and Remuneration Committee

21st May 2021

THE BOARD RELATED PARTY TRANSACTIONS REVIEW COMMITTEE REPORT

COMMITTEE COMPOSITION

- Ms. Lakshmi Sangakkara (NED/ID) Chairperson
- Mr. Mayura Fernando (NED/ID)
- Mr. Kushan De Alwis PC (NED/ID)

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

The skill composition of the Independent Non-Executive Directors who represent the Board Related Party Transactions Review Committee are in line with the recommendations of the Code of Best Practice on Related Party Transactions issued by the CSE and ICASL 2017. The Directors who represented the Committee are set out along-side; their profiles are given on pages 13 to 15 of this Report.

MANDATE AND RESPONSIBILITIES

The Committee is responsible for assisting the Board in reviewing all Related Party Transactions carried by the Group. Accordingly, the mandate of the Committee includes the following;

- Formulating and recommending a Related Party Transaction Policy for adoption by the Board of Directors; the policy is consistent with the recommendations proposed by Code of Best Practice on Corporate Governance by CA Sri Lanka 2017.
- Reviewing and updating the Board on the related party transactions of the Group.
- Ensuring adequate disclosures in the Annual Report as required by the Continuing Listing Requirements of the CSE.
- Ensuring market disclosures are made as required by the Continuing Listing Requirements of the CSE.

RELATED PARTY TRANSACTIONS DURING THE YEAR

During 2020, the RPT Committee met 04 times Attendance at Committee meetings is set-out along side. The following types of related party transactions are brought to the attention of the Board;

- Insurance services obtained from the Parent Company and payments made thereof.
- Services provided and payments made to related parties.
- Review of such transactions and determining whether to permit or prohibit the transaction.
- Laboratory services obtained from the subsidiary Company and payments made thereof.

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

During the financial year 2020, relevant disclosures have been made to the Colombo Stock Exchange complying with the regulations. Details of Related Party Transactions entered into by the Group during the above period are disclosed in Note 28 to the Financial Statements.

The activities, findings and recommendations of the Committee are communicated in adequate detail to the Board regularly. During the year there were no non- recurrent or recurrent related party transactions that exceeded the respective thresholds mentioned in the Listing Rules requiring disclosure in the Annual Report. Details of other related party transactions entered into by the Company during the year is disclosed in Note 28 to the Financial Statements.

DECLARATION

A declaration by the Board of Directors in the Annual Report as a negative statement to the effect that no related party transaction falling within the ambit of the rule 9.3.2 of Listing Rules of the Colombo Stock Exchange was entered into by the Company during the year, is given in the Annual Report of the Board of Directors on page 33. All other related party transactions that could be classified as related party transactions in terms of LKAS 24-'Related Party Disclosures', are given in Note 28 to the Financial Statements.

On behalf of the Committee;



Ms. Lakshmi Sangakkara

Chairperson - Related Party Transactions Review Committee

21st May 2021

THE BOARD AUDIT COMMITTEE REPORT

COMMITTEE COMPOSITION

- Mr. Mayura Fernando (NED/ID) Chairman
- Dr. Kanishka Karunaratne (NED/ID)
- Ms. Roshini Cabraal (NED/ID)

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

The Group Chief Executive Officer, Group Head of Internal Audit and the Group Chief Financial Officer attend Audit Committee meetings by invitation and the Company Secretary functions as the Secretary to the Committee.

MANDATE AND RESPONSIBILITIES

Committee responsibilities as set out in the AC Charter are as follows;

- Ensure the integrity of the financial Statements by reviewing the financial reporting systems in place, the appropriateness of the accounting policies and adherence to statutory and regulatory compliance requirements.
- Review and ensure the adequacy of Internal Control System and ensure that appropriate action is taken by the Management to improve the effectiveness of the Internal Control System.
- Review and assess the company's risk management process, including information technology and cyber security risk.
- Review the effectiveness of the system for monitoring compliance with laws and regulations and the results of the management's investigation and follow-up (including disciplinary action) of any instances of non-compliance.
- Monitor the independence and performance of Internal and External Audit functions and follow up with the management on their findings and recommendations.

ACTIVITIES DURING THE YEAR

The Committee convened 06 times during the financial year ending 31st December 2020 and the proceedings of these meetings were regularly reported to the Board of Directors in adequate detail. Attendance at the Committee meetings is set out alongside. Key areas of focus included the following;

Director	Attendance
Mr. Mayura Fernando	6/6
Ms. Roshini Cabraal	6/6
Dr. Prasad Ariyawansa (resigned w.e.f. 17th July 2020)	2/3
Dr. Kanishka Karunaratne (appointed w.e.f. 24th July 2020)	1/3

Assessing the financial implications of the pandemic

The Committee with the support of the Group Chief Executive Officer and Group Chief Financial Officer proactively assessed the implications of the pandemic on the Company's financial performance, cash flow and financial position. Measures were implemented to preserve liquidity, curtail non-essential expenditure and defer discretionary capital expenditure.

Reporting of financial performance and position

The Committee assists the Board of Directors to discharge their responsibility for the preparation of the quarterly and annual Financial Statements that portray a true and fair view of the affairs of the Company. This process is based on the Company's accounting records, the stipulations of the Sri Lanka Accounting Standards, Companies Act and rules and regulations of CSE and SEC.

Internal Controls and Risk Management

The Committee reviews the adequacy and effectiveness of the internal control and risk management systems in place to ensure that the financial reporting system can be relied upon in the preparation and presentation of financial statements, the processes are in place to safeguard the assets of the Company and orderly and efficient conduct of business including adherence to the internal policies and statutory requirements. During the year, emphasis was also placed on ensuring that the Company's internal controls were adequate in mitigating the risks and impacts arising from the pandemic. The Committee reviewed the Company's exposure to the business, financial and operational risks and the adequacy of the ongoing risk management system established by the management.

Internal Audit

The Committee ensures that the Internal Audit function is independent of the activities it audits and carries out its activities with efficiency, impartiality and due professional care.

The Internal Audit Plan was reviewed by the Committee to ensure that it covers the significant financial and operational aspects of the Company. The Group Head of Internal Audit was invited to be present at all Audit Committee deliberations. Observations made in the internal audit reports were reviewed and where necessary corrective actions were recommended, and the implementation was monitored. Major findings of internal investigations with recommendations of the Management, were considered and appropriate instructions issued.

▪ **External Audit**

The Committee reviewed and monitored the External Auditors independence and objectivity and the effectiveness of the audit process. Issues arising from the audit and the required corrective action were discussed with the external auditors and the Management Letter and responses thereto were also reviewed by the Committee. The Auditor General is appointed as the Auditor for the ensuing financial year in compliance with Article 154 of the 19th Amendment to the Constitution being the Auditors for Company and Subsidiary company Lanka Hospitals Diagnostics (Private) Limited.

▪ **Ethics and good governance**

The highest standards of corporate governance, ethics and transparency were ensured at all times. Appropriate procedures are in place to conduct independent investigations into incidents reported through whistle blowing or identified through other means. The Committee placed continuous emphasis on upholding the ethical values of employees regarding good governance and ethics.

During the year the committee reviewed and revised the Audit Committee Charter and presented to the Board of Directors and implemented with their approval.

On behalf of the Committee;



Mayura Fernando,
Chairman, Audit Committee

21st May 2021

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INDEPENDENT AUDITORS' REPORT



ජාතික විගණන කාර්යාලය தேசிய கணக்காய்வு அலுவலகம் NATIONAL AUDIT OFFICE



මගේ අංකය
எனது இல. } HSM/H/LHC/FA/2020/02
My No. }

ඔබේ අංකය
உமது இல. }
Your No. }

දිනය
திகதி }
Date }

08 April 2021

The Chairman
The Lanka Hospitals Corporation PLC

Report of the Auditor General on the Financial Statements and Other Legal and Regulatory Requirements of the Lanka Hospital Corporation PLC and its subsidiaries for the year ended 31 December 2020 in terms of Section 12 of the National Audit Act, No. 19 of 2018.

1. FINANCIAL STATEMENTS

1.1 Opinion

The audit of the financial statements of The Lanka Hospital Corporation PLC (“Company”) and the consolidated financial statements of the Company and its subsidiaries (“Group”) for the year ended 31 December 2020 comprising the statement of financial position as at 31 December 2020 and the income statement, statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flow for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, was carried out under my direction in pursuance of provisions in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with provisions of the National Audit Act No. 19 of 2018. My report to Parliament in pursuance of provisions in Article 154 (6) of the Constitution will be tabled in due course.

In my opinion, the accompanying financial statements of the Company and the Group give a true and fair view of the financial position of the Company and the Group as at 31 December 2020, and of their financial performance and their cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

1.2 Basis for Opinion

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

1.3 Key Audit Matters

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

- **Revenue recognition** - Refer to Note 4.15 - accounting policy and Note 5 to the Financial Statements. The Revenue of the Group for the year ended 31st December 2020 was Rs.6,804 Mn.

Risk Description	My Response
The Group’s revenue generated from its healthcare services is disclosed in Note 5 together with the related accounting policy in 4.15. I considered revenue as a focus area due to the complexity of the pricing structure, its high volume, determination of appropriateness of gross or net basis of revenue recognition in certain arrangements, and reliance on IT controls.	<p>My audit procedures included the following, among others;</p> <ul style="list-style-type: none"> ■ I carried out audit procedures over revenue measurement by testing on a sample basis, transactional level pricing and applicable documentary evidence. ■ I discussed with management regarding the contractual arrangements where consultant medical personnel are involved, and tested on a sample basis the appropriateness of the recognition of revenue on a gross or net basis. ■ I obtained an understanding about the key IT and manual controls over the occurrence of revenue and tested the same on a sample basis. ■ I performed specific audit procedures over cash collection related to revenue covering a sample of locations where the Group’s business is carried out. ■ I assessed the adequacy of the disclosures made in Note 5 in the financial statement.



- **Carrying value of inventories** - Refer to Note 4.8 - accounting policy and Note 16 to the Financial Statements. The Group carried inventories of Rs.439 Mn as at December 31, 2020, at the lower of cost or net realisable value.

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

- **Recoverability of Trade Receivables** - Refer to Note 4.9.1 – accounting policy and Note 17 to the Financial Statements. The Group's trade receivables as at 31 December 2020 was Rs.444 Mn.

Risk Description	My Response
Assessment of recoverability of the Group's trade receivables involves based on management judgement. The historical payment patterns and other information relating to the creditworthiness of customers. Inherent subjectivity is involved in making judgements in relation to credit risk exposures to determine the recoverability of trade receivables.	<p>My audit procedures included -</p> <ul style="list-style-type: none"> ■ Testing the Group's credit control procedures, including the controls around credit terms, and reviewing the payment history and financial information pertaining to the customers. ■ Testing the receipt of cash after the year end relating to 31 December 2020 balances; and ■ Testing the adequacy of the Group's impairment provisions against trade receivables by assessing the judgements made and the historical trading experience with the relevant customers. ■ Assessing the adequacy of the Group's disclosures about the degree of estimation involved in arriving at the impairment provision.

INDEPENDENT AUDITORS' REPORT CONTD.



1.4 Other information included in the Company's 2020 Annual Report.

The other information comprises the information included in the Company's 2020 Annual Report, but does not include the financial statements and my auditor's report thereon, which is expected to be made available to me after the date of this auditor's report. Management is responsible for the other information.

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

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

When I read the Company's 2020 Annual Report, if I conclude that there are material misstatements therein, I am required to communicate that matter to those charged with governance for correction. If further material uncorrected misstatements are existed those will be included in my report to Parliament in pursuance of provisions in Article 154 (6) of the Constitution that will be tabled in due course.

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

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

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness internal control of the Company and the Group.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.



- Conclude on the appropriateness of the management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. I am responsible for the direction, supervision and performance of the group audit. I remain solely responsible for my audit opinion.

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

2. REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

- 2.1.1** I have obtained all the information and explanation that required for the audit and as far as appears from my examination, proper accounting records have been kept by the Company as per the requirement of section 163 (2) (d) of the Companies Act, No. 7 of 2007 and section 12 (a) of National Audit Act, No. 19 of 2018.
- 2.1.2** The financial statements of the Company comply with the requirement of section 151 of the Companies Act, No. 07 of 2007.

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

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

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

- 2.2.1** to state that any member of the governing body of the Company has any direct or indirect interest in any contract entered into by the Company which are out of the normal course of business as per the requirement of section 12 (d) of the National Audit Act, No. 19 of 2018;
- 2.2.2** to state that the Company has not complied with any applicable written law, general and special directions issued by the governing body of the Company as per the requirement of section 12 (f) of the National Audit Act, No. 19 of 2018;
- 2.2.3** to state that the Company has not performed according to its powers, functions and duties as per the requirement of section 12 (g) of the National Audit Act, No. 19 of 2018;
- 2.2.4** to state that the resources of the Company had not been procured and utilized economically, efficiently and effectively within the time frames and in compliance with the applicable laws as per the requirement of section 12 (h) of the National Audit Act, No. 19 of 2018.

W.P.C. Wickramaratne
Auditor General

INCOME STATEMENT

For the year ended 31st December,	Note	Group		Company	
		2020 Rs.	2019 Rs.	2020 Rs.	2019 Rs.
Revenue from contracts with customers	5	6,803,676,695	7,548,711,186	5,249,334,500	6,127,446,608
Cost of services		(3,941,721,091)	(4,201,608,188)	(3,322,972,431)	(3,616,953,505)
Gross profit		2,861,955,604	3,347,102,998	1,926,362,069	2,510,493,103
Other income	6	62,460,600	68,018,543	483,637,819	198,721,345
Administrative expenses		(2,024,058,106)	(2,041,454,450)	(1,511,821,745)	(1,563,133,353)
Other operating expenses		(704,622,221)	(720,947,044)	(636,813,691)	(628,572,595)
Change in fair value of investment property	14	-	-	7,000,000	11,500,000
Profit from the operations		195,735,877	652,720,047	268,364,452	529,008,500
Finance income	7.1	249,542,279	226,320,769	221,796,212	167,379,669
Finance cost	7.2	(34,917,703)	(37,765,208)	(23,051,238)	(28,734,482)
Net finance income		214,624,576	188,555,561	198,744,974	138,645,187
Profit before taxation	8	410,360,453	841,275,608	467,109,426	667,653,687
Income tax expense	9	(25,367,354)	(260,639,580)	(23,530,524)	(247,456,886)
Profit for the year		384,993,099	580,636,028	443,578,902	420,196,801
Attributable to:					
Equity holders of the company		384,993,099	580,636,028	443,578,902	420,196,801
Earnings per share (Rs.)	10	1.72	2.60	1.98	1.88

Notes from pages 54 to 101 form an integral part of these Financial Statements. Figures in brackets indicated deductions.

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31st December,	Note	Group		Company	
		2020 Rs.	2019 Rs.	2020 Rs.	2019 Rs.
Profit for the year		384,993,099	580,636,028	443,578,902	420,196,801
Other comprehensive income					
Items that will not be reclassified to profit or loss					
Surplus on revaluation of property, plant and equipment	22	215,013,745	-	181,837,383	-
Actuarial gains / (losses) on defined benefit obligations	23	(3,568,033)	(19,875,056)	(1,196,427)	(17,216,251)
Deferred tax on surplus of revaluation	22	(57,683,849)	-	(48,394,467)	-
Tax on other comprehensive income	24	999,050	5,565,016	335,000	4,820,550
Other comprehensive income for the year, (net of tax)		154,760,913	(14,310,040)	132,581,489	(12,395,701)
Total comprehensive income for the year		539,754,012	566,325,988	576,160,391	407,801,100
Attributable to:					
Equity holders of the parent		539,754,012	566,325,988	576,160,391	407,801,100

Notes from pages 54 to 101 form an integral part of these Financial Statements. Figures in brackets indicated deductions.

