

ANNUAL REPORT 2021



LANKA
HOSPITALS

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THE LANKA HOSPITALS CORPORATION PLC

CONTENT

Vision and Mission	1
Performance Highlights	2
Lanka Hospitals at a glance	3
Chairman's Review	4
Group Chief Executive Officer's Review	6
Management Discussion and analysis	8
Board of Directors	12
Corporate Governance Review	15
Risk Management	27
Annual Report of the Board of Directors on the Affairs of the Company	30
Statement of Directors' Responsibility	35
The Board Remuneration Committee Report	36
The Board Related Party Transactions Review Committee Report	37
The Board Audit Committee Report	38

FINANCIAL INFORMATION

Independent Auditors' Report	42
Consolidated Income Statement	46
Consolidated Statement of Profit or Loss and Other Comprehensive Income	47
Consolidated Statement of Financial Position	48
Consolidated Statement of Changes in Equity	50
Statement of Changes in Equity	51
Consolidated Statement of Cash Flows	52
Notes to the Financial Statements	54
Shareholder and Investor Information	104
Ten Year Financial Summary	106
Notes	108
Corporate Information	<i>IBC</i>

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.

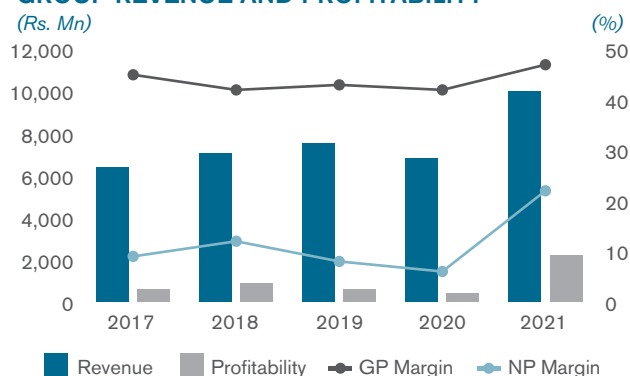
MISSION

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

PERFORMANCE HIGHLIGHTS

		2021	2020	Change %
Financial Performance				
Revenue	Rs. million	10,034	6,804	48
Results from operating activities	Rs. million	1,859	196	849
Profit before tax	Rs. million	2,233	410	445
Profit after tax	Rs. million	2,212	385	475
Profit attributable to owners of the parent	Rs. million	2,212	385	475
Dividends	Rs. million	392	Nil	N/A
Gross profit Margin	%	47	42	12
Operating Profit Margin	%	19	3	533
Net Profit Margin	%	22	6	267
Earnings per share (basic)	Rs.	9.88	1.72	474
Return on Assets (ROA)	%	18	4	350
Return on Capital Employed (ROCE)	%	20	3	567
Financial Position and Ratios				
Total Assets	Rs. million	12,000	9,882	21
Shareholders' funds	Rs. million	9,319	7,169	30
Asset Turnover	Times	0.84	0.70	20
Net assets per share	Rs.	41.65	32.04	30
Current ratio	Times	3.86	3.87	(0.26)
Quick asset ratio	Times	3.60	3.50	3
Market / Shareholder Information				
Market value per share	Rs.	54.90	53.40	3
Dividend per share	Rs.	1.75	N/A	N/A
Company market capitalization	Rs. million	12,283	11,947	3
Price earnings ratio	Times	5.56	31.05	(82)
Dividend yield ratio	%	3.19	N/A	N/A
Dividend payout ratio	%	17.71	N/A	N/A
Dividend Cover	Times	5.65	N/A	N/A
Infrastructure and Technology				
Property, plant and equipment	Rs. million	4,718	4,757	(0.82)
CAPEX	Rs. million	424	610	(31)
No. of beds	No.	367	367	-
Laboratory collection network	No.	35	35	-
Pharmacy network	No.	27	25	8

GROUP REVENUE AND PROFITABILITY



COSTS



LANKA HOSPITALS AT A GLANCE

Lanka Hospitals is a leading private healthcare operator in Sri Lanka, offering an unmatched range of primary, secondary and tertiary healthcare services aligned to international standards of quality. The Hospital has sharpened its competitive position through state-of-the-art medical and clinical technology, continued compliance to a range of international accreditations and its service excellence.

OUR STRENGTHS AND CAPABILITIES

QUALITY OF SERVICE

- Joint Commission International-Gold Seal
- MTQQA-Certification for medical travelers and health tourists
- CAP-Quality laboratory practices

CENTRES OF EXCELLENCE

- Heart Centre
- Orthopaedic Centre
- Neurology Centre
- Gyn and Obs Centre
- Genito Urology Centre



21,000+
INPATIENTS

Our People



942
CONSULTANTS



1,922
EMPLOYEES



405
NURSING STAFF



270,700+
OUTPATIENTS

Strength in Diagnostics



08
LABORATORIES



35
COMPANY OWNED
COLLECTION CENTRES



1,340+
COLLECTION
CENTRES



Rs. 12Bn
TOTAL ASSETS

Service Standards



98
CUSTOMER
SATISFACTION RATE



DEMONSTRATED COMMITMENT TO
INTERNATIONAL CLINICAL STANDARDS, SERVICE
EXCELLENCE, COMPASSION AND CARE



Rs. 9.3Bn
TOTAL EQUITY

CHAIRMAN'S REVIEW

Lanka Hospitals was the first private sector healthcare institution to commence testing and providing intermediate care for COVID-19 as there was a pent-up demand, particularly in the Western province, which normally has a thriving private healthcare sector that eases caseloads in the government healthcare sector, even during normal times.

Dear Shareholders,

Lanka Hospitals Corporation PLC delivered a strong performance recording a consolidated profit after tax of Rs.2.2 Bn for the financial year that ended 31 December 2021, while we stepped up to support the country through the pandemic. As caseloads increased in the country with new waves and variants, the government permitted the private sector to establish intermediate care centres in partnership with the hospitality industry, which facilitated care for patients while minimising risks to non-covid patients at the hospital. As with PCR testing in 2020, Lanka Hospitals was the first to commence an intermediate care centre that catered to the specific needs of COVID-19 patients and soon established itself as the benchmark for operating such facilities within the private healthcare sector. The need for such facilities was underscored by the demand for this facility as capacity utilisation was near 100% for most of 2021.

2021 - IN RETROSPECT

The prolonged duration of the COVID-19 pandemic in 2021 strained healthcare systems around the world and Sri Lanka was no exception. The border closures and lockdowns continued in place for the first half of the year with sustained disruptions to global supply chains. As vaccinations for COVID-19 were approved at an unprecedented pace due to urgent need, countries commenced vaccination programmes, ensuring priority access to vulnerable groups. For the developing countries, access to vaccines was a key concern for most of the year as the Delta variant swept through recording a higher death rate than previous variants. Governments around the world maintained their accommodative attitude, adopted in the wake of the pandemic during the first half of the year, while economic activity picked up in 2021. However, the economic strain became evident, particularly in developing economies with a high burden of debt, and divergent paths to recovery emerged between advanced and vulnerable economies. The second half of the year saw many governments tightening monetary policies with increases in interest rates. Inflation also became a

significant concern towards the 4th quarter of 2021 and remains so to date.

Sri Lanka commenced the vaccination programme for COVID-19 in February 2021 with the first dose, the second dose had to be postponed due to manufacturing delays. As the Delta variant further emphasised the need for vaccinations, the second dose too was rolled out across the country. Intermittent lockdowns continued throughout the year, disrupting economic activity for the third consecutive year. By the close of the year, many of the intermediate care centres had to be closed as a majority of the population had received two doses of the vaccination, with many having also received the booster, significantly reducing the case load and the severity of infection. The second half of 2021 saw interest rates moving up gradually while inflation increased on a steeper trajectory. While exports picked up during the year, the rupee came under pressure as the foreign exchange inflows from tourism failed to pick up as anticipated. This was exacerbated by the weak inflows of foreign worker remittances creating a foreign exchange liquidity crisis, due to the country's high dependency on imports.

2021 HEALTH SECTOR REVIEW

Human health activities, residential care and the social work activities sub sector accounted for 2.78%¹ of the country's GDP in 2021. The sector recorded a growth of 12.9% over 2020 as healthcare services moved towards normalcy. Health related inflation resumed its previous trajectory recovering from a negative 2.9% in 2020 as the index moved from 173.0 to 192.2, reflecting an increase in household healthcare expenditure.

The outlook for private healthcare remains attractive and this is highlighted by the increasing demand for health and life insurance. An ageing population and the prevalence on non-communicable diseases requiring long term care with hospitalisation and palliative care drive this demand. Patient sentiment normalised with the roll out of vaccines and

resumption of daily economic activities, increasing footfall, consultations, diagnostics and other key metrics. Investment in new healthcare technologies was low during the year due to the increasing paucity of foreign exchange and the need to strengthen the financial resilience of the private sector entities for sustainable growth. Increased costs in supply chains and devaluation of the rupee combined to exert pressure on the cost of medical supplies and pharmaceuticals, which were further exacerbated by price controls. The pandemic years saw the continued digitalisation of internal and customer facing processes, significantly enhancing the customer experience as key stakeholders realised the convenience it offered.

A STRONG RECOVERY

Lanka Hospitals was the first private sector healthcare institution to commence testing and providing intermediate care for COVID-19 as there was a pent-up demand, particularly in the Western province, which normally has a thriving private healthcare sector that eases caseloads in the government healthcare sector, even during normal times. Consequently, there was a significant demand for PCR and rapid antigen tests by private sector institutions as part of their comprehensive health and safety plan as well as from individuals, which led to a surge in diagnostic activity. The intermediate care facility had a high rate of occupancy throughout the time it was operational due to the superior care and comfort offered. The comprehensive processes and protocols in place to manage the contagion was a critical factor in the successful implementation of this strategy and reflected the maturity of the Group's clinical governance process and commitment to patient care. As an early starter in intermediate care, we shared our expertise with other players in the sector as the industry came together to serve the national need.

As economic activity resumed, there was also an increasing demand for non-essential medical services, that contributed to the top line growth. Medical tourism recommenced, although in small quantities compared to the volumes in 2018 when the country was normal. These positive trends improved cashflow, profitability and the financial resilience of the Group enabling the delivery of 48% growth in top line to Rs.10 Bn and a five-fold increase in profitability to Rs.2.2 Bn. The balance sheet growth of 90% was funded by retained earnings.

CORPORATE GOVERNANCE

I welcome Mr. Kasun Rajapaksa to the Board, who was appointed during the year. I take this opportunity to record the Board's appreciation for the services provided by Mr. Jagath Wellawatta and Ms. Dayakanthi Abeyrathne who resigned during the year.

The team was ably led by the Group Chief Executive Officer Mr. Deepthi Lokuarachchi who implemented the Board's strategy. The Board remained vigilant of developments in the sector and the economy, guiding strategy and monitoring risks to ensure business continuity and sustainable growth in a year that saw an increase in socioeconomic stresses.

WAY FORWARD

Healthcare is a defensive sector of the economy and is expected to withstand the current economic crisis. However, inflation is a key concern in two ways as it diminishes the disposable income of the people exerts upward pressure on wages and costs.

Lanka Hospitals, as the #1 brand in the healthcare sector, is cautiously optimistic about its outlook as it continues to earn commendations. Its infrastructure and the people are the key strengths that drive its growth in a competitive market.

APPRECIATIONS

I would like to express my sincere appreciation for the efforts of the staff, who work tirelessly and are the unsung heroes of our success. I am extremely grateful for their dedication and commitment which underpinned our recovery in 2021. I extend my thanks to our eminent panel of consultants for their immense contribution which enabled us to save lives and improve the quality of life for many throughout the year. I thank the officials of the National Medical Regulatory Authority and other state agencies in the health sector for their continued support and cooperation. I thank my fellow Board members for their continued vigilance and counsel. In conclusion, I thank our shareholders and business partners for their continued confidence in our ability to deliver sustainable value to our stakeholders.



Dr. Bandula Wijesiriwardena

Chairman

19th May 2022

GROUP CHIEF EXECUTIVE OFFICER’S REVIEW

Our team has weathered 3 years of crisis and has become adept at responding effectively to new challenges. They worked through the pandemic in the front lines driven by their calling to save and improve lives in full awareness of the risks the pandemic presented.

Dear Shareholders,

I am pleased to report that Lanka Hospitals Corporation PLC delivered an exceptional performance deploying agile strategies in response to the dynamic operating landscape that unfolded in 2021. Remaining connected to customers was key and our Webex solutions in this regard for routine consultations gained traction, remaining a popular channel despite the return to normalcy due to the convenience offered. Our stringent protocols for health and safety of all stakeholders visiting our premises remained a priority as we created a safe space where patients could seek treatment and preventive healthcare services in safety and comfort. This supported a return to normalcy for elective treatments and procedures, optimising use of the highly specialised skills and infrastructure in place to facilitate positive patient outcomes. Both the hospital and diagnostics recorded impressive growth in activity levels as we upheld our promise of providing a safe place, earning the trust of our patients and their families.

COMMITTED TO QUALITY

Our commitment to quality and investments in technology is key to our ability to attract the country’s luminaries of the medical profession, strengthening our customer value proposition and enabling us to expand our capabilities to compete effectively in the country’s private healthcare market.

Strong clinical governance structures and frameworks support excellence in patient outcomes and efficiency. A learning and nurturing culture supported by knowledge sharing initiatives underpin our quest for excellence in healthcare and recognition of efforts and milestones reinforce the culture. These well entrenched practices have contributed to Lanka Hospitals becoming the Most Awarded Healthcare Company in Sri Lanka and the Most Loved Healthcare Brand in Sri Lanka as affirmed by LMD.

DELIVERING RESULTS

These initiatives enabled the Lanka Hospitals Group to record top line growth of 48% to Rs.10 Bn in 2021 as the demand for COVID-19 testing and treatment increased with the prolonged

KEY ACHIEVEMENTS 2021

- 

1st
Private Hospital to Commence PCR Testing
- 

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

10 Bn
Top Line Growth - 48%
- 

2.2 Bn
5-fold Growth in Profits
- 

21%
Asset Growth

duration of the pandemic. Redeployment of resources from less active business segments to active segments enabled us to optimise employee productivity and manage operating costs in what was expected to be a trying year. As a result, operating profit increased exponentially to Rs.2 Bn in 2021 compared to Rs.195.7 Mn in 2020. Finance income also increased by 63% supported by gradually increasing interest rate, contributing Rs. 406.3 Mn to pre-tax profits. Accordingly, the Group’s post tax profits increased five-fold to Rs. 2.2 Bn.

The balance sheet grew steadily by 21% as total assets increased to Rs.12 Bn supported by increased fixed deposits and trade payables reflecting the higher levels of activity. Growth was largely funded by retained earnings as equity

increase by 30% to Rs.9.3 Bn, accounting for 78% of funding of the Group assets. Cashflow generation also remains strong as health care is largely a cash driven business.

OUR RESPONSE TO THE PANDEMIC

Lanka Hospitals also stepped up, responding to the urgent need for sharing the caseloads of COVID-19 patients with the public sector hospitals due to the overwhelming numbers and the prolonged nature of the pandemic. Lanka Hospitals was the first private sector hospital to start PCR testing in 2020 and followed it up by becoming the first to commence intermediate care centres for treatment of COVID-19 patients in partnership with hotels. We also had a separate ICU facility to treat the critical patients from the intermediate care centres, ensuring they had access to the best care and treatment.

A RESOLUTE TEAM

Our team has weathered 3 years of crisis and has become adept at responding effectively to new challenges. They worked through the pandemic in the front lines driven by their calling to save and improve lives in full awareness of the risks the pandemic presented. Their disciplined compliance with COVID-19 safety protocols ensured that we all stayed safe with no loss of our team members to the pandemic. Their commitment to due process and positive patient outcomes underpin the global accreditations as well our reputation as the #1 Healthcare brand.

MANAGING RISKS

While health and safety risks were paramount for most of the year, other risks which were relatively lower priority gained prominence in 2021. Foreign exchange liquidity and the devaluation of the rupee became critical concerns as price of medicines and other consumables increased and we needed to increase stock levels in anticipation of potential stock outages. Continued border closures continued to deter growth of medical tourism for the third consecutive year, diminishing prospects for resurgence in this lucrative business segment. Inflation continues to be a concern with potential to exert pressure on wages in the year ahead and also reduces the potential for growth in discretionary healthcare procedures due to reduced disposable income.

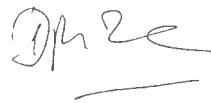
OUTLOOK

The first quarter of 2022 has brought new challenges due to the rupee depreciation and energy crisis. The cost of services including the consumables, medical and other tools used in the hospital sector has increased significantly and we witness a downfall in the turn-up of patients to hospitals. The management is confident of our ability to meet these challenges, effectively balancing the interests of key stakeholders. A proven track record of overcoming challenges gives us the confidence to move forward to seize the

opportunities that every crisis presents. A cautious approach to managing liquidity has shored up our resources to tide over uncertainty as well without undue stress on our resources, putting the Lanka Hospitals Group in a strong position to drive growth in the right direction.

ACKNOWLEDGEMENTS

I commend the efforts of my team as they worked selflessly upholding humane values and setting new benchmarks for patient care and express my sincere gratitude for their commitment and dedication. I thank the Board for their counsel and wisdom in guiding the Group through a difficult year. We are deeply appreciative of the trust and confidence shown by our customers and their families who have trusted us with the care of their loved ones in anxious times. Their confidence has been a source of inspiration for our staff to continue the important work amidst personal hardship. In conclusion, I thank our investors for their continued confidence in the Group and look forward to facilitating sustainable growth in returns in the year ahead.



Deepthi Lokuarachchi
Group Chief Executive Officer

19th May 2022

MANAGEMENT DISCUSSION AND ANALYSIS

OPERATIONAL REVIEW

Strong top line growth together with cost efficiencies resulted in the Group’s operating profit surging to a record Rs. 1.9 Bn from Rs. 196 Mn the previous year. Resultantly, the Group’s pre-tax profit increased over five-fold to Rs.2.2 Bn, from Rs.410.4 Mn the previous year, marking the highest profitability in the Group’s operating history.

HOSPITALS OPERATIONS

Strategy and performance overview

- The year under review was characterised by COVID-19 related disruptions, which led to a decrease in inpatient and outpatient numbers given postponement of elective surgeries and increased concerns on risks of infection.
- Performance was upheld by the Group’s partnerships with star-class hotels to set up and operate 4 Interim Care Centres in Colombo. These measures contributed towards the country’s national effort to combat COVID-19, with Lanka Hospitals treating more than 13,000 COVID-19 infected patients during the year.

- Profitability was also supported by continued focus on cost management, efficiency improvements and a productivity drive Performance at a glance.

Performance at a Glance



The most accredited hospital in Sri Lanka



Joint Commission International (JCI) Accreditation



Medical Travel Quality Alliance

Operational Highlights



Treated more than **13,000** COVID-19 affected individuals



Lanka Hospitals Academy partners with National Youth Corps to offer caregiver training



Successful delivery of **1,400th** IVF baby during the year



First private hospital to complete **100** bariatric surgeries



First Sri Lankan hospital to successfully complete **140** minimally invasive spinal fusion surgeries

WAY FORWARD

The Group intends to place strategic focus on strengthening its clinical governance framework in 2022, thereby enhancing clinical governance and risk management practices. We will also pursue opportunities in expanding our geographical footprint, particularly in primary care services. Plans are also in place to enhance the Hospital's centre of excellence including neurosurgery and other specialised services. We will also continue to focus on operational and technological excellence as we seek to sharpen our competitive edge.

DIAGNOSTICS

Strategy and performance overview

- Lanka Hospital Diagnostics delivered a year of strong growth, achieving record revenue and profitability driven by volume growth and increased penetration.
- Performance was upheld by an expansion of COVID-19 testing, with over 17 collection centres converted to COVID testing centres during the year.

- LHD maintained its position as one of the leading providers of laboratory services in the country's private healthcare sector. It is the only laboratory in Sri Lanka to have obtained the prestigious CAP certification from the College of American Pathologists.
- LHD also continued to expand the menu of tests offered and maintained its position as the private laboratory offering the widest range of tests.

Our Accreditations



College of American Pathologists Accreditation



ISO 15189 - Medical Laboratory Accreditation

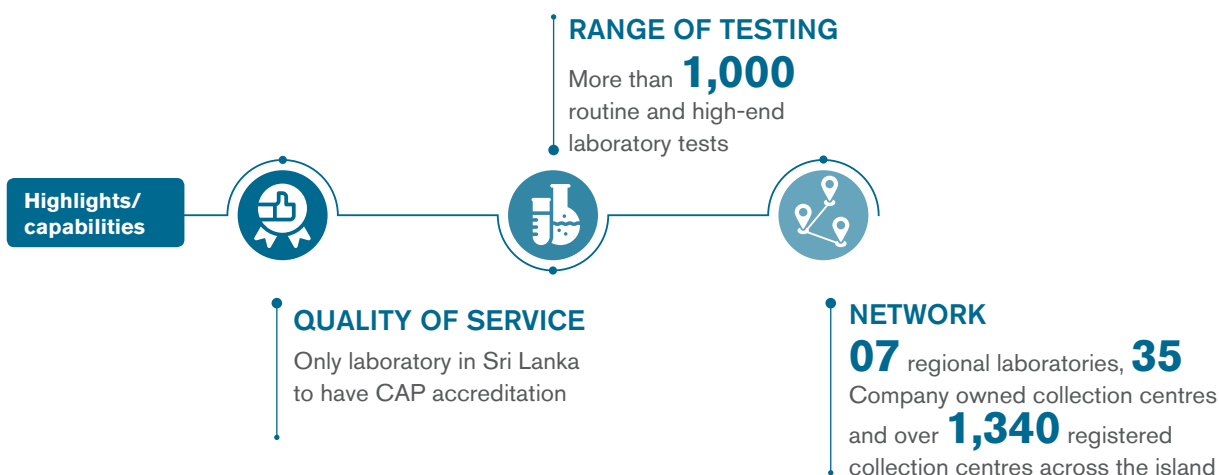
Performance at a Glance



+114%
REVENUE
GROWTH



**Over 3-fold
increase**
OPERATING PROFIT



WAY FORWARD

LHD will continue to seek further expansion of its geographical footprint through establishing company-owned collection centres and partnering with third-party centers. Operational excellence will also be a key priority as we seek to increase efficiency and productivity to mitigate the impact of escalating costs.