STATEMENT OF FINANCIAL POSITION

As at 31st December,	Note	Group		Company	
		2020 Rs.	2019 Rs.	2020 Rs.	2019 Rs.
ASSETS					
Non-current assets					
Property, plant and equipment	12	4,757,111,279	4,374,999,568	4,334,095,670	3,975,951,582
Right of use assets	27	551,719,758	638,680,845	446,981,873	529,133,161
Intangible assets	13	56,532,676	75,837,895	42,399,841	55,021,077
Investment property	14	-	-	142,000,000	135,000,000
Investment in subsidiary	15	-	-	414,000,020	414,000,020
		5,365,363,714	5,089,518,308	5,379,477,404	5,109,105,840
Current assets					
Inventories	16	438,907,124	412,871,966	347,819,214	321,847,911
Trade and other receivables	17	676,257,704	914,910,555	541,069,932	809,976,006
Amounts due from related companies	18	3,745,338	5,989,336	11,380,515	119,664,683
Other financial assets	19	3,106,994,000	2,482,398,553	2,756,994,000	2,222,398,553
Cash and cash equivalents	20	290,657,430	521,701,786	231,146,994	318,424,161
		4,516,561,596	4,337,872,196	3,888,410,655	3,792,311,314
Total assets		9,881,925,310	9,427,390,504	9,267,888,059	8,901,417,154
EQUITY AND LIABILITIES					
Equity					
Stated capital	21	2,671,543,090	2,671,543,090	2,671,543,090	2,671,543,090
Revaluation reserve	22	1,093,047,507	982,213,369	1,008,006,749	918,291,662
Retained earnings		3,404,721,752	2,975,801,877	2,950,664,128	2,464,218,824
Total equity		7,169,312,349	6,629,558,336	6,630,213,967	6,054,053,576
Non-current liabilities					
Employee benefit obligations	23	294,426,643	245,319,808	259,503,102	218,983,833
Deferred tax liabilities	24	1,052,711,169	1,101,754,228	996,303,172	1,048,068,491
Lease liability	27	199,744,680	300,363,987	112,145,521	212,319,907
		1,546,882,492	1,647,438,023	1,367,951,795	1,479,372,231

As at 31st December,	Note	Group		Company	
		2020 Rs.	2019 Rs.	2020 Rs.	2019 Rs.
Current liabilities					
Amounts due to related companies	25	4,769,075	6,360,674	4,769,075	4,769,075
Trade and other payables	26	785,047,519	748,060,109	952,719,210	1,010,989,544
Lease liability	27	72,424,798	76,947,758	49,908,439	57,202,253
Income tax payable		47,915,055	56,909,372	47,247,079	54,344,840
Bank overdraft	20	255,574,022	262,116,232	215,078,494	240,685,635
		1,165,730,469	1,150,394,145	1,269,722,297	1,367,991,347
Total liabilities		2,712,612,961	2,797,832,168	2,637,674,092	2,847,363,578
Total equity and liabilities		9,881,925,310	9,427,390,504	9,267,888,059	8,901,417,154

Notes from pages 54 to 101 form an integral part of these Financial Statements. Figures in brackets indicated deductions. It is certified that the Financial Statements have been prepared in compliance with the requirements of the Companies Act No 7 of 2007.



Badrajith Siriwardana
Group Chief Financial Officer

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

Signed for and on behalf of the Board;



Dr. Bandula Wijesiriwardena
Chairman



Mayura Fernando
Director

25th February 2021
Colombo

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Group	Stated capital Rs.	Revaluation reserve Rs.	Retained earnings Rs.	Total equity Rs.
Balance as at 1st January, 2019	2,671,543,090	1,028,709,128	2,754,511,426	6,454,763,644
Total comprehensive income for the year				
Profit for the year	-	-	580,636,028	580,636,028
Other comprehensive income	-	-	(14,310,040)	(14,310,040)
Depreciation transfer on surplus on revaluation of buildings	-	(46,495,759)	46,495,759	-
Transaction with owners recorded directly in equity				
Dividend	-	-	(391,531,296)	(391,531,296)
Balance as at 31st December, 2019	2,671,543,090	982,213,369	2,975,801,877	6,629,558,336
Total comprehensive income for the year				
Profit for the year	-	-	384,993,099	384,993,099
Other comprehensive income (net of tax)	-	-	(2,568,983)	(2,568,983)
Revaluation reversal of buildings & Land	-	215,013,745	-	215,013,745
Depreciation transfer on surplus on revaluation of buildings	-	(46,495,759)	46,495,759	-
Deferred tax impact on depreciation of revalued buildings	-	(57,683,849)	-	(57,683,849)
Transaction with owners recorded directly in equity				
Dividend	-	-	-	-
Balance as at 31st December, 2020	2,671,543,090	1,093,047,507	3,404,721,752	7,169,312,349

Notes from pages 54 to 101 form an integral part of these Financial Statements. Figures in brackets indicated deductions.

STATEMENT OF CHANGES IN EQUITY

Company	Stated capital Rs.	Revaluation reserve Rs.	Retained earnings Rs.	Total equity Rs.
Balance as at 1st January, 2019	2,671,543,090	962,019,491	2,404,221,191	6,037,783,772
Total comprehensive income for the year				
Profit for the year	-	-	420,196,801	420,196,801
Other comprehensive income	-	-	(12,395,701)	(12,395,701)
Depreciation transfer on surplus on revaluation of buildings	-	(43,727,829)	43,727,829	-
Transaction with owners recorded directly in equity				
Dividend	-	-	(391,531,296)	(391,531,296)
Balance as at 31st December, 2019	2,671,543,090	918,291,662	2,464,218,824	6,054,053,576
Total comprehensive income for the year				
Profit for the year	-	-	443,578,902	443,578,902
Other comprehensive income (net of tax)	-	-	(861,427)	(861,427)
Surplus on revaluation of buildings & Land		181,837,383		181,837,383
Depreciation transfer on surplus on revaluation of buildings	-	(43,727,829)	43,727,829	-
Deferred tax impact on depreciation of revalued buildings	-	(48,394,467)	-	(48,394,467)
Transaction with owners recorded directly in equity				
Dividend	-	-	-	-
Balance as at 31st December, 2020	2,671,543,090	1,008,006,749	2,950,664,128	6,630,213,967
Dividend per share - 2020 (Note - 11)				-
Dividend per share - 2019 (Note - 11)				1.75

Notes from pages 54 to 101 form an integral part of these Financial Statements. Figures in brackets indicated deductions.

STATEMENT OF CASH FLOWS

For the year ended 31st December,	Note	Group		Company	
		2020 Rs.	2019 Rs.	2020 Rs.	2019 Rs.
Cash flow from operating activities					
Profit before taxation		410,360,453	841,275,608	467,109,426	667,653,687
Adjustments for:					
Interest income	7.1	(198,160,700)	(233,522,494)	(170,516,903)	(174,586,776)
Dividend Income	6	-	-	(414,000,020)	(124,200,006)
Depreciation on property, plant and equipment	12	433,917,690	413,608,409	382,253,174	369,914,266
Amortisation of right of use assets	27.4	70,550,546	70,255,114	42,311,102	48,654,667
Interest cost on lease liability	27.4	34,917,703	37,765,208	23,051,238	28,734,482
Amortisation of intangible assets	13	22,732,700	23,114,098	14,369,136	14,769,981
Unrealised exchange gain on right of use assets	27.2	20,000	(518,311)	20,000	(518,311)
Net change in fair value of investment property	14	-	-	(7,000,000)	(11,500,000)
Provision for retiring gratuity	23.2	60,227,330	52,938,800	52,672,314	46,857,776
Impairment loss or (reversal) of provision on inventory	16.1	32,435,667	328,713	26,447,893	328,713
Impairment loss / (reversal) on trade receivables	17.2	12,123,651	13,136,003	6,981,267	13,136,003
Loss on disposal of ROU	6	1,386,310	-	1,386,310	-
Loss on disposal of property, plant and equipment	6	1,580,805	650,103	1,580,805	650,103
Operating cash flows before working capital changes		882,092,155	1,219,031,251	426,665,742	879,894,585
Increase in inventories		(58,470,825)	(44,015,253)	(52,419,196)	(36,424,994)
(Increase)/decrease in trade and other receivables		194,909,926	(207,767,739)	255,964,603	(219,346,299)
Increase/(decrease) in amounts due from related companies		2,243,998	(967,297)	108,284,167	(71,911,137)
Increase/(decrease) in trade and other payables		36,987,410	(49,126,544)	(58,270,334)	80,599,081
Increase/(decrease) in amounts due to related companies		(1,591,599)	(99)	-	-
		1,056,171,065	917,154,320	680,224,982	632,811,236
Cash generated from operations					
Retiring gratuity paid	23.2	(14,688,528)	(16,089,400)	(13,349,472)	(13,852,028)
Interest paid	27.4	(34,917,703)	(37,765,208)	(23,051,238)	(28,734,482)
Income tax paid		(140,089,528)	(267,254,408)	(130,453,071)	(250,907,010)
Net cash inflow from operating activities		866,475,306	596,045,304	513,371,201	339,317,716

For the year ended 31st December,	Note	Group		Company	
		2020 Rs.	2019 Rs.	2020 Rs.	2019 Rs.
Cash flows from investing activities					
Acquisition of property, plant and equipment	12	(433,939,559)	(299,804,243)	(391,483,782)	(256,842,957)
Expenditure incurred on capital work in progress	12	(175,605,488)	(388,149)	(175,605,488)	(388,149)
Purchase of intangible assets	13	(3,427,481)	(5,061,259)	(1,747,900)	(2,798,250)
Proceeds from disposal of property, plant and equipment		6,948,585	-	6,948,585	-
Lease paid		(88,983,084)	(84,247,525)	(67,879,374)	(60,888,977)
Interest income received		228,625,022	209,522,278	175,322,158	172,331,597
Dividend income received	6	-	-	414,000,020	124,200,006
(Investment)/withdrawal in other financial assets		(624,595,447)	191,362,671	(534,595,446)	106,362,670
Net cash generated from (used in) investing activities		(1,090,977,452)	11,383,773	(575,041,227)	81,975,940
Cash flows from financing activities					
Dividend paid		-	(391,531,296)	-	(391,531,296)
Net cash outflow from (used in) financing activities		-	(391,531,296)	-	(391,531,296)
Net increase/(decrease) in cash and cash equivalents		(224,502,146)	215,897,782	(61,670,026)	29,762,360
Cash and cash equivalent at the beginning of the year		259,585,554	43,687,772	77,738,526	47,976,166
Cash and cash equivalent at the end of the period (Note A)		35,083,408	259,585,554	16,068,500	77,738,526
Note A- Analysis of cash and cash equivalents					
Favourable balances					
Cash in hand and at bank		77,042,979	97,954,380	75,532,544	94,676,755
Short term investments		213,614,451	423,747,406	155,614,451	223,747,406
		290,657,430	521,701,786	231,146,994	318,424,161
Unfavourable balances					
Bank overdrafts		(255,574,022)	(262,116,232)	(215,078,494)	(240,685,635)
Cash and cash equivalents		35,083,408	259,585,554	16,068,500	77,738,526

Notes from pages 54 to 101 form an integral part of these Financial Statements. Figures in brackets indicated deductions.

NOTES TO THE FINANCIAL STATEMENTS

1 GENERAL INFORMATION

1.1 Reporting Entity

1.1.1 Corporate Information

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

1.2 Consolidated Financial Statements

The consolidated financial statements of the Company as at, and for the year ended 31st December 2020 comprise the financial statements of Company and its subsidiary (together referred to as the “Group”)

1.3 Principle Activities and Nature of Operations

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

1.4 Number of Employees

The staff strength of the Group as at 31st December 2020 was 1,929 (2002 as at 31st December 2019)

1.5 Parent Enterprise and Ultimate Parent Enterprise

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

2 BASIS OF PREPARATION

2.1 Statement of Compliance

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

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

Details of the Group’s significant accounting policies followed during the year are given in Notes 3 to 4.24.

2.2 Responsibility for Financial Statements

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

These financial statements include the following components:

- An Income Statement and a Statement of Profit or Loss and Other Comprehensive Income providing the information on the financial performance of the Group and the Company for the year under review. Refer page 46 to 47;
- A Statement of Financial Position providing the information on the financial position of the Group and the Company as at the year end. Refer pages 48 to 49;
- A Statement of Changes in Equity depicting all changes in shareholders’ funds during the year under review of the Group and the Company. Refer pages 50 to 51;
- A Statement of Cash Flows providing the information to the users, on the ability of the Group and the Company to generate cash and cash equivalents and utilisation of those cash flows. Refer pages 52 to 53;
- Notes to the Financial Statements comprising Significant Accounting Policies and other explanatory information. Refer pages 54 to 101.

2.3 Date of Authorisation for Issue

The financial statements of the Group and the Company for the year ended 31 December 2020 were authorised for issue by the Company’s Board of Directors on 25th February 2021.

2.4 Basis of Measurement

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

2.5 Going Concern Basis of Accounting

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

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

2.6 Functional and Presentation Currency

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

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

2.7 Presentation of Financial Statements

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

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

2.8 Rounding

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

2.9 Offsetting

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

Income and expenses are not offset in the Income Statements, unless required by an Accounting Standards and as specifically disclosed in the Significant Accounting Policies of the company.

2.10 Materiality and Aggregation

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

2.11 Comparative Information

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

2.12 Use of Estimates, Judgments and Assumptions

The preparation of financial statements of the Group in conformity with Sri Lanka Accounting Standards requires the management to make judgments, estimates and assumptions that affect the application of accounting policies and reported values of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making a judgment about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

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

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

2.12.1 Fair Value of Non-Financial Assets

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

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

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

2.12.2 Useful Lives of Depreciable Assets

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

2.12.3 Business Combinations

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

NOTES TO THE FINANCIAL STATEMENTS CONTD.

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

2.12.4 Defined Benefit Obligation

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

2.12.5 Fair Value of Financial Instruments

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

2.12.6 Recognition of Deferred Tax Assets

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

2.12.7 Measurement of Fair Values

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

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

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

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

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

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

2.12.8 Provisions for Liabilities, Commitments and Contingencies

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

3. CHANGES IN ACCOUNTING POLICIES

3.1 New and Amended Standards and Interpretations

In these Financial Statements, the Group and the company applied for the first-time following amendments to Accounting Standards, which are effective for annual periods beginning on or after 1st of January 2020.

The Group has not early adopted any other accounting standard, interpretation or amendment that has been issued but not effective.

3.1.1 Amendments to SLFRS 3: Definition of a Business

In November 2018, the CA Sri Lanka issued amendments to the definition of a business in SLFRS 3 on "Business Combinations" (SLFRS 3) to help entities determine whether an acquired set of activities and assets is a business or not. These amendments clarified the minimum requirements for a business, removed the assessment of whether market participants are capable of replacing any missing elements and added guidance to help entities assess whether an acquired process is substantive, narrowed the definitions of a business and of outputs, and introduced an optional fair value concentration test.

These amendments had no impact on the Consolidated Financial Statements of the Group but may impact future periods should the Group enter into any business combinations.

3.1.2 Amendments to LKAS 1 and LKAS 8: Definition of Material

In November 2018, the CA Sri Lanka issued amendments to LKAS 1 and Sri Lanka Accounting Standard – LKAS 8 on “Accounting Policies, Changes in Accounting Estimates and Errors” to align the definition of ‘material’ across the standards and to clarify certain aspects of the term ‘definition’. The new definition states that, ‘Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose Financial Statements make on the basis of those Financial Statements, which provide financial information about a specific reporting entity.’

These amendments had no impact on the Consolidated Financial Statements of, nor is there expected to be any future impact to, the Group.

3.1.3 Amendments to the conceptual framework for financial reporting

CA Sri Lanka issued a revised Conceptual Framework which included some new concepts, updated definitions and recognition criteria for assets and liabilities and clarified some important concepts. Key changes include:

- increasing the prominence of stewardship in the objective of financial reporting
- reinstating prudence as a component of neutrality
- defining a reporting entity, which may be a legal entity, or a portion of an entity
- revising the definitions of an asset and a liability
- removing the probability threshold for recognition and adding guidance on derecognition
- adding guidance on different measurement basis, and
- stating that profit or loss is the primary performance indicator and that, in principle, income and expenses in other comprehensive income should be recycled where this enhances the relevance or faithful representation of the financial statements.

These amendments had no impact on the Consolidated financial statements of the Group.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

4.1 Basis of Consolidation

The Group’s financial statements comprise, Consolidated financial statement of the Company and its Subsidiary in terms of the Sri Lanka Accounting Standard- SLFRS 10 on “Consolidated Financial Statements”.

4.1.1 Business Combinations

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

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

4.1.2 Subsidiary

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

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

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

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

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

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

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

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

Subsequent measurement

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

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

4.3.1.1.1 Financial Assets at Amortised Cost (Debt Instruments)

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

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

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

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

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

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

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

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

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

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

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

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

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

4.3.1.1.4 Financial Assets at Fair Value Through Profit or Loss

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

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

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

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

4.3.1.2 Impairment of Financial Assets

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

For trade receivables and contract assets, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a

loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

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

4.3.1.3 Derecognition of Financial Assets

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

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

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

4.3.2 Financial Liabilities

4.3.2.1 Recognition and Measurement

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

net gains and losses, including any interest expense, are recognised in profit or loss.

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

4.3.2.2 Derecognition of Financial Liabilities

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

4.3.4 Stated Capital

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

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

4.4. Property, Plant and Equipment

4.4.1 Recognition and Measurement

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

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

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

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

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

Cost Model

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

Revaluation Model

The Group applies Revaluation Model for the entire class of land and buildings in the statement of financial position. Revaluations are performed with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair values at the end of each reporting period. If the fair values of land and buildings does not change other than by an insignificant amount at each reporting period the Group will revalue such land and buildings every 3 years.

Any revaluation increase arising on the revaluation of such land and buildings are recognised in other comprehensive income and accumulated in equity, except to the extent that it reverses a revaluation decrease for the same asset previously recognised in the income statement, in which case the increase is credited to the income statement to the extent of the decrease previously expensed. A decrease in the carrying amount arising on a revaluation of land and buildings are recognised in the income statement to the extent that it exceeds the balance, if any, held in the property's revaluation reserve relating to a previous revaluation of the same land and buildings.

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

4.4.2 Significant Components of Property Plant and Equipment

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

4.4.3 Subsequent Cost

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

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4.4.4 Depreciation

Depreciation is based on the cost of an asset less its residual value.

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

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

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

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

4.4.5 De-Recognition

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

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

4.4.6 Capital Work-in-Progress

Capital work-in-progress is stated at cost. These are the expenses of a capital nature directly incurred in the construction of buildings, awaiting capitalisation.

4.5 Investment Properties

4.5.1 Recognition and Measurement

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

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

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

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

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

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

If an item of revalued owner occupied property becomes an investment property because its use has changed, any difference resulting between the carrying amount and the fair value of the item at the date of transfer is treated in the same way as a revaluation under LKAS 16; Property, plant

and equipment. Accordingly, the surplus on revaluation is recognised in the statement of comprehensive income to the extent that it reverses a previous impairment loss. Further, any resulting decrease in the carrying amount of the property is initially charged in the statement of comprehensive income against any previously recognised revaluation surplus, with any remaining decrease charged to profit or loss. The effect of depreciation on revalued property is also reversed within the statement of comprehensive income.

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

4.6 Lease

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group uses the definition of a lease in SLFRS 16.

4.6.1 a Group Acting as a Lessee

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

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

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

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

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

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

- Fixed payments, including in-substance fixed payments;
- Variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- Amounts expected to be payable under a residual value guarantee; and
- The exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

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

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

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

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

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

4.6.2 Group acting as a Lessor

When the Group acts as a lessor, it determines at lease inception whether the lease is a finance lease or an operating lease.

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To classify each lease, the Company / Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Company/ Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

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

4.7 Intangible Assets

4.7.1 Initial Recognition and Measurement

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

Separately acquired intangible assets are measured on initial recognition at cost. The cost of such separately acquired intangible assets include the purchase price, import duties, non-refundable purchase taxes and any directly attributable cost of preparing the asset for its intended use.

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

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

4.7.2 Subsequent Costs

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

4.7.3 Subsequent Measurement

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

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

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

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

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

4.7.4 Intangible Assets Recognised by the Group

4.7.4.1 Computer Software

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

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

4.8 Inventories

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

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

4.9 Impairment - Non-Financial Assets

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

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

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

4.9.1 Calculation of Recoverable Amount

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

4.9.2 Reversal of Impairment

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

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

Reversals of impairment losses are recognised in the income statement.

4.10 Liabilities and Provisions

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

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

4.11 Provisions

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

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

4.12 Employee Benefits

4.12.1 Short-Term Employee Benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid in cash as ex gratia in the short term, if the Group has a present legal or constructive obligation to pay this amount as a result of past service rendered by the employee, and the obligation can be measured reliably.

4.12.2 Defined Contribution Plan

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

4.12.2.1 Employee Provident Fund and Employee Trust Fund

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

4.12.3 Defined Benefit Plan - Retiring Gratuity

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

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

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However, according to the Payment of Gratuity Act No. 12 of 1983, the liability for payment to an employee arises only after the completion of 5 years continued service.

The liability is not externally funded.

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

4.13 Restructuring

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

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

4.14 Onerous Contracts

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

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

4.15 Revenue from Contracts with Customers

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

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

4.15.1 Hospital Revenue

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

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

Prime responsibility to provide consultation services to the customer or fulfilling the order rests with the respective consultant.

Establishing the consultancy charges and other terms of the service transaction rests with the respective consultant.

4.15.2 Pharmacy Revenue

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

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

- (i) Variable consideration If the consideration in a contract includes a variable amount, the Group estimates the amount of consideration to which it will be entitled in exchange for transferring the goods to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved. Some contracts for the sale of goods provide customers with a right of return.

The rights of return gives rise to variable consideration. Rights of return Certain contracts provide a customer with a right to return the goods within a specified period. The Group uses the expected value method to estimate the goods that will not be returned because

this method best predicts the amount of variable consideration to which the Group will be entitled. The requirements in SLFRS 15 on constraining estimates of variable consideration are also applied in order to determine the amount of variable consideration that can be included in the transaction price. For goods that are expected to be returned, instead of revenue, the Group recognises a refund liability.

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

4.15.3 Rental Income from Investment Property

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

4.15.4 Interest Income

Interest income is recognised as it accrues in the income statement. For all financial instruments measured at amortised cost interest income is recorded using the effective interest rate (EIR). EIR is the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period where appropriate, to the net carrying amount of the financial asset or liability. When calculating effective interest rate, the Group estimates the future cash flows considering all contractual terms of the financial instrument, but not future credit losses.

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

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

4.16 Expenditure

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

4.17 Income Tax Expense

Income tax expense comprises of current tax and deferred tax. The income tax expense is recognised in the income statement except to the extent that it relates to the items recognised directly in the statement of other comprehensive income or statement of changes in equity, in which case it is recognised directly in the respective statements.

4.17.1 Current Tax

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

Current income tax relating to items recognised directly in equity is recognised in equity and not in the income statement. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

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

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

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

4.17.2 Deferred Tax

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

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

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

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

4.17.3 Withholding Tax on Dividends Distributed by the Company And Subsidiary

Withholding tax that arises from the distribution of dividends by the Company is recognised at the time the liability to pay the related dividend is recognised.

Dividends received by the Company from its subsidiary has attracted a 14% deduction at source after 1 April 2018.

4.18 Segment Reporting

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

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

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

4.19 Statements of Cash Flows

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

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

Cash and cash equivalents:

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

4.20 Contingencies and capital commitments

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

Commitments and liabilities are disclosed in Note 29 and 30 to the financial statements.

4.21 Related Party Transactions

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

4.22 Earnings per Share

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

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

4.23 Events Occurring After the Reporting Date

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

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

The Institute of Chartered Accountants of Sri Lanka has issued the following standard which becomes effective for annual periods beginning after the current financial year. Accordingly this standard has not been applied in preparing these financial statements. The Group has not early adopted new standards in preparing consolidated financial statements.

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

- SLFRS 17 Insurance Contracts

Amendments to SLFRS 16 - COVID-19 Related Rent Concessions

The amendments provide relief to lessees from applying SLFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the COVID-19 Pandemic.

As a practical expedient, a lessee may elect not to assess whether a COVID-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from COVID-19 related rent concession the same way it would account for the change under SLFRS16, if the change were not a lease modification.

The amendment applies to annual reporting periods beginning on or after June 01, 2020.

This amendment is not expected to have a material impact on the Financial Statements of the Group and the Company in the foreseeable future.

NOTES TO THE FINANCIAL STATEMENTS CONTD.

For the year ended 31st December,	Group		Company	
	2020 Rs.	2019 Rs.	2020 Rs.	2019 Rs.
5 REVENUE FROM CUSTOMER CONTRACTS				
Hospital revenue	5,249,334,500	6,127,446,608	5,249,334,500	6,127,446,608
Laboratory revenue	1,554,342,195	1,421,264,578	-	-
	6,803,676,695	7,548,711,186	5,249,334,500	6,127,446,608

The effect of applying SLFRS 15 on the groups revenue from contract with customers described in note 4.15.

For the year ended 31st December,	Group		Company	
	2020 Rs.	2019 Rs.	2020 Rs.	2019 Rs.
6 OTHER INCOME				
Rent income	17,012,792	18,713,678	24,200,192	25,356,578
Car park income	38,452,472	44,642,160	38,452,472	44,642,160
Sundry income	9,962,451	5,312,808	9,952,250	5,172,704
Loss on disposal of property, plant and equipment	(1,580,805)	(650,103)	(1,580,805)	(650,103)
Loss on disposal of right of use assets	(1,386,310)	-	(1,386,310)	-
Dividend income	-	-	414,000,020	124,200,006
	62,460,600	68,018,543	483,637,819	198,721,345
7 NET FINANCE INCOME				
7.1 Finance income				
Interest income earned from;				
- Call deposit	5,452,328	4,399,883	2,119,984	4,090,799
- Fixed deposits- Sri Lankan Rupees	83,402,898	131,048,926	59,091,445	72,422,292
- Fixed deposits- Foreign Exchange Earners Account (FEEA)	102,740,681	91,609,449	102,740,681	91,609,449
Short term deposits	6,564,793	6,464,236	6,564,793	6,464,236
Gain/(loss) on translation of foreign currency	51,381,579	(7,201,725)	51,279,309	(7,207,108)
	249,542,279	226,320,769	221,796,212	167,379,669
7.2 Finance Cost				
Interest expenses on lease liabilities	(34,917,703)	(37,765,208)	(23,051,238)	(28,734,482)
	(34,917,703)	(37,765,208)	(23,051,238)	(28,734,482)
Net Finance Income	214,624,576	188,555,561	198,744,974	138,645,187

8 PROFIT BEFORE TAX

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

For the year ended 31st December,	Group		Company	
	2020 Rs.	2019 Rs.	2020 Rs.	2019 Rs.
Directors' remuneration and fees	10,295,975	23,089,000	9,110,000	16,289,000
Auditors' remuneration				
-Statutory audit	1,859,088	1,686,000	1,154,800	1,200,000
Technical Service Fee	20,320,903	23,831,000	-	-
Amortisation of intangible assets	22,732,700	23,114,098	14,369,136	14,769,981
Impairment loss (reversal of provision) of trade receivables	12,123,651	13,136,003	6,981,267	13,136,003
Provision made on inventories	32,435,667	328,713	26,447,893	328,713
Amortisation of Right of use assets	70,550,546	70,255,114	42,311,102	48,654,667
Legal expenses	1,845,077	4,046,199	1,845,077	4,046,199
Staff cost (note 8.1)	2,218,986,301	2,300,138,974	1,867,998,381	1,958,627,573
Loss on disposal of property, plant and equipment	1,580,805	(650,103)	(1,580,805)	(650,103)
Depreciation of property, plant and equipment - Cost of services	207,683,465	198,227,717	188,973,458	179,684,053
Depreciation of property, plant and equipment - Administrative cost	226,234,225	215,380,692	193,279,716	190,230,213
8.1 Staff cost				
Staff cost Under Cost of Services				
Salaries and other related costs	776,086,079	905,190,514	769,256,079	893,258,515
Defined contribution plan cost - EPF and ETF	53,549,223	55,848,793	52,524,723	54,058,993
Defined benefit plan cost - Retiring gratuity	21,068,925	18,274,534	21,068,925	18,274,533
	850,704,227	979,313,841	842,849,727	965,592,041
Staff cost Under Administrative Cost				
Salaries and other related costs	1,220,975,970	1,193,016,910	910,060,400	893,038,158
Defined contribution plan cost - EPF and ETF	108,147,699	93,143,957	83,484,865	71,414,131
Defined benefit plan cost - Retiring gratuity	39,158,405	34,664,266	31,603,389	28,583,243
	1,368,282,074	1,320,825,133	1,025,148,654	993,035,532
	2,218,986,301	2,300,138,974	1,867,998,381	1,958,627,573
No. of employees	1,929	2,002	1,557	1,650

NOTES TO THE FINANCIAL STATEMENTS CONTD.