MANAGEMENT DISCUSSION AND ANALYSIS

OPERATIONAL REVIEW

PHARMACY

Strategy and performance overview

- The pharmacy operations comprise three dedicated pharmacies within the hospital premises, complemented by a network of 24 outside pharmacies. All pharmacies are manned by professional, qualified and competent staff at all times.

- The Pharmacy operations delivered a year of strong growth, recording a revenue growth of 15%.
- We further expanded our reach during the year, with the opening of a pharmacy at the Central Bank of Sri Lanka. The expansion of the Group’s pharmacy networks have primarily been done in partnership with the Keells Supermarket Chain.
- Strategic focus was placed on effectively managing the supply chain through proactive demand planning and ongoing engagement with suppliers.
- The Hospital has continued to leverage digital capabilities to drive customer convenience, offering a seamless online platform which enables prescriptions to be uploaded in order to minimise waiting time.

Performance at a Glance



WAY FORWARD

We will accelerate plans to drive further geographical expansion, primarily in Colombo suburbs and key urban areas. Driving operational efficiencies to mitigate the impact of sharp cost escalations will be a priority, as the Hospital seeks to preserve its profitability margins.

FINANCIAL REVIEW

REVENUE

Consolidated Revenue increased by 48% to Rs.10.0 Bn during the year, supported by a 28% growth in hospital revenue and a doubling of laboratory revenue. Despite pandemic-led disruptions to our operations, the Group's proactive efforts in establishing 4 interim care centres in partnership with star class hotels in Colombo, enabled Lanka Hospitals to demonstrate strong resilience to unprecedented challenges. Laboratory revenue was upheld by geographical expansion and increased demand for COVID-19 testing, given the emergence of highly transmissible variants during the latter part of the year. Resultantly, the contribution from diagnostics increased to 33% of consolidated revenue, compared to 23% the previous year. Other income also doubled to Rs.137.1 Mn reflecting an increase in sundry income.

COST MANAGEMENT

Strategic focus was placed on managing costs through enhancing efficiencies and streamlining processes. Resultantly, the Group was able to contain the growth in administrative expenses and other operating expenses to 13% and 7% respectively, a commendable achievement given inflationary pressures and the significant increase in operational volumes. Accordingly, profitability margins widened significantly during the year, supporting profit growth.

PROFITABILITY

Strong top line growth together with cost efficiencies resulted in the Group's operating profit surging to a record Rs. 1.9 Bn from Rs. 196 Mn the previous year. Net finance income increased by 74% to Rs. 373.7 Mn supported by increased interest income on deposits and translation gains on foreign currency deposits. Resultantly, the Group's pre-tax profit increased over five-fold to Rs. 2.2 Bn, from Rs. 410.4 Mn the previous year, marking the highest profitability in the Group's operating history.

Value created to the Government in the form of income taxes amounted to Rs. 21.1 Mn for the year. Consolidated net profit for the year increased over five-fold to Rs. 2.2 Bn while profits at Company level amounted to Rs. 1.4 Bn.

FINANCIAL POSITION

The Group's financial position strengthened further during the year, supported by healthy profit retention and a strong liquidity profile. Total assets increased by 21% to Rs.12.0 Bn supported by investments in fixed deposits and an increase in trade receivables, in line with the higher operational activity during the year. Meanwhile cash and cash equivalents increased by 56% to Rs.453.9 Mn by end-December 2021.

The Group's equity base strengthened following strong profit retention, with shareholders' funds increasing by 30% to Rs.9.3 Bn during the year, thereby funding 78% of the Group's assets. Total liabilities declined marginally during the year, mainly due to a reduction in deferred tax liabilities.

CASHFLOW

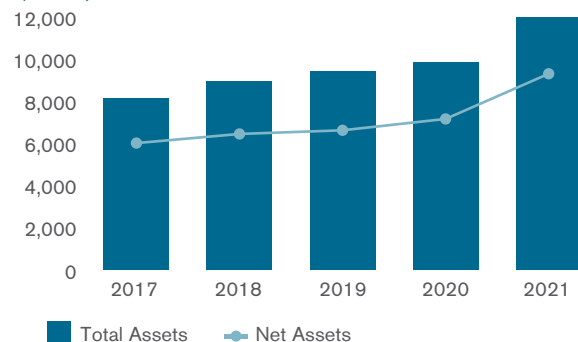
The Group's operational cash flow strengthened in line with the improvement in overall performance during the year. Net cash generated from operations increased to Rs. 2.3 Bn from Rs. 866.5 Mn the previous year. Net cash outflow from investing activities amounted to Rs.1.9 Bn reflecting increased investments in financial assets and capital expenditure amounting to Rs. 424 Mn. Cashflow from financing activities amounted to Rs. 461.9 Mn mainly due to dividends paid to shareholders.

OUTLOOK

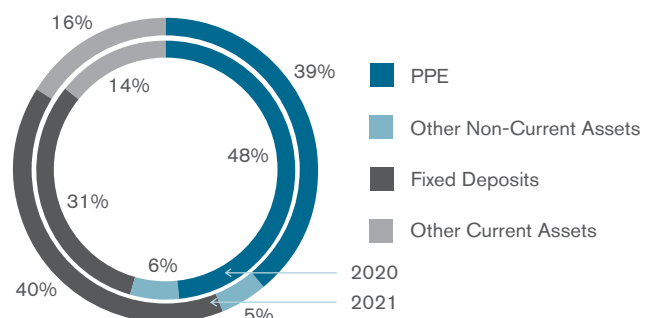
Macro-economic vulnerabilities including a depreciating exchange rate, shortage in foreign currency and escalating interest rates will weigh down on the Group's performance over the immediate term. These risks are however mitigated by the Group's strong local and foreign currency liquidity levels, low gearing and proactive balance sheet management strategies. Our long-term ambitions remain unchanged, as we seek to expand our regional presence with focus on primary care. Driving operational efficiencies will also be a key priority across all our key segments and functions as we drive holistic, organisation-wide initiatives to rationalise costs and increase productivity. With the gradual recovery of Sri Lanka's tourism sector, we see opportunities in medical tourism and hope to leverage our MTQUA certification to drive growth in this segment.

TOTAL ASSETS VS NET ASSETS

(Rs. Mn)



TOTAL ASSETS



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 Chartered Accountant with over 31 years' experience, Ms. Cabraal has served in several sectors including Insurance, Travel, Finance and Education. 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 (LHC) 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 in 2015. She now serves as Deputy Chairperson of Lanka Hospitals Corporation PLC and as a Director of Lanka Hospitals Diagnostics (Pvt) Ltd. She currently is a member of the Audit Committee and was previously Chairman of the Remuneration committee.

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

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 Sportswear (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, Laugfs Power PLC, Laugfs ECO Sri Ltd, Laugfs Leisure Ltd. and Evoke International Ltd.

Previous appointments:

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

MR. KUSHAN D' ALWIS

President's Counsel

Mr. Kushan D'Alwis took oaths as an Attorney-at-Law in the year 1985 and is in active practice for over a period of 36 years. He was conferred Silk and took oaths as President's Counsel in November 2012.

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

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

Mr. D'Alwis is currently serving as the Chairman of the Office of the National Unity and Reconciliation (ONUR) of Sri Lanka and is a member of the Board of Directors of The Lanka Hospitals Corporation PLC and National Development Bank PLC, which are listed companies in Colombo Stock Exchange.

He serves as a Member of the Board of Investment of Sri Lanka.

He is also a Director of the Colombo Lotus Tower Management Company (Pvt) Ltd and a Member of the Financial System Stability Consultative Committee of the Central Bank of Sri Lanka.

MR. NADUN FERNANDO

Skills and experience: A finance professional with over 27 years' experience, including 17 years at senior management and strategic level positions. He is a member of the Brandix Apparel Board responsible for Operations and Engineering across Sri Lanka, India, Bangladesh and Haiti. He is a Fellow Member of CA Sri Lanka and holds a Bachelor of Science in Business Administration from the University of Sri Jayawardenapura.

BOARD OF DIRECTORS

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. KASUN RAJAPAKSA

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

Current appointments:

- Group Managing Director of DSI Samson Group (Pvt) Ltd
- Managing Director of D. Samson Industries (Pvt) Ltd and Samson Compounds (Pvt) Ltd
- Member of the Export Development Board (EDB) footwear sector and Sri Lanka Footwear Association (SLFA)
- Vice Chairman of Ceylon National Chamber of Industries (CNCI)

Previous appointments:

- Chairman of Chamber of Young Lankan Entrepreneurs (COYLE)

- Member of the Board of Management of the National Apprentice and Industrial Training Authority Sri Lanka (NAITA)
- Member of the General Assembly of South Asian Association for Regional Cooperation in Chamber of Commerce and Industry (SAARC CCI).

MR. ASHISH BHATIA

Skills and experience: He holds over 39 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 12 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 24 years of experience as a Healthcare Management Professional. Over the years she has worked in setting up different healthcare formats ranging from mother and 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.

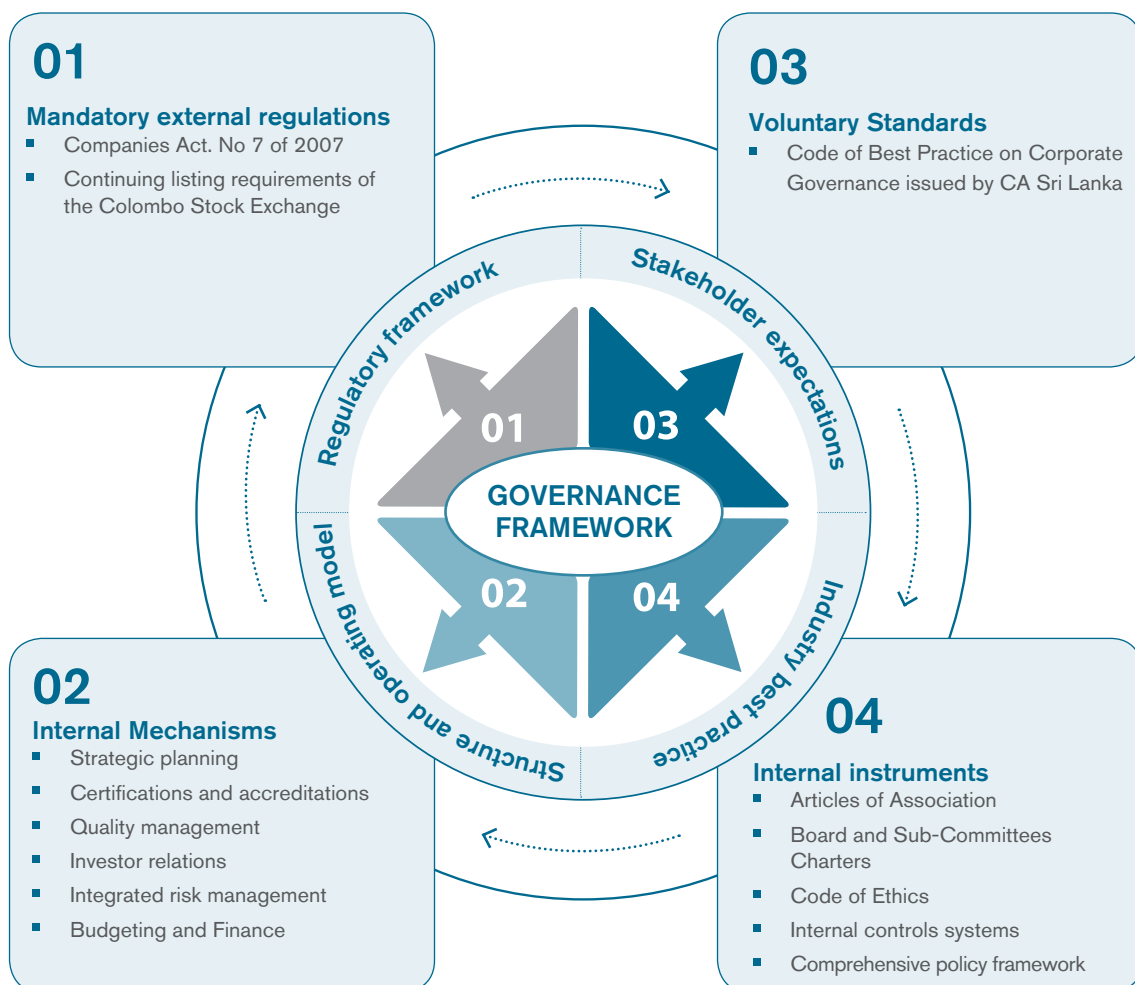
Ms. Richa is an active member of various healthcare industry forums in India such as CII, FICCI, AHPI & ICC. She is the recipient of an award from the President of India for running the most energy efficient hospital across the country in 2013. She has also been conferred the award Best Women Healthcare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