For the year ended 31st December,	Group		Company	
	2020 Rs.	2019 Rs.	2020 Rs.	2019 Rs.
9 INCOME TAX EXPENSE				
Recognised in Income statement				
Current tax expense				
Taxation on the profit for the year (Note 9.1)	131,302,238	208,639,676	123,562,337	192,137,313
Over provision in respect of previous year	(207,027)	(50,999,310)	(207,027)	(50,918,009)
	131,095,211	157,640,366	123,355,310	141,219,304
Deferred tax expense				
Deferred tax liability originated during the year	(80,804,104)	112,960,944	(79,454,225)	115,123,090
Deferred tax assets originated during the year	(24,923,754)	(9,961,730)	(20,370,562)	(8,885,508)
	(105,727,857)	102,999,214	99,824,787	106,237,582
	25,367,354	260,639,580	23,530,524	247,456,886
Recognised in Statement of other comprehensive income				
Deferred tax on property, plant and equipment	57,683,849	-	48,394,467	-
Deferred tax on actuarial gain or loss	(999,050)	(5,565,016)	(335,000)	(4,820,550)
	56,684,799	(5,565,016)	48,059,468	(4,820,550)
9.1 Tax reconciliation statement				
Profit before taxation	410,360,453	841,275,608	467,109,425	667,653,687
Consolidation adjustments	425,197,164	79,884,997	-	-
Profit after adjustments	835,557,617	921,160,605	467,109,425	667,653,687
Less : Income not liable for income tax	(840,789,723)	(325,673,047)	(472,341,531)	(131,103,141)
Less : Allowable expenses	(327,612,203)	(445,611,029)	(327,612,203)	(445,611,029)
Less : Income from other sources	(233,169,567)	(308,119,391)	(233,169,567)	(249,182,380)
Add : Disallowable expense	567,138,359	533,165,170	567,138,359	533,165,170
Business income	1,124,483	374,922,307	1,124,483	374,922,307
Add : Income from other sources	260,813,365	308,119,391	233,169,567	249,182,380
	261,937,848	683,041,698	234,294,050	624,104,687
Less : Qualifying payments	-	-	-	-
Taxable income	261,937,848	683,041,698	234,294,050	624,104,687
Tax on final withholding payment	57,960,002	17,388,001	57,960,002	17,388,001
Income tax at 12%	-	-	-	-
Tax on taxable Income at 28%	73,342,236	191,251,675	65,602,334	174,749,312
Taxation on profits for the year	131,302,238	208,639,676	123,562,336	192,137,313

9.2 The Lanka Hospitals Corporation PLC is liable to income tax at 28% for the year ended 31st December 2020.

9.3 With the implementation of the new Inland Revenue Act No.24 of 2017, effective from 1st April 2018, the corporate tax applicable to The Lanka Hospitals Corporation PLC is 28%.

In accordance with and subject to the power conferred on the Board of Investments of Sri Lanka, under section 17 of the BOI Law No 4 of 1978, the operating profits and income accruing to Lanka Hospitals Diagnostics (Pvt) Ltd is exempt from tax for a period of 6 years commencing from the year in which the enterprise commences to make profits or any year of assessment not later than two years reckoned from the date of commencement of commercial operations whichever comes first. The Company commenced its commercial operations in July 2014 and the tax exemption period expires in 2020.

Deferred tax assets and liabilities have been measured at the tax rate that is expected to apply to the period when the asset is realised or liability is settled.

10 BASIC AND DILUTED EARNINGS PER SHARE

Basic and diluted earnings per share is calculated by dividing the net profit for the year attributable to the equity holders of the company, by the weighted average number of ordinary shares outstanding during the year.

For the year ended 31st December,	Group		Company	
	2020 Rs.	2019 Rs.	2020 Rs.	2019 Rs.
Profit attributable to the shareholders (Rs.)	384,993,099	580,636,028	443,578,902	420,196,801
Weighted average number of ordinary shares in issue	223,732,169	223,732,169	223,732,169	223,732,169
Earnings per ordinary share (Rs.)	1.72	2.60	1.98	1.88
11 DIVIDEND PER SHARE				
Dividend (Rs.)	-	391,531,296	-	391,531,296
Number of ordinary shares in issue	223,732,169	223,732,169	223,732,169	223,732,169
Dividend per share (Rs.)	-	1.75	-	1.75

NOTES TO THE FINANCIAL STATEMENTS CONTD.

12 PROPERTY, PLANT AND EQUIPMENT**12.1 Group**

	Freehold land Rs.	Buildings on leasehold land Rs.	Medical equipment Rs.	Furniture and fittings Rs.	Office equipment Rs.
Cost or valuation					
Balance as at 1st January 2019	64,000,002	2,643,070,622	2,792,262,783	325,063,534	88,966,295
Additions during the year	-	24,768,441	147,434,896	43,951,789	12,840,901
Transfers among categories	-	5,326,537	1,189,935	2,910,517	(18,011,331)
Disposals during the year	-	-	(260,700)	(31,012)	(955,809)
Balance as at 31st December 2019	64,000,002	2,673,165,600	2,940,626,914	371,894,828	82,840,056

Accumulated depreciation					
Balance as at 1st January 2019	-	122,452,842	1,376,059,794	201,805,847	58,694,265
Charge for the year	-	117,105,800	198,525,468	23,287,385	8,083,813
Transfers among categories	-	(130,610)	(297,751)	(10,856)	(10,523,116)
Disposals during the year	-	-	(174,420)	(18,262)	(474,922)
Balance as at 31st December 2019	-	239,428,032	1,574,113,091	225,064,114	55,780,040

Carrying amounts					
As at 31st December 2019	64,000,002	2,433,737,568	1,366,513,823	146,830,714	27,060,016

Cost or valuation					
Balance as at 1st January 2020	64,000,002	2,673,165,600	2,940,626,914	371,894,828	82,840,056
Additions during the year	-	55,723,968	274,152,546	45,540,770	6,928,751
Revaluation surplus	9,000,000	(140,474,935)	-	-	-
Transfer from capital work in progress	-	18,906,204	29,319,890	-	-
Disposals during the year	-	-	(9,430,448)	(6,092,285)	(1,152,672)
Balance as at 31st December 2020	73,000,002	2,607,320,837	3,234,668,902	411,343,313	88,616,135

Accumulated depreciation					
Balance as at 1st January 2020	-	239,428,032	1,574,113,091	225,064,114	55,780,040
Charge for the year	-	118,937,382	207,683,465	27,339,719	6,236,305
Disposals during the year	-	-	(6,952,559)	(1,186,095)	(773,569)
Revaluation adjustment	-	(346,488,680)	-	-	-
Balance as at 31st December 2020	-	11,876,734	1,774,843,997	251,217,737	61,242,777

Carrying amounts					
As at 31st December 2020	73,000,002	2,595,444,103	1,459,824,905	160,125,577	27,373,358

There were no capitalised borrowing costs related to the acquisition of property, plant and equipment during the year 2020 (2019 – Nil).

12.1.1 Title restriction on property, plant and equipment

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

12.1.2 Property, plant and equipment pledged as security for liabilities

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

Computer equipment Rs.	Other equipment Rs.	Kitchen equipment Rs.	Medical vehicles Rs.	Motor vehicles- Others Rs.	Capital work in progress Rs.	Total Rs.
239,618,412	719,882,866	35,826,099	24,117,956	32,764,961	38,286,964	7,003,860,494
22,719,515	38,584,705	1,365,906	-	8,810,000	388,149	300,864,303
7,470,025	442,406	-	-	-	-	(671,911)
(92,100)	(1,318,605)	-	-	-	-	(2,658,226)
269,715,852	757,591,373	37,192,005	24,117,956	41,574,961	38,675,113	7,301,394,660
183,523,975	486,353,631	34,117,474	24,117,956	27,669,025	-	2,514,794,807
31,290,477	39,305,279	1,162,727	-	5,963,681	-	424,724,629
(35,770)	(118,117)	-	-	-	-	(11,116,220)
(87,503)	(1,253,017)	-	-	-	-	(2,008,123)
214,691,179	524,287,776	35,280,201	24,117,956	33,632,706	-	2,926,395,092
55,024,673	233,303,596	1,911,804	-	7,942,255	38,675,113	4,374,999,568
269,715,852	757,591,373	37,192,005	24,117,956	41,574,961	38,675,113	7,301,394,660
14,657,768	35,914,448	1,021,308	-	-	175,605,488	609,545,047
-	-	-	-	-	-	(131,474,935)
-	-	-	-	-	(48,226,094)	-
(1,665,200)	(1,604,693)	-	-	-	-	(19,945,298)
282,708,420	791,901,128	38,213,313	24,117,956	41,574,961	166,054,508	7,759,519,474
214,691,179	524,287,776	35,280,201	24,117,956	33,632,706	-	2,926,395,093
25,763,333	42,867,653	1,076,917	-	4,012,917	-	433,917,690
(1,559,035)	(944,650)	-	-	-	-	(11,415,908)
-	-	-	-	-	-	(346,488,680)
238,895,477	566,210,779	36,357,118	24,117,956	37,645,623	-	3,002,408,195
43,812,943	225,690,349	1,856,195	-	3,929,338	166,054,507	4,757,111,279

12.1.3 Fully-depreciated property, plant and equipment

Property plant and equipment as at 31st December 2020 includes fully depreciated assets having a gross carrying amount (cost) of Rs.1.59 Bn (2019 - 1.55 Bn).

The building constructed on leasehold land of the Company was revalued by Mr A.A.M. Fathihu (FIV), Chartered Valuer with appropriate experience valuation of properties in relevant location in December 2020 on current replacement cost basis.

Freehold land of the Company was revalued by Mr A.A.M. Fathihu (FIV), Chartered Valuer in December 2020 on current market value basis.

NOTES TO THE FINANCIAL STATEMENTS CONTD.

12 PROPERTY, PLANT AND EQUIPMENT CONTD.**12.2 Company**

	Freehold land Rs.	Buildings on leasehold land Rs.	Medical equipment Rs.	Furniture and fittings Rs.	Office equipment Rs.
Cost or Valuation					
Balance as at 1st January 2019	64,000,002	2,441,076,322	2,625,995,129	274,680,085	57,963,926
Additions during the year		24,768,441	136,954,844	28,508,296	5,252,594
Disposals during the year		-	(260,700)	(31,012)	(955,809)
Balance as at 31st December 2019	64,000,002	2,465,844,763	2,762,689,273	303,157,369	62,260,711
Accumulated depreciation					
Balance as at 1st January 2019	-	109,937,366	1,318,359,317	183,924,336	48,333,032
Charge for the year	-	110,283,828	179,684,053	17,523,709	3,503,675
Disposals during the year	-	-	(174,420)	(18,262)	(474,922)
Balance as at 31st December 2019	-	220,221,194	1,497,868,950	201,429,783	51,361,785
Carrying amounts					
As at 31st December 2019	64,000,002	2,245,623,569	1,264,820,323	101,727,586	10,898,927
Cost or valuation					
Balance as at 1st January 2020	64,000,002	2,465,844,763	2,762,689,273	303,157,370	62,260,711
Additions during the year		55,723,968	258,910,533	32,744,388	3,148,983
Revaluation surplus / (loss)	9,000,000	(158,474,935)	-	-	-
Transfer from capital work in progress		18,906,204	29,319,890	-	-
Disposals during the year		-	(9,430,448)	(6,092,285)	(1,152,672)
Balance as at 31st December 2020	73,000,002	2,382,000,000	3,041,489,248	329,809,473	64,257,022
Accumulated depreciation					
Balance as at 1st January 2020	-	220,221,194	1,497,868,950	201,429,783	51,361,785
Charge for the year	-	111,091,124	188,973,458	19,595,037	3,906,511
Disposals during the year	-	-	(6,952,559)	(1,186,095)	(773,569)
Transfers on revaluation during the year		(331,312,318)			
Balance as at 31st December 2020	-	-	1,679,889,850	219,838,725	54,494,727
Carrying amounts					
As at 31st December 2020	73,000,002	2,382,000,000	1,361,599,397	109,970,749	9,762,296

There were no capitalised borrowing costs related to the acquisition of property, plant and equipment during the year 2020 (2019 – Nil).

12.2.1 Title restriction on property, plant and equipment

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

12.2.2 Property, plant and equipment pledged as security for liabilities

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

	Computer equipment Rs.	Other equipment Rs.	Kitchen equipment Rs.	Medical vehicles Rs.	Motor vehicles- Others Rs.	Capital work in progress Rs.	Total Rs.
	177,388,258	695,488,711	35,826,098	24,117,956	32,764,961	38,286,964	6,467,588,414
	15,856,493	35,326,383	1,365,906	-	8,810,000	388,149	257,231,106
	(92,100)	(1,318,605)	-	-	-	-	(2,658,226)
	193,152,651	729,496,489	37,192,003	24,117,956	41,574,961	38,675,113	6,722,161,294
	151,360,600	480,484,465	34,117,474	24,117,956	27,669,025	-	2,378,303,570
	15,165,307	36,627,286	1,162,727	-	5,963,681	-	369,914,266
	(87,503)	(1,253,017)	-	-	-	-	(2,008,125)
	166,438,404	515,858,734	35,280,201	24,117,956	33,632,706	-	2,746,209,713
-	26,714,247	213,637,756	1,911,803	-	7,942,255	38,675,113	3,975,951,582
	193,152,651	729,496,489	37,192,003	24,117,956	41,574,961	38,675,113	6,722,161,294
	12,670,498	27,264,104	1,021,308	-	-	175,605,488	567,089,270
	-	-	-	-	-	-	(149,474,935)
	-	-	-	-	-	(48,226,094)	-
	(1,665,200)	(1,604,693)	-	-	-	-	(19,945,298)
	204,157,949	755,155,900	38,213,311	24,117,956	41,574,961	166,054,508	7,119,830,331
	166,438,404	515,858,734	35,280,201	24,117,956	33,632,706	-	2,746,209,713
	14,135,726	39,461,484	1,076,917	-	4,012,917	-	382,253,174
	(1,559,035)	(944,650)	-	-	-	-	(11,415,908)
							(331,312,318)
	179,015,095	554,375,568	36,357,118	24,117,956	37,645,623	-	2,785,734,662
-	25,142,854	200,780,334	1,856,193	-	3,929,338	166,054,508	4,334,095,670

12.2.3 Fully-depreciated property, plant and equipment

Property plant and equipment as at 31st December 2020 includes fully depreciated assets having a gross carrying amount (cost) of Rs.1.59 Bn (2019 - 1.55 Bn).

The building constructed on leasehold land of the Company was revalued by Mr. A.A.M. Fathihu (FIV), Chartered Valuer with appropriate experience valuation of properties in relevant location in December 2020 on current replacement cost basis.

Freehold land of the Company was revalued by Mr. A.A.M. Fathihu (FIV), Chartered Valuer in December 2020 on current market value basis.

NOTES TO THE FINANCIAL STATEMENTS CONTD.

12 PROPERTY, PLANT AND EQUIPMENT CONTD.**12.2 Company Contd.****12.2.4 Freehold land carried at revalued amount**

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

Location	Type of property	Method of valuation	Effective date of revaluation
Hathbodiya, Kirula Road, Narahenpita, Colombo 05	Land	Open market value method	31st December 2020
Hathbodiya, Kirula Road, Narahenpita, Colombo 05	Land	Open market value method	31st December 2020

12.2.5 Carrying amount if buildings on leasehold measured using cost model

Location	Type of property	Method of valuation	Effective date of revaluation
578, Elvitigala Mawatha, Colombo 05	Buildings	Open market value method	31st December 2020

Property valuer	Extent	Significant unobservable input	Carrying amount as at 31.12.2020 Rs.	Revaluation surplus Rs.	Carrying amount at cost Rs.
Mr. A A M Fathihu (FIV), Chartered Valuer	10.35 Perches	Estimated price per perch Rs.3,144,963.23	37,127,764	30,659,318	6,468,447
Mr. A A M Fathihu (FIV), Chartered Valuer	10 Perches	Estimated price per perch Rs.3,144,963.23	35,872,236	29,622,529	6,249,706
	20.35 perches		73,000,002	60,281,847	12,718,153

Property valuer	Extent Significant unobservable input	Cost as at 31.12.2020 Rs.	Cumulative depreciation if assets were carried at cost Rs.	Net Carrying value Rs.
Mr. A A M Fathihu (FIV), Chartered Valuer	Estimated value per square foot Rs.5,000 -13,500	1,732,376,059	359,130,772	1,373,245,287

NOTES TO THE FINANCIAL STATEMENTS CONTD.