CORPORATE GOVERNANCE REVIEW

The Group's value creation is underpinned by robust corporate governance practices, which are founded on highest standards of integrity, accountability and transparency. The governance framework has been formulated to reflect the expectations of the Group's diverse stakeholders.

The Group's value creation is underpinned by robust corporate governance practices, which are founded on highest standards of integrity, accountability and transparency. The governance framework has been formulated to reflect the expectations of the Group's diverse stakeholders, internal and external

governance landscape. The Group's governance structures, policies and procedures have been formulated in compliance with the following mandatory and voluntary frameworks and industry and international best practices;



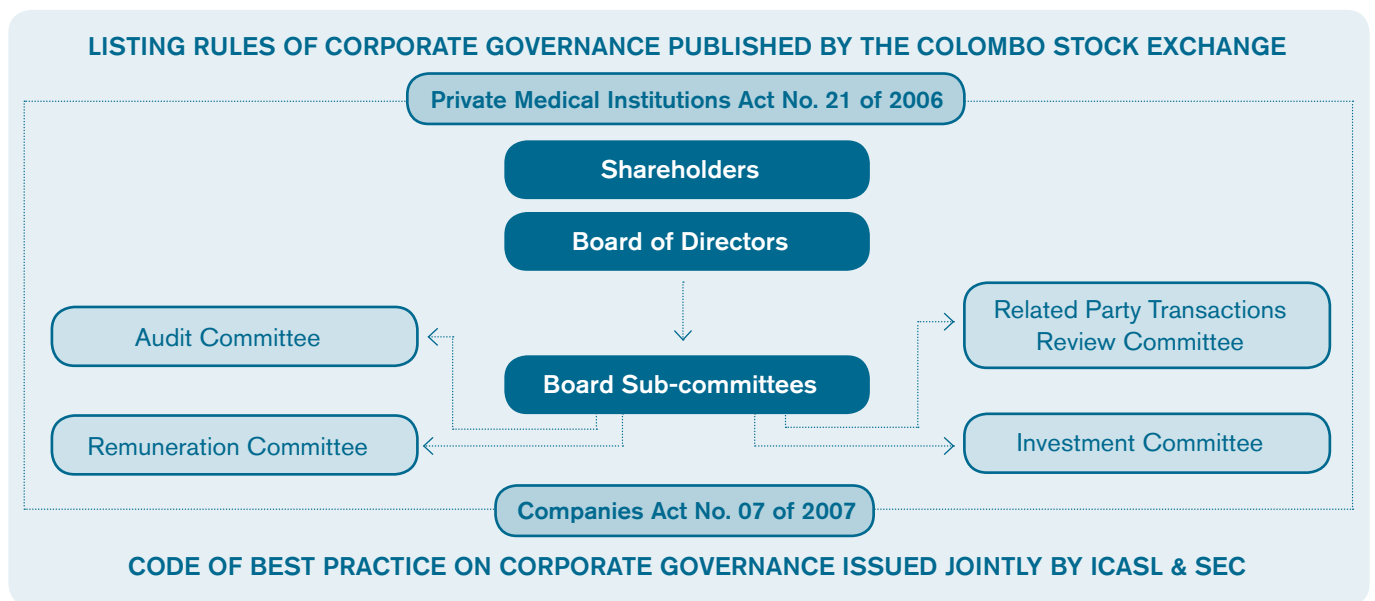
CORPORATE GOVERNANCE REVIEW CONTD.

APPROACH TO CORPORATE GOVERNANCE

GOVERNANCE STRUCTURE

The Group's clearly defined governance structures facilitates judicious empowerment, driving accountability across the organisation. Multi-level governance bodies with clearly defined roles and responsibilities ensure the effective segregation of duties. 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 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"> Mr. Nadun Fernando (NED/ID) Appointed as a Chairman w.e.f 30-12-2021 Ms. Roshini Cabraal (NED/ID) - Resigned as the Chairman and the member w.e.f 30-12-2021 Dr. Ravindra Ruberu (NED/ID) Mr. Kasun Rajapaksa - Appointed w.e.f 30-12-2021
Related Party Transactions Review	Review the inter related transactions of the cluster while ensuring the existence of arms 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) Chairman Mr. Nadun Fernando (NED/ID)

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

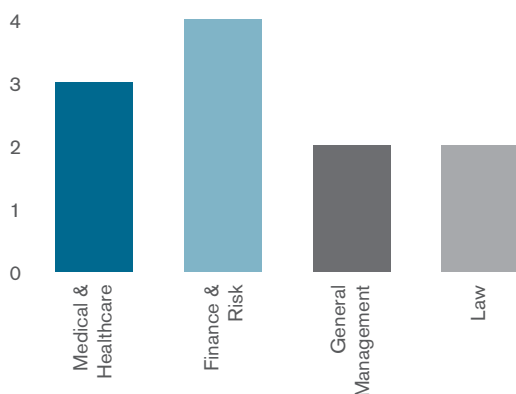
A COMPETENT BOARD

The Board of Directors functions as the Group's apex governing body and holds responsibility for formulating the Group's strategic direction, ensuring risks are managed within the defined risk appetite and delivering long-term stakeholder value. The Board consisted of 11 Directors at end-December 2021, all of whom operate in a Non-Executive capacity; 9 of the 11 Directors are Independent Directors. Directors combine a wealth of experience from diverse industries, backgrounds and competencies, which have increased the depth of discussions and enriched the Group's decision making. There is also a clear division of responsibilities between Board activities and the executive responsibility of running the business. The profile of all directors are given on pages 12 to 14 of this report.

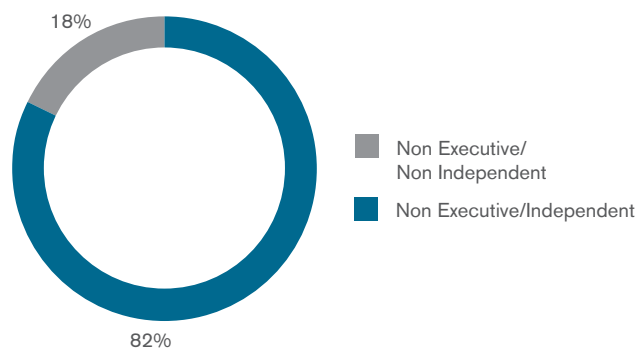
ROLES AND RESPONSIBILITIES OF THE BOARD

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

BOARD SKILLS



BOARD COMPOSITION



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, review and approval of 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 REFRESHMENT

During the year, 2 Directors resigned from the Board while 1 new Director was appointed. Resignations and appointments of new directors are promptly communicated to the CSE and shareholders. The communication regarding the appointment of a Director would typically include a brief profile on the skills, qualifications and industry experience of the Director.

As per the Articles of Association, 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:

Mrs. Roshini Cabraal

Dr. Ravindra Ruberu

Mr. Mayura Fernando

BOARD INDEPENDENCE

Independence of the Directors have been determined in accordance with the Continuing Listing Rules of the CSE and all 09 independent, non-executive Board members have submitted signed declarations of their independence.

CORPORATE GOVERNANCE REVIEW CONTD.

APPROACH TO CORPORATE GOVERNANCE

Name of Director/Capacity	Shareholding	Management/ Director ¹	Material Business Relationship ²	Employee of Company ³	Family Member a Director or CEO	Nine Years of Continuous service
Non-Executive Independent Directors						
Dr. Bandula Wijesiriwardena	None	Director	None	None	None	None
Ms. Roshini Cabraal	None	Director	None	None	None	None
Ms. Lakshmi Sangakkara	None	Director	None	None	None	None
Mr. Mayura Fernando	Note 1	Director	None	None	None	None
Mr. Kushan De Alwis PC	None	Director	None	None	None	None
Mr. Nadun Fernando	None	Director	None	None	None	None
Dr. Kanishka Karunaratne	None	Director	None	None	None	None
Dr. Ravindra Ruberu	None	Director	None	None	None	None
Mr. Kasun Rajapaksa (Appointed on 22nd July 2021)	None	Director	None	None	None	None
Ms. Dayakanthi Abeyrathne (Resigned on 10th April 2021)	None	Director	None	None	None	None
Mr. Jagath Wellawatta (Resigned on 3rd August 2021)	None	Director	None	None	None	None
Non-Executive Non-Independent Directors						
Ms. Richa Singh Debgupta or her Alternate Mr. Rajiv Puri	None	Director	Note 2	None	None	None
Mr. Ashish Bhatia or his Alternate Mr. Anurag Kalra	None	Director	Note 2	None	None	None

Note 1 – Holds 500 number of shares at LHC

Note 2 – Appointed by Fortis Global Healthcare Holdings Pte Ltd., which has share holding of 28.66%

¹Director 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.

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

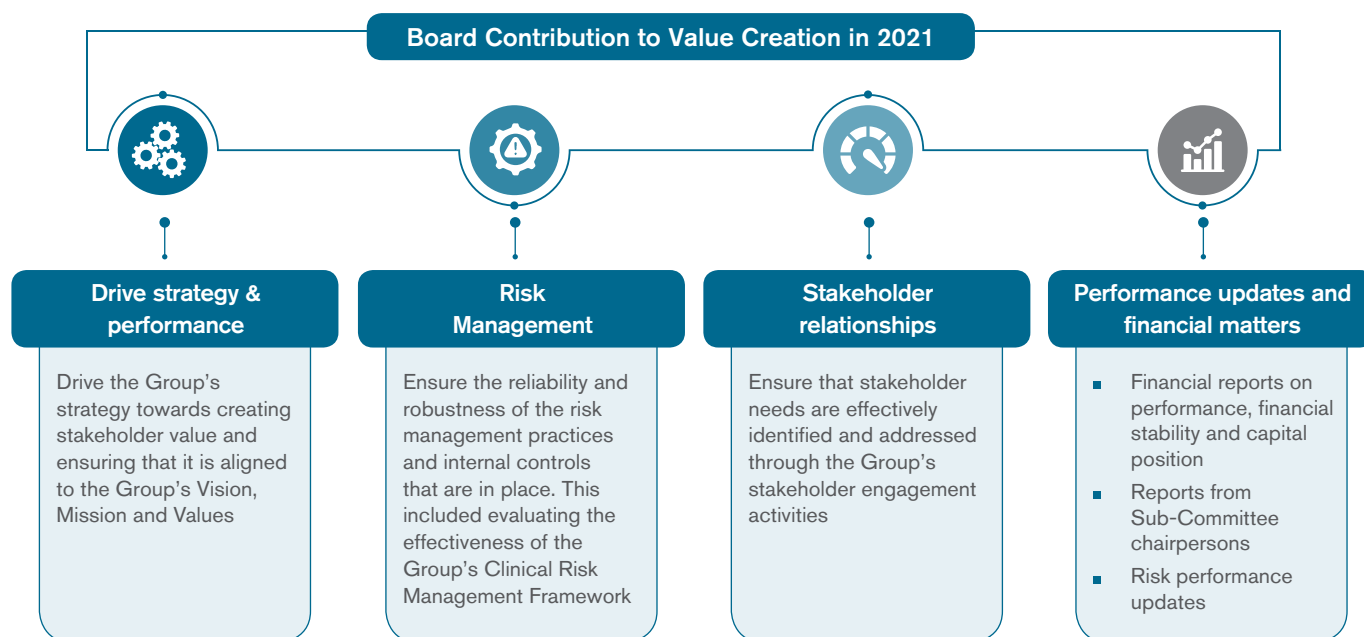
³Employed by Company two years immediately preceding appointment

BOARD PROCEDURES

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

ACCESS TO INFORMATION

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



BOARD MEETINGS AND ATTENDANCE

The Board meets at least on a monthly basis and convened 13 times during the year. Meeting agendas and Board papers are circulated to all Board members electronically prior to Board and sub-committee meetings, providing adequate time for

preparation. The Board sub-committees convened 18 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 2021

Director	Board Meeting	Audit Committee	Remuneration Committee	Related party Transactions Committee
Dr. Bandula Wijesiriwardena	13/13	N/A	N/A	N/A
Ms. Roshini Cabraal	13/13	07/07	07/07	N/A
Ms. Lakshmi Sangakkara	13/13	N/A	N/A	04/04
Mr. Mayura Fernando	13/13	07/07	N/A	04/04
Mr. Kushan De Alwis PC	11/13	N/A	N/A	04/04
Mr. Nadun Fernando	13/13	N/A	07/07	N/A
Dr. Kanishka Karunaratne	09/13	04/07	N/A	N/A
Dr. Ravindra Ruberu	12/13	N/A	07/07	N/A
Mr. Kasun Rajapaksa	06/06	N/A	N/A	N/A
Ms. Dayakanthi Abeyrathne	03/03	N/A	N/A	N/A
Mr. Jagath Wellawatta	07/07	N/A	N/A	N/A
Ms. Richa Singh Debgupta	06/13	N/A	N/A	N/A
Mr. Ashish Bhatia	07/13	N/A	N/A	N/A

CORPORATE GOVERNANCE REVIEW CONTD.

APPROACH TO CORPORATE GOVERNANCE

BOARD EFFECTIVENESS

Training for Directors

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

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

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

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's strategic objectives of the year. The GCEO's performance is monitored on an ongoing basis and a formal appraisal is carried out at least annually by the Board Remuneration Committee.

DIRECTOR'S REMUNERATION

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

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

The Remuneration Committee comprises of 3 non-executive directors and their profiles are detailed on pages 12 to 14 of this Report. Please refer the Remuneration Committee Report on page 36 for further details on the Committee's activities during the year under review. The aggregate remuneration paid to Non-Executive Directors is disclosed in the Note 8 to the Financial Statements on page 71 of this Report.

SHAREHOLDER ENGAGEMENT

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

- Annual General Meeting: The AGM provides shareholders the opportunity to contribute their views and engage with the Board of Directors, including the Chairpersons of certain Sub-Committees and members of senior management. Notice of the AGM and all relevant papers are sent to the shareholders at least 15 working days prior to the AGM in accordance with the rules stipulated by the Securities and Exchange Commission.
- Dissemination of information: The Group provides shareholders with timely and accurate information on performance and other material developments. Communication is also facilitated through the Group's corporate website, advertisements and press

Sustainability

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

ACCOUNTABILITY AND AUDIT

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

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

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

- The Annual Report of the Board of Directors on the Affairs of the Company on pages 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.
- The Independent Auditor's Report on page 42 to 45 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 34 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.

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, Group Head of Internal Audit, and representatives of the External Auditors are invited to attend Committee meetings.

The Auditor General is the Company's external auditors and key oversight is provided by the Audit Committee, whose primary relationship is with the Committee. The external auditors have not provided any non-audited related services to the Group during the year. The audit fees paid by the Company and Group to its auditors are separately classified in the Note No 8 to the Financial Statements on page 71.

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. It is also currently in the process of formulating a Cybersecurity policy, which will be formally adopted over the short to medium term.

CORPORATE GOVERNANCE DISCLOSURES

The Board of Directors has taken all reasonable steps to ensure that all financial statements are prepared in accordance with the Sri Lanka Accounting Standards (SLFRS/LKAS) issued by the ICASL and other relevant requirements. The Company and its subsidiaries are fully compliant with all the mandatory rules and regulations stipulated by the Corporate Governance Listing Rules published by the CSE 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.

CORPORATE GOVERNANCE REVIEW CONTD.

APPROACH TO CORPORATE GOVERNANCE

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 11 Directors as at 31 December 2021, 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 of 9 Independent Non- Executive Directors as of 31st December 2021, and 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 26.
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 12 to 14 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 2021, the Remuneration Committee comprises three Independent Non- Executive Directors.
	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 Chief Executive Officer and the Executive Directors.	Complied with	Please refer to page 36 of this report.

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 71.
7.10.6	Audit Committee	A listed company shall have an Audit Committee.	Complied with	Please refer to pages 38 - 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 2021, 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 Independent 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 comprises 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.

CORPORATE GOVERNANCE REVIEW CONTD.

APPROACH TO CORPORATE GOVERNANCE

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 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 Transactions 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 2021.
9.3.1	Immediate Disclosures	Complied with	Company did not have any non recurrent related party transactions which requires 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 92 to 93.
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.

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 103 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 8 to the Financial Statements on page 71.
168 (1) (g)	Corporate donations made by the company	Complied with	Refer page no 31 of this report.
168 (1) (h)	Information on Directorate of the company at the end of accounting period	Complied with	Please refer page 26 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.

CORPORATE GOVERNANCE REVIEW CONTD.

APPROACH TO CORPORATE GOVERNANCE

Composition As at 31st Dec 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 Singh 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 D' Alwis PC	Independent Non Executive
Mr. Nadun Fernando	Independent Non Executive
Dr. Kanishka Karunaratne	Independent Non Executive
Mr. Kasun Rajapaksa	Independent Non Executive

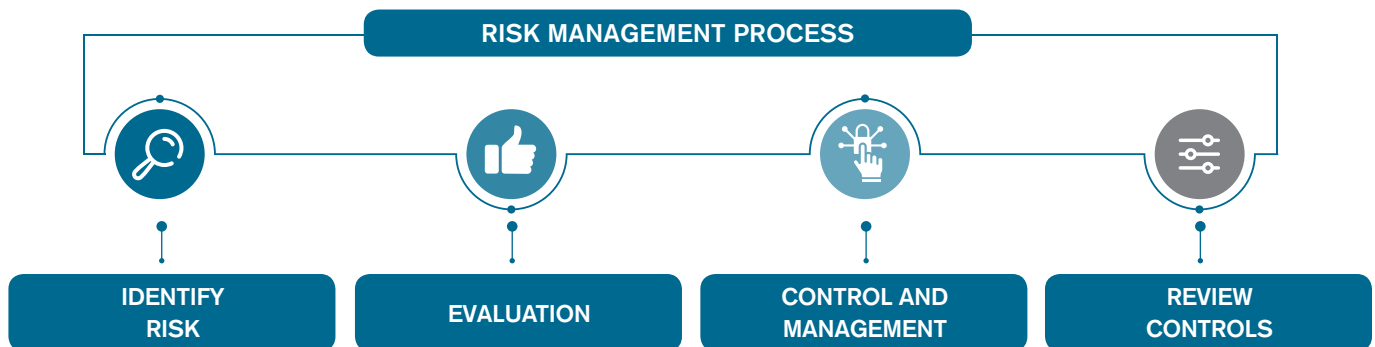
Composition As at 19th May 2022

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 Singh 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 D' Alwis PC	Independent Non Executive
Mr. Nadun Fernando	Independent Non Executive
Dr. Kanishka Karunaratne	Independent Non Executive
Mr. Kasun Rajapaksa	Independent Non Executive

RISK MANAGEMENT

The Group is exposed to a range of internal and external risks stemming from both medical and non-medical operations, which are proactively identified, managed and mitigated to support commercial and social sustainability. Risk management is an organisation-wide discipline, which involves the

engagement of all employees across functions and operations. Risk management is also supported by, clearly defined governance structures, framework of policies and allocation of responsibilities for risk identification, measurement, mitigation and monitoring.



RISK EVALUATION

Risk scores are determined by considering the likelihood of occurrence and potential impact and classified based on the following.

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

RISK LANDSCAPE IN 2021

The Group's risk landscape changed significantly during the year, mainly due to pandemic-related disruptions and macro-economic vulnerabilities. Key risks are presented below:

Key Risks	Risk Exposure	Mitigation Measures
<p>Covid-19 related impacts Sri Lanka witnessed a surge in infections in 2021, which in turn led to several key risks for the Group. This included,</p> <ul style="list-style-type: none"> ▪ Concerns on employee and patient health and safety ▪ Drop in patient volumes due to social distancing measures ▪ Disruptions to supply chains 	●	<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 ▪ Raising awareness about COVID-19 among employees, patients and visitors
<p>Macro-economic vulnerabilities Shortage in foreign currency and resulting difficulties in importing medicines and other pharmaceutical items had an impact on the Group's hospital, laboratory and pharmacy operations during the year.</p>	●	<ul style="list-style-type: none"> ▪ Proactive monitoring of emerging economic developments ▪ Leveraging relationships with suppliers and banks to minimise disruptions to supply chains ▪ Ongoing demand planning and working capital management

RISK MANAGEMENT

Key Risks	Risk Exposure	Mitigation Measures
<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 Given the consultant-centric nature of Sri Lanka's healthcare industry, the ability to retain and attract consultants of high repute is a key source of competitive edge</p>	●	<ul style="list-style-type: none"> Proactive identification and attraction of the next generation of consultants prior to competitors Offer a good value proposition to key consultants including hospital facilities & medical equipment, remuneration, quality of staff etc.
<p>Risk of competition Intensifying competitive pressures from new entrants of repute with high investments and current market players, can impact 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
<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

Key Risks	Risk Exposure	Mitigation Measures
<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>	<p>■</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>	<p>■</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>	<p>■</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, 2021 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 01. The business activities of LHC and its subsidiary are conducted maintaining the highest level of ethical standards in achieving its Vision and Mission as set out in the Company's Code of Ethics, which reflects our commitment to the high standards of business conduct and ethics.