12 PROPERTY, PLANT AND EQUIPMENT CONTD.**12.2 Company Contd.****12.2.6 Capital work in progress**

As at 31st December,	Balance as at 01.01.2020	Additions during the year	Transfers during the year	Balance as at 31.12.2020
Building on leasehold land	38,675,113	177,486,703	(50,107,308)	166,054,508
	38,675,113	177,486,703	(50,107,308)	166,054,508

As at 31st December,	Group		Company	
	2020 Rs	2019 Rs	2020 Rs	2019 Rs
13 INTANGIBLE ASSETS				
Cost				
Balance at the beginning of the year	156,154,901	151,093,642	101,034,648	98,236,398
Additions during the year	3,427,481	5,061,259	1,747,900	2,798,250
Balance as at the end of the year	159,582,382	156,154,901	102,782,548	101,034,648
Accumulated amortisation				
Balance at the beginning of the year	80,317,006	57,202,908	46,013,571	31,243,590
Amortisation charge for the year	22,732,700	23,114,098	14,369,136	14,769,981
Balance as at the end of the year	103,049,706	80,317,006	60,382,707	46,013,571
Carrying amount	56,532,676	75,837,895	42,399,841	55,021,077

Intangible assets included software used by the Group and the Company.

There were no restrictions on the title of the intangible assets of the Group and the Company as at the reporting date. Further, there were no items pledged as securities for liabilities. There were no capitalised borrowing costs related to the acquisition of intangible assets during the year 2020 (2019 – Nil).

As at 31st December,	Group		Company	
	2020 Rs	2019 Rs	2020 Rs	2019 Rs
14 INVESTMENT PROPERTY				
Balance at the beginning of the year	-	-	135,000,000	123,500,000
Change in fair value	-	-	7,000,000	11,500,000
Balance as at the end of the year	-	-	142,000,000	135,000,000

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

14.1 Income earned from investment property

Investment property consists of value attributable to 7th floor of the building constructed on leasehold land, at 578, Elvitigala Mawatha, Colombo 5 which is given on rental to Lanka Hospitals Diagnostics (Private) Limited which is a subsidiary, for a monthly rental of Rs.598,950.

14.2 Details of land and buildings classified as investment property

Location	Building Extent	Carrying amount at cost Rs.	Fair value Rs.	Last Revaluation Date
No 578, Elvitigala Mawatha, Colombo 05	11,500 square feet	82,110,000	142,000,000	31/12/2020

14.3 As at 31st December 2020, the fair value of the investment property is based on valuation performed by Mr. A.A.M. Fathihu (FIV), Chartered Valuer, an accredited independent valuer who has appropriate experience in valuation of properties. The valuation is based on current replacement cost method.

There has been no impairment on investment property which requires a provision as at the reporting date.

The fair value measurement of the investment property has been classified as a Level 3 in fair value hierarchy

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

Valuation technique	Significant observable and unobservable inputs	Interrelationship between key inputs and fair value measurement
Replacement cost method	Value per square feet determined based on similar properties value and depreciated for period used	The estimated fair value would increase (decrease) if: <ul style="list-style-type: none"> ■ Depreciation rate was lesser / (higher) ■ Square feet value was higher / (lesser)

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

14.2 Included in Income statement

For the year ended 31st December,	Group		Company	
	2020 Rs	2019 Rs	2020 Rs	2019 Rs
Rental income	-	-	7,187,400	6,642,900
Changes in fair value	-	-	7,000,000	11,500,000

NOTES TO THE FINANCIAL STATEMENTS CONTD.

As at 31st December,	Group		Company	
	2020 Rs	2019 Rs	2020 Rs	2019 Rs
15 INVESTMENT IN SUBSIDIARY				
Lanka Hospitals Diagnostics (Pvt) Ltd				
Balance at the beginning of the year (41,400,002 shares)	-	-	414,000,020	414,000,020
Balance as at the end of the year (41,400,002 shares)	-	-	414,000,020	414,000,020
16 INVENTORIES				
Medical items	446,154,891	396,088,479	349,079,207	305,064,424
Non medical items	12,284,848	8,884,107	12,284,848	8,884,107
Engineering stocks	6,182,483	4,300,942	6,182,483	4,300,942
Food and beverages	7,699,030	4,576,899	7,699,030	4,576,899
	472,321,252	413,850,427	375,245,568	322,826,372
Less; Impairment of inventories (Note 16.1)	(33,414,128)	(978,461)	(27,426,354)	(978,461)
	438,907,124	412,871,966	347,819,214	321,847,911
16.1 Provision on inventories				
Balance at the beginning of the year	978,461	649,748	978,461	649,748
Provision recognised/ (reversed) during the year	32,435,667	328,713	26,447,893	328,713
Balance as at the end of the year	33,414,128	978,461	27,426,354	978,461

There were no inventories pledged as a securities for liabilities by the Group and the Company as at reporting date.

As at 31st December,	Group		Company	
	2020 Rs	2019 Rs	2020 Rs	2019 Rs
17 TRADE AND OTHER RECEIVABLES				
Trade receivables (Note 17.1)	443,968,838	481,001,598	334,671,369	427,344,475
Impairment loss on trade receivables (Note 17.2)	(53,347,613)	(41,223,962)	(48,205,229)	(41,223,962)
	390,621,224	439,777,636	286,466,140	386,120,513
Deposits and prepayments	74,984,870	81,577,462	51,682,050	60,899,144
Advances and other receivables	142,671,899	295,111,423	136,562,578	291,791,931
Interest income receivable	67,979,711	98,444,034	66,359,164	71,164,418
	676,257,704	914,910,555	541,069,932	809,976,006
17.1 Trade receivables				
Sri Lanka Insurance Corporation Limited	22,931,610	30,291,954	20,629,987	26,679,713
Other debtors	352,648,714	407,064,671	245,652,868	357,019,789
Patients not yet discharged	68,388,514	43,644,973	68,388,514	43,644,973
	443,968,838	481,001,598	334,671,369	427,344,475

As at 31st December,	Group		Company	
	2020 Rs	2019 Rs	2020 Rs	2019 Rs
17.2 Impairment loss on trade receivables				
Balance at the beginning of the year	41,223,962	28,087,959	41,223,962	28,087,959
Impairment recognised during the year	12,123,651	13,136,003	6,981,267	13,136,003
Balance as at the end of the year	53,347,613	41,223,962	48,205,229	41,223,962
18 AMOUNTS DUE FROM RELATED COMPANIES				
Sri Lanka Insurance Corporation Limited	3,745,338	5,989,336	3,745,338	5,989,336
Lanka Hospitals Diagnostics (Pvt) Ltd	-	-	7,635,177	113,675,347
	3,745,338	5,989,336	11,380,515	119,664,683
19 OTHER FINANCIAL ASSETS				
Fixed deposits- Foreign Exchange Earners Account (FEEA)	1,831,994,000	1,657,398,554	1,831,994,000	1,657,398,554
Fixed deposits- Sri Lankan Rupees	1,275,000,000	824,999,999	925,000,000	564,999,999
	3,106,994,000	2,482,398,553	2,756,994,000	2,222,398,553

There were no financial assets pledged as a securities for liabilities by the Group and the Company as at reporting date.

As at 31st December,	Group		Company	
	2020 Rs	2019 Rs	2020 Rs	2019 Rs
20 CASH AND CASH EQUIVALENTS				
Favourable balances				
Repo Investment	213,614,451	423,747,406	155,614,451	223,747,406
Cash in hand and at bank	77,042,979	97,954,380	75,532,544	94,676,755
	290,657,430	521,701,786	231,146,994	318,424,161
Unfavourable balances				
Bank overdraft	(255,574,022)	(262,116,232)	(215,078,494)	(240,685,635)
Cash and cash equivalents for the purpose of statement of cash flows,	35,083,408	259,585,554	16,068,500	77,738,526
21 STATED CAPITAL				
Issued and fully paid				
223,732,169 Ordinary shares	2,671,543,090	2,671,543,090	2,671,543,090	2,671,543,090

NOTES TO THE FINANCIAL STATEMENTS CONTD.

As at 31st December,	Group		Company	
	2020 Rs	2019 Rs	2020 Rs	2019 Rs
22 REVALUATION RESERVE				
Balance at the beginning of the year	982,213,369	1,028,709,128	918,291,662	962,019,491
Surplus on revelation of freehold land	9,000,000	-	9,000,000	-
Surplus on revelation of Leasehold Buildings	206,013,745	-	172,837,383	-
Depreciation transfer on revaluation of buildings	(46,495,759)	(46,495,759)	(43,727,829)	(43,727,829)
Deferred tax on surplus of revaluation of buildings	(57,683,849)	-	(48,394,467)	-
Balance as at the end of the year	1,093,047,506	982,213,369	1,008,006,749	918,291,662

The revaluation reserve relate to the revaluation of Buildings on leasehold land and Freehold land.

23 EMPLOYEE BENEFIT OBLIGATIONS**23.1 Description of the post employment defined benefit plan**

A defined benefit plan is a post employment benefit plan other than a defined contribution plan. The liability recognised in the statement of financial position in respect of defined benefit plans is the present value of the defined benefit obligation at the reporting date.

As at 31st December,	Group		Company	
	2020 Rs	2019 Rs	2020 Rs	2019 Rs
23.2 Movement in defined benefit obligations				
Balance as at 1st January	245,319,808	188,595,352	218,983,833	168,761,834
Included in Income statement				
Current service cost	34,468,751	31,250,334	29,679,012	27,450,165
Interest cost	25,758,579	21,688,466	22,993,302	19,407,611
	60,227,330	52,938,800	52,672,314	46,857,776
Included in other comprehensive income				
Actuarial (gain)/ loss recognised	3,568,033	19,875,056	1,196,427	17,216,251
	3,568,033	19,875,056	1,196,427	17,216,251
Other				
Contributions paid by the employer	(14,688,528)	(16,089,400)	(13,349,472)	(13,852,028)
	(14,688,528)	(16,089,400)	(13,349,472)	(13,852,028)
Balance at 31st December	294,426,643	245,319,808	259,503,102	218,983,833

Description of the valuation method used and the information about the valuer

LKAS 19 “Employee Benefits” requires the use of actuarial techniques to make a reliable estimate of the amount of retirement benefit that employees have earned in return for their service in the current and prior periods and discount that benefit using the Projected Unit Credit Method in order to determine the present value of the retirement benefit obligations and the current service cost. This requires an entity to determine how much benefit is attributable to the current and prior periods and to make estimates about demographic and financial variables that will influence the cost of the benefit.

The provision for retirement benefits obligations for the year is based on the actuarial valuation carried out by professionally qualified actuaries, Acturial And Management Consultants (Pvt) Ltd, as at 31st December 2020. The liability is not externally funded.

23.3 Actuarial assumptions

The following were the principal actuarial assumptions at the reporting date.

As at 31st December,	Group		Company	
	2020 Rs	2019 Rs	2020 Rs	2019 Rs
Discount rate	8.50%	10.50%	8.50%	10.50%
Future salary growth	8%	10%	8%	10%
Retirement age	60 Years	60 Years	60 Years	60 Years

According to the payment of Gratuity Act No. 12 of 1983, the liability for the gratuity to an employee arises only on completion of five years of continuous service.

23.4 Sensitivity analysis

Reasonable possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below.

As at 31st December,	Group		Company	
	2020 Rs	2019 Rs	2020 Rs	2019 Rs
Change in:	+1%	+1%	+1%	+1%
	Rs	Rs	Rs	Rs
Discount rate	(21,387,617)	(18,150,074)	(18,797,622)	(15,978,200)
Future salary growth	25,830,701	21,923,313	22,705,896	19,288,025

As at 31st December,	Group		Company	
	2020 Rs	2019 Rs	2020 Rs	2019 Rs
Change in:	-1%	-1%	-1%	-1%
	Rs	Rs	Rs	Rs
Discount rate	24,581,648	20,884,343	21,611,913	18,364,134
Future salary growth	(22,847,269)	(19,362,712)	(20,077,715)	(17,055,691)

NOTES TO THE FINANCIAL STATEMENTS CONTD.

23 EMPLOYEE BENEFIT OBLIGATIONS CONTD.**23.5 Maturity Analysis of the payments**

The below tabular summarises the maturity profile of the Group's and the Company's define benefit obligation.

As at 31st December,	2020		2019	
	Group Rs	Company Rs	Group Rs	Company Rs
Within the next 12 months	34,887,239	31,424,440	25,258,284	22,907,253
Between 1-2 years	48,864,642	42,270,222	39,328,688	35,428,871
Between 2-5 years	90,237,918	81,175,172	57,443,297	52,244,211
Beyond 5 years	531,560,444	467,090,711	579,892,946	505,987,297
	705,550,243	621,960,545	701,923,215	616,567,632

24 DEFERRED TAX LIABILITIES**24.1 Deferred taxation**

As at 31st December,	Group		Company	
	2020 Rs	2019 Rs	2020 Rs	2019 Rs
Net deferred tax liability				
Deferred tax liability (Note 24.1.1)	1,147,627,240	1,170,747,495	1,078,324,206	1,109,383,963
Deferred tax assets (Note 24.1.2)	(94,916,071)	(68,993,267)	(82,021,033)	(61,315,472)
	1,052,711,169	1,101,754,228	996,303,172	1,048,068,491

The movements on the deferred tax account is as follows:

As at 31st December,	Group		Company	
	2020 Rs	2019 Rs	2020 Rs	2019 Rs
24.1.1 Deferred tax liability				
Balance at the beginning of the year	1,170,747,495	1,057,786,551	1,109,383,963	994,260,873
Originated during the year	(80,804,104)	112,960,944	(79,454,225)	115,123,090
(Originated)/ reversal during the year- recognised in other comprehensive income	57,683,849	-	48,394,467	-
Balance at the end of the year	1,147,627,240	1,170,747,495	1,078,324,206	1,109,383,963
24.1.2 Deferred tax asset				
Balance at the beginning of the year	(68,993,267)	(53,466,521)	(61,315,472)	(47,609,413)
Originated during the year- recognised in profit or loss	(24,923,754)	(9,961,730)	(20,370,562)	(8,885,508)
(Originated)/ reversal during the year- recognised in other comprehensive income	(999,050)	(5,565,016)	(335,000)	(4,820,550)
Balance at the end of the year	(94,916,071)	(68,993,267)	(82,021,033)	(61,315,472)

24.2 Recognised deferred tax assets and liabilities

24.2.1 Group

	Net Balance as at 1st January 2020 Rs	Recognised in profit or loss Rs	Recognised in OCI Rs	Net balance at 31st December 2020 Rs	Deferred tax liability Rs	Deferred tax asset Rs
Property, plant and equipment	1,084,344,314	(79,809,341)	57,683,849	1,062,218,822	1,062,218,822	-
Employee benefits	(68,993,267)	(12,447,144)	(999,050)	(82,439,461)	-	(82,439,461)
Intangible assets	9,499,449	(2,365,109)	-	7,134,340	7,134,340	-
Impairment loss on inventory	92,039	(9,174,026)	-	(9,081,987)	-	(9,081,987)
Impairment loss on trade receivables	3,678,080	(7,072,703)	-	(3,394,623)	-	(3,394,623)
Right of use assets	73,133,612	5,140,466	-	78,274,078	78,274,078	-
	1,101,754,228	(105,727,856)	56,684,799	1,052,711,169	1,147,627,240	(94,916,071)

	Net Balance as at 1st January 2019 Rs	Recognised in profit or loss Rs	Recognised in OCI Rs	Net balance at 31st December 2019 Rs	Deferred tax liability Rs	Deferred tax asset Rs
Property, plant and equipment	1,048,040,203	36,304,111	-	1,084,344,314	1,084,344,314	-
Employee benefits	(53,110,420)	(10,317,831)	(5,565,016)	(68,993,267)	-	(68,993,267)
Intangible assets	9,459,515	39,934	-	9,499,449	9,499,449	-
Impairment loss on inventory	286,833	(194,794)	-	92,039	92,039	-
Impairment loss on trade receivables	(356,101)	4,034,181	-	3,678,080	3,678,080	-
Right of use assets	-	73,133,612	-	73,133,612	73,133,612	-
	1,004,320,029	102,999,214	(5,565,016)	1,101,754,228	1,170,747,495	(68,993,267)

NOTES TO THE FINANCIAL STATEMENTS CONTD.

24 DEFERRED TAX LIABILITIES**24.2 Recognised deferred tax assets and liabilities****24.2.2 Company**

	Net Balance as at 1st January 2020 Rs	Recognised in profit or loss Rs	Recognised in OCI Rs	Net balance at 31st December 2020 Rs	Deferred tax liability Rs	Deferred tax asset Rs
Property, plant and equipment	1,008,614,115	(84,615,473)	48,394,467	972,393,109	972,393,109	-
Investment property	14,809,200	1,960,000	-	16,769,200	16,769,200	-
Employee benefits	(61,315,472)	(11,010,396)	(335,000)	(72,660,868)	-	(72,660,868)
Intangible assets	9,499,449	(117,368)	-	9,382,081	9,382,081	-
Impairment loss on inventory	92,039	(7,497,450)	-	(7,405,411)	-	(7,405,411)
Impairment loss on trade receivables	3,678,080	(5,632,836)	-	(1,954,756)	-	(1,954,756)
Right of use assets	72,691,080	7,088,735	-	79,779,815	79,779,815	-
	1,048,068,491	(99,824,785)	48,059,468	996,303,172	1,078,324,206	(82,021,033)

	Net Balance as at 1st January 2019 Rs	Recognised in profit or loss Rs	Recognised in OCI Rs	Net balance at 31st December 2019 Rs	Deferred tax liability Rs	Deferred tax asset Rs
Property, plant and equipment	972,925,325	35,688,789	-	1,008,614,115	1,008,614,115	-
Investment property	11,589,200	3,220,000	-	14,809,200	14,809,200	-
Employee benefits	(47,253,313)	(9,241,609)	(4,820,550)	(61,315,472)	-	(61,315,472)
Intangible assets	9,459,515	39,934	-	9,499,449	9,499,449	-
Impairment loss on inventory	286,833	(194,794)	-	92,039	92,039	-
Impairment loss on trade receivables	(356,101)	4,034,181	-	3,678,080	3,678,080	-
Right of use assets	-	72,691,080	-	72,691,080	72,691,080	-
	946,651,460	106,237,582	(4,820,550)	1,048,068,491	1,109,383,963	(61,315,472)

As at 31st December,	Group		Company	
	2020 Rs	2019 Rs	2020 Rs	2019 Rs
25 AMOUNTS DUE TO RELATED COMPANIES				
Sri Lanka Insurance Corporation Limited	4,769,075	4,769,075	4,769,075	4,769,075
Super Religare Laboratories Limited- SRL	-	1,591,599	-	-
	4,769,075	6,360,674	4,769,075	4,769,075

As at 31st December,	Group		Company	
	2020 Rs	2019 Rs	2020 Rs	2019 Rs
26 TRADE AND OTHER PAYABLES				
Trade payables (Note 26.1)	249,301,263	167,387,490	463,545,258	469,765,604
Other payables				
- Accrued expenses	167,145,981	195,895,810	160,238,274	193,854,902
- Advance received	79,800,378	60,344,488	79,800,378	60,344,488
- Economic Service Charge payable	-	3,787,322	-	-
- Withholding tax payable	184,966	9,696,444	-	9,197,194
- Other payables	288,614,931	310,948,555	249,135,300	277,827,357
	785,047,519	748,060,109	952,719,210	1,010,989,544
26.1 Trade payables				
Trade payables - Lanka Hopsitals Diagnostics (Pvt) Ltd	-	-	306,738,033	350,859,904
Trade payables - Other creditors	249,301,263	167,387,490	156,807,225	118,905,699
	249,301,263	167,387,490	463,545,258	469,765,604

27 LEASES

27.1 The carrying amounts of right-of-use assets recognised and its movements during the year:

As at 31st December,	Group		Company	
	2020 Rs	2019 Rs	2020 Rs	2019 Rs
Cost				
Balance at the beginning of the year	708,935,959	-	577,787,828	-
Recognition on transition date as at 01 January 2019	-	620,810,026	-	542,266,353
Additions during the year	23,429,645	88,125,933	-	35,521,475
Disposals/ Write-offs during the year	(61,616,647)	-	(61,616,647)	-
Balance as at the end of the year	670,748,958	708,935,959	516,171,181	577,787,828
Accumulated amortisation				
Balance at the beginning of the year	70,255,114	-	48,654,667	-
Charge for the year	70,550,546	70,255,114	42,311,102	48,654,667
Disposal during the year	(21,776,461)	-	(21,776,461)	-
Accumulated amortisation as at 31st December	119,029,199	70,255,114	69,189,308	48,654,667
Net book value as at 31st December	551,719,758	638,680,845	446,981,873	529,133,161

NOTES TO THE FINANCIAL STATEMENTS CONTD.

27 LEASES CONTD.

27.2 The carrying amounts of lease liability (included under current and non current liabilities) and its movements during the year:

As at 31st December,	Group		Company	
	2020 Rs	2019 Rs	2020 Rs	2019 Rs
Balance at the beginning of the year	377,311,745	-	269,522,160	-
Recognition on transition date as at 01 January 2019	-	366,541,511	-	295,720,669
Additions during the year	23,429,645	95,536,070	-	35,208,779
Accretion of interest	34,917,703	37,765,208	23,051,238	28,734,482
Payments	(123,900,787)	(122,012,733)	(90,930,612)	(89,623,459)
Disposal during the year	(39,608,827)	-	(39,608,827)	-
Exchange (gain)/loss	20,000	(518,311)	20,000	(518,311)
Balance as at the end of the year	272,169,479	377,311,745	162,053,960	269,522,160
Current	72,424,798	76,947,758	49,908,439	57,202,253
Non-current	199,744,680	300,363,987	112,145,521	212,319,907
27.3 Maturity analysis of the lease liability:				
Less than one year	26,261,193	76,947,758	3,744,834	57,202,253
One to Five Years	188,440,756	215,147,139	112,616,294	135,309,696
More than five years	57,467,530	85,216,848	45,692,833	77,010,211
Total lease liabilities as at 31st December	272,169,478	377,311,745	162,053,960	269,522,160

27.4 The amounts recognised in the Statement of Profit or Loss for the year ended 31st December:

Net amount charged to statement of profit or loss	Group		Company	
	2020 Rs	2019 Rs	2020 Rs	2019 Rs
Amortisation expenses on right-of-use assets	70,550,546	70,255,114	42,311,102	48,654,667
Interest expenses on lease liabilities	34,917,703	37,765,208	23,051,238	28,734,482
Net amount charged to statement of profit or loss	105,468,249	108,020,322	65,362,340	77,389,149

28 RELATED PARTY TRANSACTIONS

The Company carried out transactions in the ordinary course of business on an arm's length basis at commercial rates with parties who are defined as related Parties as per the Sri Lanka Accounting Standard – LKAS 24 – “Related Party Disclosures”, other than, transactions that the Key Management Personnel (KMP) have availed under schemes uniformly applicable to all staff at concessionary rates.

28.1 Identify of the related parties

An entity is related to a reporting entity if it meets LKAS 24 - “Related Party Disclosures”. The Company has a related party relationship with Sri Lanka Insurance Corporation Limited (the parent entity) , Lanka Hospitals Diagnostics (Private) Limited (the Subsidiary) and Super Religare Laboratories Limited (Which is controlled by ,who has significant influence over the reporting entity).

28.2 Transactions with the Key Management Personnel

Key Management Personnel are those having authority and responsibility for planning, directing and controlling the activities of the entity directly or indirectly. The members of the Board of Directors has authority and responsibility for planning, directing and controlling the activities of the entity directly or indirectly. The Board of Directors of the company are Key Management Personnel of the Group. The compensation of Key Management Personnel for the year ended 31st December 2020 amounted to Rs 9,110,000/- (2019 - Rs.16,289,000/-). While the compensation for Key Management Personnel of the group for the year ended 31st December 2020 amounted to Rs.10,295,975/- (2019 - Rs. 23,089,000/-).

28.3 Terms and Conditions of Transactions with the Companies

Transactions with related parties are carried out in the ordinary course of business. Outstanding current account balances at year end are unsecured, interest free and settlement occurs in cash. There have been no guarantees provided or received for any related party receivable or payables for the year ended 31st December 2020.

28.4 Recurrent Related Party Transactions

Other than the transactions disclosed in Note 28.6.1 ,there were no any recurrent related party transactions which aggregate value exceeds 10% of the gross revenue of the Company as per December 2019 Audited Financial Statements, which required additional disclosures in the 2020 Annual Report under Colombo Stock Exchange listing Rule 9.3.2 and Code of Best Practices on Related Party Transactions under the Security Exchange Commission Directive issued under Section 13 (c) of the Security Exchange Commission Act.

28.5 Non-Recurrent Related Party Transactions

There were no non-recurrent related party transactions which aggregate value exceeded 10% of the equity or 5% of the total assets which ever is lower of the Company as per 31st December 2019 audited financial statements, which required additional disclosures in the 2020 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.

NOTES TO THE FINANCIAL STATEMENTS CONTD.

28 RELATED PARTY TRANSACTIONS**28.6 Transactions with Related Entities**

The Company has carried out transactions with Group entities in the ordinary course of business. The Group has not recorded any impairment for receivables relating to amount owed by Group entities.

Company	Relationship	Details of Transactions	Transactions during the year	Balance as at 31st December 2020 (Payable)/ Rs. Receivable (Rs.)	Balance as at 31st December 2019 (Payable)/ Receivable (Rs.)
Sri Lanka Insurance Corporation Limited	Parent Company	Services provided	127,907,616	20,629,987	26,679,713
		Amount received	(133,957,342)		
		Premiums paid for the insurance policy on fire, vehicle, professional indemnity, staff insurance and general insurance	35,161,532	(4,769,075)	(4,769,075)
		Amounts Paid	(35,161,532)		
		Other medical services provided by the company	14,114,165	3,745,339	5,989,336
		Amounts Received	(16,358,162)		
Lanka Hospitals Diagnostics (Private) Limited	Subsidiary Company	Reimbursement of expenses and the rent income received/receivable by the Company	121,959,830	7,635,177	113,675,347
		Amounts Received	(228,000,000)		
		Services provided	(608,824,202)	(306,738,033)	(350,859,904)
		Amounts Paid	652,946,073		-
Super Religare Laboratories Limited	Subsidiary Company of Fortis Global Healthcare Holdings Pte Limited who owns 28.66% of The Lanka Hospitals Corporation PLC shares	Technical services provided to Lanka Hospitals Diagnostics (Private) Limited	-	-	1,591,599
		Amounts Paid	(1,591,599)		

28.6.1	Year	Name of Related Party	Relationship	Nature of the Transaction	Aggregate value of Related Party Transactions entered during the year	Aggregate value of Related Party Transactions as a % of Net Revenue / Income	Terms and Conditions
	2020	Lanka Hospitals Diagnostics (Private) Ltd	Subsidiary Company	Laboratory Services provided	608,824,202	8.07%	Arms Length Transactions
	2019	Lanka Hospitals Diagnostics (Private) Ltd	Subsidiary Company	Laboratory Services provided	747,547,437	10.56%	Arms Length Transactions

29 CONTINGENT LIABILITIES

Pending litigations against The Lanka Hospitals Corporation PLC with a maximum liability of Rs. 96 Mn exist as at the reporting date. Based on the information currently available company has been advised by its legal counsel that it is not probable the ultimate resolution of such legal procedures would not likely have a material adverse effect on the result of the operations, financial position or liquidity of the company. Accordingly, no provision for any liability has been made in these financial statements in this respect.

There were no material contingent liabilities as at the reporting date which require adjustments to or disclosure in the financial statements, other than mentioned above.

30 CAPITAL COMMITMENTS

Capital commitments of Group and Company in respect of the on going projects but not incurred as at the financial year end amounted to Rs.56 Mn.

31 EVENTS OCCURRING AFTER THE REPORTING DATE

There were no other material events that occurred after the reporting date that require adjustment to or disclosure in the Financial Statement.

32 RECLASSIFICATION OF COMPARATIVE FIGURES FOR INCOME STATEMENT, PROFIT AND OTHER COMPREHENSIVE INCOME AND THE STATEMENTS OF EQUITY CHANGES FOR THE YEAR.

For the better presentation, the management has decided to reclassify the Technician staff cost under administrative expenses which was previously classified in cost of services. The amounts reclassified for 2019 Rs.127,411,119.

33 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

33.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk and cash flow interest rate risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's / Company's financial performance.

Risk management is carried out by a Risk Management Committee under policies and procedures approved by the Audit Committee. The Committee identifies and evaluates financial risks in close co-operation with the Group's treasury function. Treasury function is governed by the Treasury Committee, headed by the Group Chief Financial Officer and within the requirements of an approved treasury policy. The Risk Management Committee provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

NOTES TO THE FINANCIAL STATEMENTS CONTD.

33 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES CONTD.**33.2 Market risk management**

The market risk occurs due to the actual cashflow originating from a financial instrument being different to the expected cash flow. This anomaly could occur due to the impact of external factors such as fluctuations in market interest rates and exchange rates. Market risk could possibly result in the revenues and expenses of the Group being adversely affected thereby impacting the profit attributable to the shareholders. In order to identify, manage and minimise the market risk the Group has put into practice a number of policies and procedures.

Currency risk

The company is exposed to currency risk on foreign currency fixed deposits amounting to Rs. 1,831,994,000/- (USD 9,950,000). Group and the Company's transactions (Hospital revenue, pharmacy revenue, cost of services and cost of purchasing of pharmacy items and other medical equipment) are mainly denominated in Sri Lankan Rupees.

The following significant exchange rates were applied during the year

As at 31st December,	Average Rate		Reporting Date Spot Rate	
	2020	2019	2020	2019
USD	185.52	178.78	184.12	179.66

Foreign currency sensitivity

An estimation of the impact of the currency risk with respect of financial instruments with a 5% change in US Dollar exchange rate is given below. In calculation of risk it is assumed that all other variable factors are held constant. The calculation of sensitivity has been performed only on the assets and liabilities denominated in foreign currency of the Company as at 31st December 2020.