2.2 Review on Operations of LHC and its Subsidiary

The Group CEO's Review and the 'Management Discussion and Analysis' on pages 06 to 07 and 08 to 11 provide an overall assessment on the operational performance and financial position of LHC and its subsidiary, and the status of affairs together with important events that took place during the year in detail, as required by the Section 168 of the Companies Act No. 07 of 2007.

2.2.1 Principal Activities of The Lanka Hospitals Corporation PLC

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

2.2.2 Principal Activities of Lanka Hospitals Diagnostics (Private) Limited

Lanka Hospitals Diagnostics (Private) Limited - a fully owned subsidiary of The Lanka Hospitals Corporation PLC incorporated on 06th February 2013 and gained Section 17 BOI approval. The commercial operation of the company commenced in July 2014. The principal activity of the company is providing of state-of-the-art laboratory services. It is the first referral lab in Sri Lanka. Lanka Hospitals Diagnostics (Private) Limited has over 1,340 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 103.

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, 2021 and the Auditors' Report issued thereon is given on page 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 105. 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, 2021, are given in Note 8 to the Financial Statements on page 71.

2.9 Corporate Donations by the Company

During the year, the Company made donations amounting to Rs 10,130,930/-.

3. NET INCOME AND PROFITABILITY

The Revenue of the Group for 2021 was Rs. 10 Bn (Rs.6.8 Bn in 2020), while LHC's revenue was Rs. 6.7 Bn (Rs. 5.2 Bn in 2020). The profit after tax of the Group stood at Rs 2.2 Bn (Rs. 385 Mn in 2020), while LHC's profit after tax was Rs. 1.4 Bn (Rs. 443 Mn in 2020).

4. DIVIDENDS AND RESERVES

4.1 Dividends on Ordinary Shares

First interim dividend of Rs.1/= per share was paid on 03rd November 2021 and 2nd interim dividend of another Rs.1/= per share for the year ended 31st December 2021 was paid on 23rd February 2022. The 1st interim dividend was paid out of the dividends income received by the Company whilst the 2nd interim dividend was paid out of profits of the company. The total amount distributed by way of the two interim dividends was Rs 447,464,338/=.

The Board of Directors certified that they fulfilled the requirement of the Solvency Test in terms of provisions of the Companies Act No. 07 of 2007 immediately after the payment of the two interim dividends. The Statement of Solvency of the Auditors was obtained in respect of the said dividend payments 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, details of which 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 94.

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 2021 was Rs. 2,671,543,090/- comprising of 223,732,169 ordinary voting shares (Rs. 2,671,543,090/- as at 31st December 2020 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 105.

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 104.

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 105.

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, 2021 consisted of Eleven. The current Board consists of members with wide financial, medical and commercial knowledge and experience. The qualifications and experience of the Directors are given in the 'Board of Directors - Profiles' on pages 12 to 14.

Names of the Directors of the Company as at 31st December 2021 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. Nambunama Nanayakkara Akmeemana Palliyaguruge Bandula Chandranath Wijesiriwardena	Independent Non-Executive Director
Mr. Ashish Bhatia	Non-Independent Non-Executive Director
Ms. Richa Singh Debgupta	Non-Independent Non-Executive Director
Mr. Rajiv Puri (Alternate Director to Ms Richa Singh Debgupta)	Non-Independent Non-Executive Director
Mr. Anurag Kalra (Alternate Director to Mr Ashish Bhatia)	Non-Independent Non-Executive Director
Ms. Roshini Sunethra Cabraal	Independent Non-Executive Director
Dr. Tantirige Ravindra Chintaraj Ruberu	Independent Non-Executive Director
Ms. Sangakkara Mudiyansele Lakshmi Kumari Sangakkara	Independent Non-Executive Director
Mr. Pattage Mayurasiri Bandula Fernando	Independent Non-Executive Director
Mr. Kushan D'Alwis	Independent Non-Executive Director
Mr. Magage Nadun Kumara Fernando	Independent Non-Executive Director
Dr. Nanayakkara Liyanage Kanishka Ganganath Karunaratne	Independent Non-Executive Director
Mr. Kasun Rajapaksa	Independent Non-Executive Director

11.1.2 Directors Holding Office in Lanka Hospital Diagnostics (Private) Limited as at 31st December 2021

Name of the Director
Dr. Nambunama Nanayakkara Akmeemana Palliyaguruge Bandula Chandranath Wijesiriwardena
Ms. Roshini Sunethra Cabraal
Dr. Tantirige Ravindra Chintaraj Ruberu
Mr. Pattage Mayurasiri Bandula Fernando
Mr. Magage Nadun Kumara Fernando
Dr. Nanayakkara Liyanage Kanishka Ganganath 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
Ms. Dayakanthi Abeyratne	-	10th April 2021
Mr. Jagath Wellawatte	-	03rd Aug 2021
Mr. Kasun Rajapaksa	22nd July 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 Kasun Rajapaksa who was appointed to the Board subsequent to last Annual General Meeting offer himself for re-election as of the Company at this Annual General Meeting.

Directors to retire by rotation

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

Accordingly following 03 Directors offer themselves for re-election at this Annual General Meeting.

Mrs. Roshini Cabraal

Dr. Ravindra Ruberu

Mr. Mayura Fernando

11.1.5 Details of Directors attendance at Directors' meetings are presented on pages 19 under Corporate Governance.

11.1.6 Board Sub-Committees.

The Board Sub Committees in keeping with the rules of the Listing Rules of the Colombo Stock Exchange, Audit Committee, Remuneration Committee and Related Party Transaction Review Committee are active and fully functional with the composition of these Sub-Committees and its functions presented under Corporate Governance on page 16 of the Annual Report.

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

Name of the Director	Number of shares 2021	Number of shares 2020
Dr. Nambunama Nanayakkara Akmeemana Palliyaguruge Bandula Chandranath Wijesiriwardena	Nil	Nil
Mr. Ashish Bhatia	Nil	Nil
Ms. Richa Singh Debgupta	Nil	Nil
Mr. Rajiv Puri (Alternate Director to Ms. Richa Singh Debgupta)		
Mr. Anurag Kalra (Alternate Director to Mr. Ashish Bhatia)	Nil	Nil
Ms. Roshini Sunethra Cabraal	Nil	Nil
Dr. Tantirige Ravindra Chintaraj Ruberu	Nil	Nil
Ms. Sangakkara Mudiyansele Lakshmi Kumari Sangakkara	Nil	Nil
Mr. Pattage Mayurasiri Bandula Fernando	500	500
Mr. Kushan D'Alwis	Nil	Nil
Mr. Magage Nadun Kumara Fernando	Nil	Nil
Dr. Nanayakkara Liyanage Kanishka Ganganath Karunaratne	Nil	Nil
Mr. Kasun Rajapaksa	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 92. 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 2021 are given in Note 08 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 94.

16. APPOINTMENT OF AUDITORS

In term of Article 154 of the Constitution, Auditor General continue to be the Auditors of the Company and its subsidiary company Lanka Hospitals Diagnostics (Private) Limited, for the ensuing financial year. Fees paid to Auditors are given on Page 71.

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

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 in each category 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 statement on page 94.

20. ANNUAL GENERAL MEETING

The Annual General Meeting of the Company will be held as a virtual meeting on 23rd June 2022 at 3pm at the Dr. Prathap C Reddy Auditorium of The Lanka Hospitals Corporation PLC, No. 578, Elvitigala Mawatha, Colombo 5.

21. ACKNOWLEDGEMENT OF THE CONTENT OF THE REPORT

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

For and on behalf of the Board



Dr. Bandula Wijesiriwardena

Chairman



Mayura Fernando

Director

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



Accounting Systems Secretarial Services (Private) Limited

Secretaries to the Company

19th May 2022

STATEMENT OF DIRECTORS' RESPONSIBILITY

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

In terms of Sections 150 (1), 151, 152 and 153 (1) & (2) of the Companies Act No. 07 of 2007, the Directors of the LHC are responsible for ensuring that the Group and the LHC keep proper books of accounts of all transactions and prepare Financial Statements that give a true and fair view of the financial position of the LHC and the Group as at end of each financial year and place them before the General Meeting. The Financial Statements comprise of the Statement of Financial Position as at December 31, 2021, 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 28th March 2022 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 2021, prepared and presented in this Annual Report are in agreement with

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

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

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

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

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

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



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

19th May 2022

THE BOARD REMUNERATION COMMITTEE REPORT

COMMITTEE COMPOSITION

- Mr. Nadun Fernando (NED/ID) (Appointed as a Chairman w.e.f 30-12-2021)
- Ms. Roshini Cabraal (NED/ID)- (Resigned w.e.f 30-12-2021)
- Dr. Ravindra Ruberu (NED/ID)
- Mr Kasun Rajapaksa (NED/ID) (Appointed w.e.f 30-12-2021)

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

DUTIES AND RESPONSIBILITIES

The Committee is responsible for providing recommendations to the Board on key aspects related to Human Resources and Remuneration, as listed below:

- Formulation of HR policy framework
- Remuneration policy and its application to Key Management Personnel including the GCEO
- Performance appraisal of the GCEO
- Review of organizational structure and delegation of responsibilities
- Review of Management development and succession planning
- Review of Criteria for promotions

ACTIVITIES IN 2021

The HR and Remuneration Committee met 07 times during the year, the proceedings of the meetings have been handed over to the Board of Directors in adequate detail. Summary of activities during the year included the following:

- Review, revise and approve the organisation structure at Senior Leadership level
- Review and revise the rewards and benefit policy in line with emerging market developments, employee expectations and industry standards.

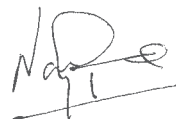
Director	Attendance
Mr. Nadun Fernando	7/7
Ms. Roshini Cabraal	7/7
Dr. Ravindra Ruberu	7/7

REMUNERATION POLICY

The Remuneration policy is designed to nurture a conducive and positive work environment that recognises high-performing employees while enhancing motivation, retention and continued commercial success. The policy also provides guidance on incentive packages, which are based on regular reviews of achievements. Potential risks arising from inadequate remuneration structures are given due consideration in the policy and processes are in place to mitigate such exposures.

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;



Nadun Fernando

Chairman - The Board Remuneration Committee

19th May 2022

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 12 to 14 of this Report.

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

- Formulating and periodically reviewing the 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 that the disclosures made in the Annual Report are in line with the requirements of the Continuing Listing Requirements of the CSE
- Ensuring market disclosures are made as required by the Continuing Listing Requirements of the CSE.