Group

As at 31st December,	2020		2019	
	Effect on profit or loss Rs.	Effect on equity Rs.	Effect on profit or loss Rs.	Effect on equity Rs.
LKR depreciated against USD by 5%	91,599,700	-	82,869,926	-
LKR appreciated against USD by 5%	(91,599,700)	-	(82,869,926)	-

Company

As at 31st December,	2020		2019	
	Effect on profit or loss Rs.	Effect on equity Rs.	Effect on profit or loss Rs.	Effect on equity Rs.
LKR depreciated against USD by 5%	91,599,700	-	82,869,926	-
LKR appreciated against USD by 5%	(91,599,700)	-	(82,869,926)	-

Interest rate risk

Changes in market interest rates result in the fluctuation of present values of future cash flows derived from financial instruments thereby giving rise to interest rate risk. Values of financial instruments could rise or decline depending on the variations in interest rates resulting in mark to market gains or losses in investment portfolios. Mark to market values could have an impact on the reported financial results of the Group. Interest rate risk arises on interest bearing financial assets recognised in the statement of financial position.

The interest rate risk of the Company arises from financial instruments which are exposed to variable or fixed rate interest rates. Financial instruments with fixed interest rates are subject to variations in fair values due to market interest rate movements. The Group manages its interest rate risk by monitoring and managing cash flows, negotiating favourable rates on deposits.

Equity price risk

Equity price risk represents the risk that the fair value of future cash flows of a financial statement will fluctuate because of a change in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The Group / Company is not exposed to equity price risk since there are no investments in equity securities. The Company is also not directly exposed to commodity price risk.

33.3 Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Group's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the Group's operations.

The operational risk management framework of the Company has been defined under the Board-approved operational risk management policy. Operational risk is managed by establishing an appropriate internal control system that requires a mechanism for segregation of related responsibilities within the Company, and a detailed testing and verification of the Company's overall operational systems, and achieving a full harmony between internal and external systems and establishing a fully independent backup facility for business continuity planning.

NOTES TO THE FINANCIAL STATEMENTS CONTD.

33 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES CONTD.**33.4 Liquidity risk management**

Liquidity refers to the availability of cash or assets which can be converted to cash in a short period of time in order to meet future liabilities of a business. An entity would require sufficient funds for a number of purposes such as operational requirements, debt servicing and investments. Additionally, a shortage of liquidity would have a negative impact on stakeholder confidence in a business entity. The Group has ensured that it maintains sufficient liquidity reserves to meet all its funding requirements by closely monitoring and forecasting future funding needs and securing funding sources for both regular and emergency requirements.

Management of working capital by shortening the working capital cycle is given a high priority by the Group. The Group has implemented procurement and vendor evaluation policies to prevent payment of excessive prices to suppliers and to obtain maximum credit in order to ensure a strong working capital position. Special attention has been given to cash inflows and outflows. The maturity profile of the Group's investments is monitored and adjusted to meet expected future cash outflows in the short, medium and long terms.

The table below summarises financial assets/liabilities.

As at 31st December,	Group		Company	
	2020 Rs	2019 Rs	2020 Rs	2019 Rs
Cash in hand and at bank	290,657,430	521,701,786	231,146,994	318,424,161
Trade and other receivables within 30 days	151,501,149	185,660,348	88,073,434	163,007,947
Short term deposits	3,106,994,000	2,482,398,553	2,756,994,000	2,222,398,553
Total liquid assets	3,549,152,578	3,189,760,687	3,076,214,428	2,703,830,661
Less;				
Bank overdraft	255,574,022	262,116,232	215,078,494	240,685,635
Trade payables on demand	249,301,263	167,387,490	463,545,258	469,765,604
Other payables on demand	535,746,256	580,672,619	489,173,952	541,223,940
Total demand liabilities	1,040,621,541	1,010,176,341	1,167,797,705	1,251,675,179
Excess/short liquidity through operating cycle	2,508,531,038	2,179,584,346	1,908,416,723	1,452,155,482

33.5 Credit risk management

Credit risk refers to the risk borne by the Group owing to the risk of a counter party defaulting on its contractual obligations in relation to a financial instrument or customer contract. The Group is exposed to credit risk from its operating activities and from its financing activities, including deposits with banks, foreign exchange transactions and other financial instruments. The maximum credit risk of the Group and the Company is limited to the carrying value of these financial assets as at the reporting date.

The group applies the SLFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets.

To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due.

The historical loss rates are adjusted to reflect current and forward looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The group has identified a more relevant macroeconomic forward looking element of Sri Lanka, the country in which it sells its services to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

As at 31st December,	Group				Company			
	Exposure 2020 Rs.		Exposure 2019 Rs.		Exposure 2020 Rs.		Exposure 2019 Rs.	
		%		%		%		%
Trade and other								
receivables	676,257,705	17%	914,910,555	23%	541,069,932	15%	809,976,006	24%
Other financial assets	3,106,994,000	76%	2,482,398,553	64%	2,756,994,000	78%	2,222,398,553	66%
Cash and cash								
equivalents	290,657,430	7%	521,701,786	13%	231,146,994	7%	318,424,161	10%
Total	4,073,909,134	100%	3,919,010,894	100%	3,529,210,926	100%	3,350,798,720	100%

The Group treasury manages the risk arising from investments made in financial institutions in accordance with the policy direction provided by the Board. The transactions are carried out only with a limited number of institutions all of which have stable credit ratings from internationally recognised rating providers. The Group's exposures and credit ratings of counterparties are continuously monitored and the investment portfolio is diversified amongst several institutions to minimize the unsystematic risk.

34 CAPITAL MANAGEMENT

The capital management strategy of the Group has the twin key objectives of ensuring the availability of a sufficient amount of capital for long term investments and growth while maintaining an adequate liquidity buffer for business operations. Sustaining the financial health to withstand economic cycles while maintaining stakeholder confidence in the Group is another vital requirement that it has integrated into the capital management strategy.

Capital not being available in sufficient quantities or at a reasonable cost is a factor which can retard the performance of the Group. The management, being conscious of these factors, has implemented the capital management policy to ensure the long term sustainability and competitiveness of the Group. In this regard another important factor that the Group is aware of is to make certain that there is no idle capital which will act as a drag on the returns generated. Too much capital invested in a business will have a dampening impact on the performance while too little capital will prevent an organization from achieving its long term objectives.

34.1 Capital management policy

The capital management policy of the Group is aimed at maximising the return on scarce capital whilst safeguarding the already invested capital. Ensuring that there is adequate capital for the Group to invest and grow while continuing with its regular business operations requires decision makers to look at many facets of the business and consider a number of variables, both internal and external. The rapid pace of change in the operating environment has a profound impact on many factors affecting the use of capital, and a deep understanding derived from years of experience in a business sector is vital to ensure successful management of capital.

35 SEGMENT REPORTING

There is no distinguishable components to be identified as segments for the Group and the Company.

NOTES TO THE FINANCIAL STATEMENTS CONTD.

36 CLASSIFICATION OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

Financial assets and financial liabilities are measured on an ongoing basis at either fair value or amortised cost. The following table sets out the carrying amount/fair value of financial assets and liabilities by category as defined in SLFRS - 9 Financial Instruments : Recognition and measurement under headings reported in the Statement of Financial Position and related fair value hierarchy.

Group

As at 31st December 2020	Financial assets - amortised cost Rs.	Other financial liabilities Rs.	Non financial asset Rs.	Total carrying amount Rs.
Non-financial assets				
Property, plant and equipment				
Freehold land	-	-	73,000,002	73,000,002
Leasehold building	-	-	2,595,444,103	2,595,444,103
Investment property	-	-	-	-
Total non-financial assets	-	-	2,668,444,105	2,668,444,105
Financial assets				
Trade and other receivables	676,257,705	-	-	676,257,705
Other financial assets	3,106,994,000	-	-	3,106,994,000
Cash and cash equivalents	290,657,430	-	-	290,657,430
Total financial assets	4,073,909,135	-	-	4,073,909,135
Financial liabilities				
Trade and other payables	-	785,047,519	-	785,047,519
Bank overdraft	-	255,574,022	-	255,574,022
Total financial liabilities	-	1,040,621,541	-	1,040,621,541
As at 31st December 2019				
Non-financial assets				
Property, plant and equipment				
Freehold land	-	-	64,000,002	64,000,002
Leasehold building	-	-	2,433,737,568	2,433,737,568
Total non-financial assets	-	-	2,497,737,570	2,497,737,570
Financial assets				
Trade and other receivables	914,910,555	-	-	914,910,555
Other financial assets	2,482,398,553	-	-	2,482,398,553
Cash and cash equivalents	521,701,786	-	-	521,701,786
Total financial assets	3,919,010,894	-	-	3,919,010,894
Financial liabilities				
Trade and other payables	-	748,060,109	-	748,060,109
Bank overdraft	-	262,116,232	-	262,116,232
Total financial liabilities	-	1,010,176,341	-	1,010,176,341

Fair Value Rs.	Fair Value			Total Rs.
	Level 1 Rs.	Level 2 Rs.	Level 3 Rs.	
73,000,002	-	-	73,000,002	73,000,002
2,595,444,103	-	-	2,595,444,103	2,595,444,103
2,668,444,105	-	-	2,668,444,105	2,668,444,105
676,257,705	-	-	-	676,257,705
3,106,994,000	-	-	-	3,106,994,000
290,657,430	-	-	-	290,657,430
4,073,909,135	-	-	-	4,073,909,135
785,047,519	-	-	-	785,047,519
255,574,022	-	-	-	255,574,022
1,040,621,541	-	-	-	1,040,621,541
64,000,002	-	-	64,000,002	64,000,002
2,433,737,568	-	-	2,433,737,568	2,433,737,568
2,497,737,570	-	-	2,497,737,570	2,497,737,570
914,910,555	-	-	-	914,910,555
2,482,398,553	-	-	-	2,482,398,553
521,701,786	-	-	-	521,701,786
3,919,010,894	-	-	-	3,919,010,894
748,060,109	-	-	-	748,060,109
262,116,232	-	-	-	262,116,232
1,010,176,341	-	-	-	1,010,176,341

NOTES TO THE FINANCIAL STATEMENTS CONTD.

36 CLASSIFICATION OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES CONTD.

Financial assets and financial liabilities are measured on an ongoing basis at either fair value or amortised cost. The following table sets out the carrying amount/fair value of financial assets and liabilities by category as defined in SLFRS - 9 Financial Instruments : Recognition and measurement under headings reported in the Statement of Financial Position and related fair value hierarchy.

Company

As at 31st December 2020	Financial assets - amortised cost Rs.	Other financial liabilities Rs.	Non financial asset Rs.	Total carrying amount Rs.
Non-financial assets				
Property, plant and equipment				
Freehold land	-	-	73,000,002	73,000,002
Leasehold building	-	-	2,382,000,000	2,382,000,000
Investment property	-	-	142,000,000	142,000,000
Total non-financial assets	-	-	2,597,000,002	2,597,000,002
Financial assets				
Trade and other receivables	541,069,932	-	-	541,069,932
Other financial assets	2,756,994,000	-	-	2,756,994,000
Cash and cash equivalents	231,146,994	-	-	231,146,994
Total financial assets	3,529,210,926	-	-	3,529,210,926
Financial liabilities				
Trade and other payables	-	952,719,211	-	952,719,211
Bank overdraft	-	215,078,494	-	215,078,494
Total financial liabilities	-	1,167,797,705	-	1,167,797,705
As at 31st December 2019				
Non-financial assets				
Property, plant and equipment				
Freehold land	-	-	64,000,002	64,000,002
Leasehold building	-	-	2,245,623,569	2,245,623,569
Investment property	-	-	135,000,000	135,000,000
Total non-financial assets	-	-	2,444,623,571	2,444,623,571
Financial assets				
Trade and other receivables	809,976,006	-	-	809,976,006
Other financial assets	2,222,398,553	-	-	2,222,398,553
Cash and cash equivalents	318,424,161	-	-	318,424,161
Total financial assets	3,350,798,720	-	-	3,350,798,720
Financial liabilities				
Trade and other payables	-	1,010,989,544	-	1,010,989,544
Bank overdraft	-	240,685,635	-	240,685,635
Total financial liabilities	-	1,251,675,179	-	1,251,675,179

Fair Value	Fair Value			Total
	Level 1	Level 2	Level 3	
Rs.	Rs.	Rs.	Rs.	Rs.
73,000,002	-	-	73,000,002	73,000,002
2,382,000,000	-	-	2,382,000,000	2,382,000,000
142,000,000	-	-	142,000,000	142,000,000
2,597,000,002	-	-	2,597,000,002	2,597,000,002
541,069,932	-	-	-	541,069,932
2,756,994,000	-	-	-	2,756,994,000
231,146,994	-	-	-	231,146,994
3,529,210,926	-	-	-	3,529,210,926
952,719,211	-	-	-	952,719,211
215,078,494	-	-	-	215,078,494
1,167,797,705	-	-	-	1,167,797,705
64,000,002	-	-	64,000,002	64,000,002
2,245,623,569	-	-	2,245,623,569	2,245,623,569
135,000,000	-	-	135,000,000	135,000,000
2,444,623,571	-	-	2,444,623,571	2,444,623,571
809,976,006	-	-	-	809,976,006
2,222,398,553	-	-	-	2,222,398,553
318,424,161	-	-	-	318,424,161
3,350,798,720	-	-	-	3,350,798,720
1,010,989,544	-	-	-	1,010,989,544
240,685,635	-	-	-	240,685,635
1,251,675,179	-	-	-	1,251,675,179

SHAREHOLDER AND INVESTOR INFORMATION

TOP 20 SHAREHOLDING AS AT 31ST DECEMBER 2020

Shareholder	2020		2019	
	No of shares	Holding	No of shares	Holding
1 Fortis Global Healthcare International Pte Ltd	64,120,915	28.66%	64,120,915	28.66%
2 Sri Lanka Insurance Corporation Ltd - Life Fund	58,781,308	26.27%	58,781,308	26.27%
3 Sri Lanka Insurance Corporation Ltd - General Fund	56,080,643	25.07%	56,080,643	25.07%
4 Property Development PLC A/C No.1	21,329,000	9.53%	21,329,000	9.53%
5 Peoples Bank	7,316,042	3.27%	7,316,042	3.27%
6 Bank of Ceylon A/c Ceybank Unit Trust	3,014,475	1.35%	3,004,806	1.34%
7 Dr.Mohammed Rafeed Mubarak	1,421,606	0.64%	1,376,511	0.62%
8 Bank of Ceylon A/c Ceybank Century Growth Fund	857,616	0.38%	847,768	0.38%
9 Seylan Bank PLC/ W.D.N.H.Perera	598,000	0.27%	-	0.00%
10 Bank of Ceylon A/c No.1 Account	309,949	0.14%	309,949	0.14%
11 Mr.Abeysiri Hemapala Munasinghe	293,300	0.13%	279,471	0.12%
12 Hatton National Bank PLC/ Almas Organisation (Pvt) Ltd	266,830	0.12%	-	0.00%
13 Mr.W.D.N.H.Perera	255,698	0.11%	-	0.00%
14 Deutsche Bank AG as Trustee for Guardian Acuity Equity Fund	249,337	0.11%	249,337	0.11%
15 Sandwave Limited	227,977	0.10%	227,977	0.10%
16 Mrs.C.A.D.S. Woodward	220,300	0.10%	220,300	0.10%
17 Hatton National Bank PLC - Arpico Ataraxia Equity Income Fund	200,000	0.09%	-	0.00%
18 Dr.N.I.Gamaathige	185,627	0.08%	-	0.00%
19 Mr.S.Subramaniam	156,104	0.07%	156,104	0.07%
20 Mrs.M.A.C.Felsinger	117,700	0.05%	-	0.00%
	216,002,427	96.55%	214,413,053	95.83%

INDIVIDUAL / INSTITUTION AS AT 31 DECEMBER 2020

	No of Shareholders	As %	No of Shares	As %
Individual	7,394	98.32	9,626,444	4.30
Institution	126	1.68	214,105,725	95.70
	7,520	100.00	223,732,169	100.00

RESIDENT / NON-RESIDENT AS AT 31 DECEMBER 2020

	No of Shareholders	As %	No of Shares	As %
Resident	7,500	99.73	159,095,304	71.11
Non-Resident	20	0.27	64,636,865	28.89
	7,520	100.00	223,732,169	100.00

DIRECTORS'/SENIOR MANAGEMENT SHAREHOLDINGS AS AT 31ST DECEMBER

	Position	2020		2019	
		No of shares	Holding %	No of shares	Holding %
Board of Directors					
Dr.Bandula WIJESIRIWARDHANA	Chairman	-	-	-	-
Mr.Ashish BHATIA	Director	-	-	-	-
Ms. Richa Singh DEBGUPTA	Director	-	-	-	-
Ms.Roshini CABRAAL	Director	-	-	-	-
Dr.Ravindra RUBERU	Director	-	-	-	-
Ms.Lakshmi SANGAKKARA	Director	-	-	-	-
Mr.Mayura FERNANDO	Director	500	0	500	0
Mr.Kushan De ALWIS PC	Director	-	-	-	-
Mr.Nandun FERNANDO	Director	-	-	-	-
Ms.Dayakanthi ABEYRATHNE	Director	-	-	-	-
Dr.Kanishka KARUNARATNE	Director	-	-	-	-
Mr.Jagath WELLAWATTA	Director	-	-	-	-
Mr Anurag KALRA (Alternate Director to Mr.Ashish BHATIA)	Director	-	-	-	-
Mr. Rajiv PURI (Alternate Director to Ms. Richa Singh DEBGUPTA)	Director	-	-	-	-
Senior Management					
Mr. Deepthi Lokuarrachchi	Group Chief Executive Officer	-	-	-	-

		Group		Company	
		2020	2019	2020	2019
Earning Per Share	Rs.	1.72	2.60	1.98	1.88
Dividend Per Share	Rs.	-	1.75	-	1.75
Net Assets Value Per Share	Rs.	32.04	29.63	29.63	27.06
Market Value per Ordinary Share					
Highest price	Rs.	-	-	54.90	53.90
Lowest price	Rs.	-	-	27.50	39.10
Closing Price	Rs.	-	-	53.40	40.70
Gearing Ratio	%	N/A	N/A	N/A	N/A
Interest Cover	Times	N/A	N/A	N/A	N/A
Quick Asset Ratio	Times	3.50	3.41	2.79	2.54

SUMMARY OF SHARE RANGES AS AT 31ST DECEMBER

Share Range	2020			2019		
	No of shareholders	No of shares	Holding %	No of shareholders	No of shares	Holding %
1 1 -1,000	6,140	2,107,653	0.94	6,053	2,088,070	0.93
2 1001 - 10,000	1,281	3,580,486	1.60	1,288	3,613,669	1.62
3 10,001 - 100,000	77	1,816,657	0.82	107	2,722,544	1.22
4 100,001 - 1,000,000	15	4,163,384	1.86	12	3,298,661	1.47
5 1,000,001 & above	7	212,063,989	94.78	7	212,009,225	94.76
	7,520	223,732,169	100.00	7,467	223,732,169	100.00

PUBLIC SHAREHOLDING

- Public Shareholding as at 31st December 2020 - 20.00% (2019 - 20.00%)
- Number of shares as at 31st December 2020 - 44,749,303 (2019- 44,749,303)
- Number of Shareholders as at 31st December 2020 - 7,517 (2019 - 7,464)
- Adjusted Floated Market Capitalisation as at 31st December 2020 Rs. 2,389,612,780 (2019 - Rs. 1,821,296,632)

TEN YEAR FINANCIAL SUMMARY

In Rs. Mn -	Group				
	Year ended 31 December				
	Audited				
	2020	2019	2018	2017	2016
Revenue from customer contracts	6,804	7,549	7,077	6,382	5,886
Cost of Services	(3,942)	(4,329)	(4,113)	(3,519)	(3,099)
Gross Profit	2,862	3,220	2,964	2,863	2,787
Other operating income	62	68	59	52	52
Administrative & Other operating Expenses	(2,729)	(2,635)	(2,380)	(2,186)	(1,941)
Finance income	250	226	479	193	183
Finance cost	(35)	(38)	-	-	-
Profit before tax	410	841	1,122	922	1,081
Income tax (expense) / release	(25)	(261)	(252)	(341)	(109)
Profit for the year	385	581	870	581	972
ASSETS					
Non current assets					
Property, plant and equipment	4,757	4,375	4,489	4,520	4,083
Right of use assets	552	638	-	-	-
Intangible asset	57	76	94	96	60
Investment in subsidiary	-	-	-	-	-
Advance lease premium	-	-	217	203	189
	5,365	5,089	4,800	4,819	4,332
Current assets					
Inventories	439	413	369	295	319
Trade and other receivables	676	915	726	554	503
Amounts due from related parties	4	6	5	7	4
Income tax Receivable	-	-	-	-	-
Cash and cash equivalents & Other Financial Assets	3398	3004	3050	2475	2,194
	4,517	4,338	4,150	3,331	3,020
Total assets	9,882	9,427	8,950	8,150	7,352
EQUITY AND LIABILITIES					
Equity					
Stated capital	2,672	2,672	2,672	2,672	2,672
Revaluation reserve	1,093	982	1,029	1,066	1,284
Retained earning / (loss)	3,405	2,975	2,754	2,282	1,888
Total equity	7,169	6,629	6,455	6,020	5,844
Non current liabilities					
Employee benefit obligations	294	245	189	167	134
Deferred tax liabilities	1,053	1,102	1,004	998	426
Lease Liability	200	301	-	-	-
	1,547	1,648	1,193	1,165	560
Current liabilities					
Borrowings / Bank Overdraft	256	262	332	233	234
Amounts due to related parties	5	6	6	23	24
Lease Liability	72	77	-	-	-
Income tax payable	48	57	167	39	36
Trade and other payables	785	748	797	670	654
	1,166	1,150	1,302	965	948
Total liabilities	2,713	2,798	2,495	2,130	1,508
Total equity and liabilities	9,882	9,427	8,950	8,150	7,352

		Company		
		Year ended 31 December		
		Audited		
2015	2014	2013	2012	2011
5,514	4,754	4,072	3,406	2,918
(2,973)	(2,647)	(2,142)	(1,881)	(1,555)
2,541	2,107	1,930	1,525	1,363
36	39	30	25	23
(1,766)	(1,694)	(1,352)	(1,212)	(1,047)
156	70	148	102	42
-	-	-	-	(3)
967	522	756	439	378
(107)	(8)	(67)	(53)	59
860	514	689	386	437
3,650	3,660	3,199	2,817	2,825
-	-	-	-	-
61	32	6	1	-
-	-	50	-	-
175	162	148	134	120
3,886	3,854	3,403	2,952	2,945
272	307	176	149	145
434	472	471	261	245
6	6	32	4	2
-	34	-	-	-
1,746	1,000	1,017	1,002	672
2,458	1,819	1,696	1,416	1,064
6,344	5,673	5,099	4,368	4,009
2,672	2,672	2,672	2,672	2,672
994	1,028	1,020	858	883
1,324	783	367	99	(200)
4,990	4,483	4,059	3,629	3,355
119	106	67	52	43
347	314	278	231	214
-	-	-	-	-
466	420	345	283	257
179	198	135	111	82
28	13	4	5	4
-	-	-	-	-
21	-	14	-	-
660	559	542	340	311
888	770	695	456	397
1,354	1,190	1,040	739	654
6,344	5,673	5,099	4,368	4,009

NOTICE OF ANNUAL GENERAL MEETING

THE LANKA HOSPITALS CORPORATION PLC - ANNUAL REPORT 2020

NOTICE IS HEREBY GIVEN that the 22nd Annual General Meeting of The Lanka Hospitals Corporation PLC (LHC) will be held as a **virtual meeting** on June 17, 2021 at 3.00 pm. Assembled at the Dr. Prathap C Reddy Auditorium of The Lanka Hospitals Corporation PLC, No.578, Elvitigala Mawatha, Colombo 5 purpose of conducting the following businesses:

1. To receive and consider the Annual Report and the Audited Financial Statements of the Company for the year ended 31st December 2020 together with the Report of the Auditors' thereon.
2. Election of Mr. Jagath Wellawatte who was appointed to the Board during the year in terms of Article 92 of the Articles of Association.
3. To re-elect Mr. Ashish Bhatia who retires by rotation in terms of Article 85 of the Articles of Association and being eligible offers himself for re-election
4. To re-elect Ms. Richa Singh Debgupta who retires by rotation in terms of Article 85 of the Articles of Association and being eligible offers herself for re-election
5. To re-elect Dr. N N A P Bandula Chandranath Wijesiriwardena who retires by rotation in terms of Article 85 of Articles of Association and being eligible offers himself for re-election.
6. To re-appoint the Auditor General as the Auditors of the company for the ensuing financial year in compliance with Article 154 of the 19th amendment to the constitution.
7. To authorize the Directors to determine donations for the year 2021 and up to the date of the next Annual General Meeting.
8. Any other business of which due notice has been given.

By order of the Board of Directors of
THE LANKA HOSPITALS CORPORATION PLC



Accounting Systems Secretarial Services (Private) Limited
Company Secretaries

Colombo, this 21st May 2021

NOTE:

- a. Only persons who are shareholders of the Company and whose names appear on the share Register as at the AGM date will be entitled to attend the above meeting.
- b. A member entitled to attend and vote at the above meeting is required to complete and submit a preregistration form in order to ensure participation at the AGM of the Company. Only members of LHC are entitled to take part at the AGM of LHC.
- c. Registration form is enclosed for this purpose to be completed by LHC Shareholders only.
- d. A member entitled to attend and vote at the above meeting is entitled to appoint a proxy to attend and vote in his/her behalf. A proxy need not be a member of the Company.
- e. A form of proxy is enclosed for this purpose.
- f. The instruments for registration and appointing a proxy must be completed and deposited at the Accounting Systems Secretarial Services (Private) Limited, Level 03, No:11, Castle Lane, Colombo 4, 48 hours before the meeting.
- g. For more information on how to participate by virtual means in the above meeting, please refer the supplementary notice to shareholders.

FORM OF PROXY

THE LANKA HOSPITALS CORPORATION PLC - ANNUAL REPORT 2020

(Company Registration No PQ180.)

No.578, Elvitigala Mawatha, Narahenpita, Colombo 5

Folio Number*:

I/We
(bearer of NIC) of

.....
being a shareholder/shareholders of The Lanka Hospitals Corporation PLC, hereby appoint:

- Full name of proxy :
- NIC of Proxy :
- Address of Proxy :
- Contact Numbers : Land - Mobile -
Email address -

failing him/her

Dr. Bandula Wijesiriwardena	or failing him
Ms. Roshini Cabraal	or failing her
Dr. Ravindra Ruberu	or failing him
Ms. Lakshmi Sangakkara	or failing her
Mr. Mayura Fernando	or failing him
Mr. Kushan De Alwis PC	or failing him
Mr. Nadun Fernando	or failing him
Dr. Kanishka Karunaratne	or failing him
Mr. Ashish Bhatia	or failing him
Ms. Richa Debgupta	or failing him
Mr Jagath Wellawatte	

as my/our Proxy to represent me/us** to vote for me/us on my/our behalf at the 22nd Annual General Meeting of the Company to be held on 17th June 2021 at 3.00p.m and at any adjournment thereof and at every poll which may be taken in consequence thereon.

I/We** the undersigned, hereby direct my/our* proxy to speak and vote for me/us and on my/our behalf on the resolution set out in the Notice convening the meeting, as follows:

	FOR	AGAINST
1. To receive and consider the Annual Report and the Audited Financial Statements of the Company for the year ended 31st December 2020 together with the Report of the Auditors' thereon.		
2. Election of Mr. Jagath Wellawatte who was appointed to the Board during the year in terms of Article 92 of the Articles of Association.		
3. To re-elect Mr. Ashish Bhatia who retires by rotation in terms of Article 85 of the Articles of Association and being eligible offers himself for re-election		
4. To re-elect Ms. Richa Debgupta who retires by rotation in terms of Article 85 of the Articles of Association and being eligible offers herself for re-election		
5. To re-elect Dr. N N A P Bandula Chandranath Wijesiriwardena who retires by rotation in terms of Article 85 of Articles of Association and being eligible offers himself for re-election		
6. To authorize the Directors to determine donations for the year 2021 and up to the date of the next Annual General Meeting.		

In witness my/our** hands this day of Two Thousand and Twenty One.

.....
Signature of Shareholder

- Notes:** * Please indicate your folio number given in the address sticker carrying this annual report pack,
** Instructions as to completion appear overleaf,
***Please indicate with an "x" in the space provided, how your Proxy is to vote on the Resolutions.
If no indication is given, the Proxy in his discretion will vote as he thinks fit.

FORM OF PROXY CONTD.

INSTRUCTIONS FOR COMPLETION

1. Kindly perfect the Form of Proxy by filling in legibly your full name, address and the National Identity Card number and by signing in the space provided and filling in the date of signature.
2. A proxy need not be a shareholder of the Company. However the proxy must be above 18 years of age.
3. The completed form of proxy must be deposited at the Accounting Systems Secretarial Services (Private) Limited, Level 03, No:11, Castle Lane, Colombo 4, not less than forty-eight hours before the time fixed for the meeting
4. If you wish to appoint a person other than the Chairman or a Director of the Company, please insert the relevant details at the space provided (above the names of the Board of Directors) on the Proxy Form.
5. If the Form of Proxy is signed by an Attorney, the relative Power of Attorney should accompany the Form of Proxy for registration, if such Power of Attorney has not already been registered with the Company.
6. If the appointor is a company/ Incorporated body, this form must be executed in accordance with the Articles of Association/ Statute.

CORPORATE INFORMATION

NAME OF THE COMPANY

The Lanka Hospitals Corporation PLC

COMPANY REGISTRATION NO.

PQ 180

REGISTERED OFFICE

No.578, Elvitigala Mawatha,
Narahenpita, Colombo 05, Sri Lanka
Tel: +94 11 5430000
Fax: +94 11 4511199
E-mail: info@lankahospitals.com

BOARD OF DIRECTORS

Dr. Bandula Wijesiriwardhana
Ms. Roshini Cabraal
Mr. Ashish Bhatia
Ms. Richa Debgupta
Dr. Ravindra Ruberu
Ms. Lakshmi Sangakkara
Mr. Mayura Fernando
Mr. Kushan De Alwis PC
Mr. Nadun Fernando
Dr. Kanishka Karunaratne
Mr. Jagath Wellawatta

SECRETARIES & REGISTRARS TO SHARES

Accounting Systems Secretarial
Services (Private) Limited,
Level 03, No:11, Castle Lane, Colombo 4
Tel: +94 11 544 4400

AUDITORS

The Auditor General,
National Audit Office
306/72, Polduwa Road
Battaramulla
Sri Lanka

BANKERS

Bank of Ceylon
Hatton National Bank PLC



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