ACTIVITIES IN 2021

The Committee met quarterly during the year, with 4 meetings held in 2021. The following types of related party transactions are reviewed by the committee and 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.
- Laboratory services obtained from the subsidiary Company and payments made thereof.

The Committee monitors and reviews such transactions to assess fairness and integrity and findings and recommendations are communicated to the Board of Directors regularly. All related party transactions during the year, were within the respective thresholds mentioned in the Listing Rules requiring disclosure in the Annual Report.

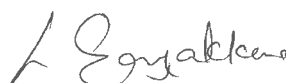
Director	Attendance
Ms. Lakshmi Sangakkara	4/4
Mr. Mayura Fernando	4/4
Mr. Kushan De Alwis PC	4/4

Details of the Related Party Transactions entered into during the year are disclosed on Note 28 to the Financial Statements on pages 92 to 93.

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 pages 92 to 93.

On behalf of the Committee;



Lakshmi Sangakkara

Chairperson - Related Party Transactions Review Committee

19th May 2022

THE BOARD AUDIT COMMITTEE REPORT

COMMITTEE COMPOSITION

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

As clearly set out in the Board Audit Committee Charter, the Audit Committee is responsible for ensuring the integrity of the Group's Financial Statements and adequacy of Internal Controls. Responsibilities set out in the Charter include the following:

- Reviewing the financial reporting systems in place, the appropriateness of the accounting policies and adherence to statutory and regulatory compliance requirements
- Periodically review the Internal Control systems and ensure that they remain relevant and adequate to effectively manage emerging risks
- Review and assess the company's risk management process, including information technology and cyber security risk.
- Ensure the effectiveness of the system in place for monitoring compliance to all relevant laws and regulations and the results of management investigation and follow-up.
- Monitor the independence and competence of Internal and External Audit functions and follow up with the management on their findings and recommendations

COMMITTEE ACTIVITIES IN 2021

The Committee convened 07 times during the financial year and attendance at meetings is set out alongside. Proceedings of these meetings are recorded and reported to the Board in sufficient detail. Key deliberations included the following:

Director	Attendance
Mr. Mayura Fernando	7/7
Ms. Roshini Cabraal	7/7
Dr. Kanishka Karunaratne	4/7

Monitoring emerging economic developments and assess implications on the Group's performance

The Committee together with the Group CEO and Group CFO continued to monitor fluctuations in exchange rate, interest rates and policy developments to assess the implications on the Group's performance and financial position. Deliberations were made on minimising disruptions to supply chains, curtailing non-essential expenditure and preserving liquidity to ensure that the Group's financial position remained resilient to unforeseen shocks.

Review of internal controls and risk management systems

The committee reviews the adequacy, relevance and effectiveness of the internal control and risk management systems to ensure that the financial statements prepared presented a true and fair view of the organisation. The assessment also serves to ensure that processes are in place to safeguard the Company's assets while assessing its exposure to business, financial and operational risks. The processes in place to ensure compliance to all laws and regulatory guidelines was also evaluated.

Reporting on financial performance position

The Audit Committee plays a vital role in assisting the Board discharge their responsibility for the preparation of quarterly and annual financial statements, ensuring that they present a true and fair view of the affairs of the Company. This is based on the Company's accounting records, stipulations of the Sri Lanka Accounting Standards, guidelines presented by the Companies Act and rules and regulations of the SEC and CSE.

- **Internal Audit**

The Committee is responsible for ensuring the independence, efficiency, and professional standards of the Internal Audit function. The Internal Audit Plan was reviewed by the Committee to ensure it covers significant financial and operational aspects and the Group Head of Internal Audit is invited to present all relevant deliberations. Observations made in the internal audit reports were reviewed and corrective actions recommended wherever necessary with the implementation monitored on an ongoing basis.

- **External Audit**

The Committee reviewed and monitored the external auditors' independence, objectivity and effectiveness of the 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.

- **Setting the tone at the top of an ethical culture**

The Audit Committee supports the Board in nurturing the right tone at the top, ensuring good governance across the organisation. Suitable procedures are in place to conduct independent investigations into grievances and incidents reported through whistleblowing process and/or identified through other means.

On behalf of the Committee;



Mayura Fernando

Chairman, Audit Committee

19th May 2022

FINANCIAL INFORMATION

Independent Auditors' Report	42
Consolidated Income Statement	46
Consolidated Statement of Profit or Loss and Other Comprehensive Income	47
Consolidated Statement of Financial Position	48
Consolidated Statement of Changes in Equity	50
Statement of Changes in Equity	51
Consolidated Statement of Cash Flows	52
Notes to the Financial Statements	54

INDEPENDENT AUDITORS' REPORT



ජාතික විගණන කාර්යාලය தேசிய கணக்காய்வு அலுவலகம் NATIONAL AUDIT OFFICE



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எனது இல. }
My No. }

THO/C/LHC/FA/2021/01

ඔබේ අංකය
உமது இல. }
Your No. }

දිනය
திகதி }
Date }

05 April 2022

The Chairman
The Lanka Hospitals Corporation PLC

Report of the Auditor General on the Financial Statements and Other Legal and Regulatory Requirements of the The Lanka Hospital Corporation PLC and its subsidiaries for the year ended 31 December 2021 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 2021 comprising the statement of financial position as at 31 December 2021 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 2021, 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 2021 was Rs.10,034 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.455 Mn as at December 31, 2021, 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 2021 was Rs. 704 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 2021 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 2021 Annual Report.

The other information comprises the information included in the Company's 2021 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 2021 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

CONSOLIDATED INCOME STATEMENT

For the year ended 31st December,	Note	Group		Company	
		2021 Rs.	2020 Rs.	2021 Rs.	2020 Rs.
Revenue from contracts with customers	5	10,033,566,919	6,803,676,695	6,707,009,994	5,249,334,500
Cost of services		(5,270,033,566)	(3,941,721,091)	(3,831,885,643)	(3,322,972,431)
Gross profit		4,763,533,353	2,861,955,604	2,875,124,351	1,926,362,069
Other income	6	137,071,511	62,460,600	402,902,844	483,637,819
Administrative expenses		(2,290,179,577)	(2,024,058,106)	(1,651,142,363)	(1,511,821,745)
Other operating expenses		(751,460,532)	(704,622,221)	(675,550,401)	(636,813,691)
Change in fair value of investment property		-	-	4,700,000	7,000,000
Profit from the operations		1,858,964,755	195,735,877	956,034,431	268,364,452
Finance income	7.1	406,270,332	249,542,279	379,256,241	221,796,212
Finance Cost	7.2	(32,598,348)	(34,917,703)	(18,417,008)	(23,051,238)
Net finance income		373,671,984	214,624,576	360,839,233	198,744,974
Profit before taxation	8	2,232,636,739	410,360,453	1,316,873,664	467,109,426
Income tax expense	9	(21,121,266)	(25,367,354)	103,736,728	(23,530,524)
Profit for the year		2,211,515,473	384,993,099	1,420,610,392	443,578,902
Attributable to:					
Equity holders of the company		2,211,515,473	384,993,099	1,420,610,392	443,578,902
Earnings per share (Rs.)	10	9.88	1.72	6.35	1.98

Notes from pages 54 to 103 form an integral part of these Financial Statements. Figures in brackets indicate deductions.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31st December,	Note	Group		Company	
		2021 Rs.	2020 Rs.	2021 Rs.	2020 Rs.
Profit for the year		2,211,515,473	384,993,099	1,420,610,392	443,578,902
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	47,039,308	(3,568,033)	41,802,407	(1,196,427)
Deferred tax on surplus of revaluation	22	-	(57,683,849)	-	(48,394,467)
Effect on deferred tax due to rate change	22	289,330,721	-	280,288,121	-
Tax on other comprehensive income	24	(6,585,503)	999,050	(5,852,337)	335,000
Other comprehensive income for the year, (net of tax)		329,784,526	154,760,913	316,238,191	132,581,489
Total comprehensive income for the year		2,541,299,999	539,754,012	1,736,848,583	576,160,391
Attributable to:					
Equity holders of the parent		2,541,299,999	539,754,012	1,736,848,583	576,160,391

Notes from pages 54 to 103 form an integral part of these Financial Statements. Figures in brackets indicate deductions.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31st December,	Note	Group		Company	
		2021 Rs.	2020 Rs.	2021 Rs.	2020 Rs.
ASSETS					
Non-current assets					
Property, plant and equipment	12	4,718,257,761	4,757,111,279	4,301,558,172	4,334,095,670
Right of use assets	27	533,477,044	551,719,758	429,779,632	446,981,873
Intangible assets	13	55,276,003	56,532,676	44,027,531	42,399,841
Investment property	14	-	-	146,700,000	142,000,000
Investment in subsidiary	15	-	-	414,000,020	414,000,020
		5,307,010,807	5,365,363,714	5,336,065,355	5,379,477,404
Current assets					
Inventories	16	455,449,496	438,907,124	302,956,360	347,819,214
Trade and other receivables	17	1,031,704,735	676,257,704	741,534,986	541,069,932
Amounts due from related companies	18	1,834,188	3,745,338	111,739,308	11,380,515
Other financial assets	19	4,749,971,153	3,106,994,000	3,865,026,810	2,756,994,000
Cash and cash equivalents	20	453,897,597	290,657,430	344,671,757	231,146,994
		6,692,857,170	4,516,561,596	5,365,929,222	3,888,410,655
Total assets		11,999,867,977	9,881,925,310	10,701,994,577	9,267,888,059
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	1,330,581,534	1,093,047,507	1,240,031,685	1,008,006,749
Retained earnings		5,316,956,428	3,404,721,752	4,063,956,479	2,950,664,128
Total equity		9,319,081,052	7,169,312,349	7,975,531,254	6,630,213,967
Non-current liabilities					
Employee benefit obligations	23	277,775,607	294,426,643	242,422,163	259,503,102
Deferred tax liabilities	24	509,403,686	1,052,711,169	467,144,831	996,303,172
Lease liability	27	159,299,028	199,744,680	72,911,716	112,145,521
		946,478,321	1,546,882,492	782,478,710	1,367,951,795

As at 31st December,	Note	Group		Company	
		2021 Rs.	2020 Rs.	2021 Rs.	2020 Rs.
Current liabilities					
Amounts due to related companies	25	-	4,769,075	-	4,769,075
Trade and other payables	26	897,956,622	785,047,519	1,347,711,015	952,719,210
Lease liability	27	88,743,012	72,424,798	60,541,838	49,908,439
Income tax payable		265,224,151	47,915,055	174,564,771	47,247,079
Bank overdraft	20	482,384,819	255,574,022	361,166,990	215,078,494
		1,734,308,604	1,165,730,469	1,943,984,613	1,269,722,297
Total liabilities		2,680,786,925	2,712,612,961	2,726,463,323	2,637,674,092
Total equity and liabilities		11,999,867,977	9,881,925,310	10,701,994,577	9,267,888,059


Notes from pages 54 to 103 form an integral part of these Financial Statements. Figures in brackets indicate deductions. It is certified that the Financial Statements have been prepared in compliance with the requirements of the Companies Act No 7 of 2007.



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

28th March 2022
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, 2020	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
Total comprehensive income for the year				
Profit for the year	-	-	2,211,515,473	2,211,515,473
Other comprehensive income (net of tax)	-	-	40,453,805	40,453,805
Revaluation reversal of buildings & land	-	-	-	-
Depreciation transfer on surplus on revaluation of buildings	-	(51,796,694)	51,796,694	-
Effect on deferred tax due to rate change	-	289,330,721	-	289,330,721
Deferred tax impact on depreciation of revalued buildings	-	-	-	-
Transaction with owners recorded directly in equity				
Dividend	-	-	(391,531,296)	(391,531,296)
Balance as at 31st December, 2021	2,671,543,090	1,330,581,534	5,316,956,428	9,319,081,052

Notes from pages 54 to 103 form an integral part of these Financial Statements. Figures in brackets indicate deductions.

STATEMENT OF CHANGES IN EQUITY

Company	Stated capital Rs.	Revaluation reserve Rs.	Retained earnings Rs.	Total equity Rs.
Balance as at 1st January, 2020	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
Total comprehensive income for the year				
Profit for the year	-	-	1,420,610,392	1,420,610,392
Other comprehensive income (net of tax)	-	-	35,950,070	35,950,070
Surplus on revaluation of buildings & land	-	-	-	-
Depreciation transfer on surplus on revaluation of buildings	-	(48,263,185)	48,263,185	-
Effect on deferred tax due to rate change	-	280,288,121	-	280,288,121
Deferred tax impact on depreciation of revalued buildings	-	-	-	-
Transaction with owners recorded directly in equity				
Dividend	-	-	(391,531,296)	(391,531,296)
Balance as at 31st December, 2021	2,671,543,090	1,240,031,685	4,063,956,479	7,975,531,254
Dividend per share - 2021 (Note - 11)				1.75
Dividend per share - 2020 (Note - 11)				-

Notes from pages 54 to 103 form an integral part of these Financial Statements. Figures in brackets indicate deductions.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31st December,	Note	Group		Company	
		2021 Rs.	2020 Rs.	2021 Rs.	2020 Rs.
Cash flow from operating activities					
Profit before taxation		2,232,636,739	410,360,453	1,316,873,664	467,109,426
Adjustments for:					
Interest income	7.1	(252,324,099)	(198,160,700)	(224,602,234)	(170,516,903)
Dividend Income	6	-	-	(258,750,013)	(414,000,020)
Gain on translation of foreign currency	7	(153,946,233)	(51,381,579)	(154,654,007)	(51,279,309)
Depreciation on property, plant and equipment	12	458,101,977	433,917,690	406,910,610	382,253,174
Amortisation of right of use assets	27.4	65,386,488	70,550,546	33,335,322	42,311,102
Interest cost on lease liability	27.4	32,598,349	34,917,703	18,417,008	23,051,238
Amortisation of intangible assets	13	21,344,067	22,732,700	16,378,201	14,369,136
Exchange gain on right of use assets	27.2	-	20,000	-	20,000
Net change in fair value of investment property	14	-	-	(4,700,000)	(7,000,000)
Provision for retiring gratuity	23.2	56,441,165	60,227,330	48,764,252	52,672,314
Impairment loss or (reversal) of provision on inventory	16.1	(3,788,320)	32,435,667	(3,054,355)	26,447,893
Impairment loss / (reversal of provision) on trade receivables	17.2	846,650	12,123,651	(13,638,099)	6,981,267
(Gain)/loss on disposal of ROU	6	(893,595)	1,386,310	(669,715)	1,386,310
(Gain)/loss on disposal of property, plant and equipment	6	(8,149,153)	1,580,805	(8,270,480)	1,580,805
Operating cash flows before working capital changes		2,448,254,035	830,710,576	1,172,340,155	375,386,433
(Increase)/decrease in inventories		(12,754,052)	(58,470,825)	47,917,209	(52,419,196)
(Increase)/decrease in trade and other receivables		(288,425,342)	194,909,926	(128,719,501)	255,964,603
Increase/(decrease) in amounts due from related companies		1,911,150	2,243,998	(100,358,793)	108,284,167
Increase/(decrease) in trade and other payables		112,909,103	36,987,410	394,991,804	(58,270,334)
Increase/(decrease) in amounts due to related companies		(4,769,075)	(1,591,599)	(4,769,075)	-
		2,257,125,819	1,004,789,486	1,381,401,799	628,945,673
Cash generated from operations					
Retiring gratuity paid	23.2	(26,052,893)	(14,688,528)	(24,042,784)	(13,349,472)
Interest paid	27.4	(32,598,349)	(34,917,703)	(18,417,008)	(23,051,238)
Income tax paid		(64,374,436)	(140,089,528)	(23,668,136)	(130,453,071)
Net cash inflow from operating activities		2,134,100,141	815,093,727	1,315,273,871	462,091,892

For the year ended 31st December,	Note	Group		Company	
		2021 Rs.	2020 Rs.	2021 Rs.	2020 Rs.
Cash flows from investing activities					
Acquisition of property, plant and equipment	12	(424,012,593)	(433,939,559)	(379,015,922)	(391,483,782)
Expenditure incurred on capital work in progress	12	-	(175,605,488)	-	(175,605,488)
Purchase of intangible assets	13	(20,087,394)	(3,427,481)	(18,005,891)	(1,747,900)
Proceeds from disposal of property, plant and equipment		12,913,288	6,948,585	12,913,288	6,948,585
Interest income received		184,455,760	228,625,022	166,494,779	175,322,158
Dividend income received	6	-	-	258,750,013	414,000,020
(Investment)/withdrawal in other financial assets		(1,489,030,920)	(573,213,868)	(953,378,802)	(483,316,137)
Net cash generated from (used in) investing activities		(1,735,761,859)	(950,612,789)	(912,242,536)	(455,882,544)
Cash flows from financing activities					
Dividend paid		(391,531,296)	-	(391,531,296)	-
Lease paid		(70,377,616)	(88,983,084)	(44,063,772)	(67,879,374)
Net cash outflow from (used in) financing activities		(461,908,912)	(88,983,084)	(435,595,068)	(67,879,374)
Net increase/(decrease) in cash and cash equivalents		(63,570,629)	(224,502,146)	(32,563,733)	(61,670,026)
Cash and cash equivalent at the beginning of the year		35,083,408	259,585,554	16,068,500	77,738,526
Cash and cash equivalent at the end of the period (Note A)		(28,487,221)	35,083,408	(16,495,233)	16,068,500
Note A- Analysis of cash and cash equivalents					
Favourable balances					
Cash in hand and at bank		245,884,371	77,042,979	196,658,531	75,532,544
Short term investments		208,013,226	213,614,451	148,013,226	155,614,451
		453,897,597	290,657,430	344,671,757	231,146,994
Unfavourable balances					
Bank overdrafts		(482,384,819)	(255,574,022)	(361,166,990)	(215,078,494)
Cash and cash equivalents		(28,487,221)	35,083,408	(16,495,233)	16,068,500

Notes from pages 54 to 103 form an integral part of these Financial Statements. Figures in brackets indicate 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 2021 comprise the financial statements of Company and its subsidiary (together referred to as the “Group”)

1.3 Principal Activities and Nature of Operations

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

1.4 Number of Employees

The staff strength of the Group as at 31st December 2021 was 1,922 (1,929 as at 31st December 2020)

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 pages 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 103.

2.3 Date of Authorisation for Issue

The financial statements of the Group and the Company for the year ended 31 December 2021 were authorised for issue by the Company’s Board of Directors on 28th March 2022.

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.

NOTES TO THE FINANCIAL STATEMENTS CONTD.

2.12.3 Business Combinations

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

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

2.12.4 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 2021.

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.

NOTES TO THE FINANCIAL STATEMENTS CONTD.

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

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

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

4.1.3 Non-Controlling Interest

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

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

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

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

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

4.1.4 Loss of Control

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

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

4.1.5 Reporting Date

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

4.1.6 Intra-Group Transactions

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

4.1.7 Transactions Eliminated on Consolidation

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

4.1.8 Material Gains or Loss, Provisional Values or Error Corrections

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

4.2 Foreign Currencies

4.2.1 Foreign Currency Transactions

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

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

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

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value

of the item (i.e., translation differences on items whose fair value gain or loss is recognised in OCI or profit or loss are also recognised in OCI or profit or loss, respectively).

4.3 Financial Instruments

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

4.3.1 Financial Assets

4.3.1.1 Initial Recognition and Measurement

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

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

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

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

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

Subsequent measurement

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

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

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

NOTES TO THE FINANCIAL STATEMENTS CONTD.

computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in OCI. Upon derecognition, the cumulative fair value change recognised in OCI is recycled to profit or loss.

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

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

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

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

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

4.3.1.1.4 Financial Assets at Fair Value Through Profit or Loss

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

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

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

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

4.3.1.2 Impairment of Financial Assets

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

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

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

4.3.1.3 Derecognition of Financial Assets

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

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

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither

transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

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.

NOTES TO THE FINANCIAL STATEMENTS CONTD.

4.4.2 Significant Components of Property Plant and Equipment

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

4.4.3 Subsequent Cost

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

4.4.4 Depreciation

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

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

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

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

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

4.4.5 De-Recognition

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

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

4.4.6 Capital Work-in-Progress

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 stand-alone price.

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

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS CONTD.

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

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

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

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

4.6.2 Group acting as a Lessor

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

To classify each lease, the Company / Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the 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

NOTES TO THE FINANCIAL STATEMENTS CONTD.

or constructive obligations to pay any additional amounts. Obligations for contributions to a defined contribution plan are recognised as an employee benefit expense in the income statement in the periods during which services are rendered by employees. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

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

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

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

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

The liability is not externally funded.

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

4.13 Restructuring

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

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

4.14 Onerous Contracts

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

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

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.

NOTES TO THE FINANCIAL STATEMENTS CONTD.

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

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

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

4.17.2 Deferred Tax

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

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

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

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

4.17.3 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.

- Onerous Contracts - Cost of fulfilling the contract (Amendments to LKAS 37 - Provisions, Contingent Liabilities and Contingent Assets)
- Deferred tax related assets and liabilities arising from a single transaction (Amendments to LKAS 12)
- Other standards - Annual Improvements to IFRS Standards 2018-2020
 - Proceeds before intended use (amendments to LKAS 16 - Property, plant and equipment:)
 - Reference to the conceptual framework (amendments to SLFRS 3 - Business Combinations)
 - Disclosure of Accounting Policies (Amendments to LKAS 1 and SLFRS practice statement 2)
 - Definition of accounting estimates (Amendments to LKAS 8)
- Amendments to SLFRS 16 - COVID-19 Related Rent Concessions beyond 30th June 2021 (Amendments to SLFRS 16)
- Classification of liabilities as current or non-current (Amendments to LKAS 1 – Presentation of Financial Statements)

NOTES TO THE FINANCIAL STATEMENTS CONTD.

For the year ended 31st December,	Group		Company	
	2021 Rs.	2020 Rs.	2021 Rs.	2020 Rs.
5. REVENUE FROM CUSTOMER CONTRACTS				
Hospital revenue	6,707,009,994	5,249,334,500	6,707,009,994	5,249,334,500
Laboratory revenue	3,326,556,925	1,554,342,195	-	-
	10,033,566,919	6,803,676,695	6,707,009,994	5,249,334,500

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	
	2021 Rs.	2020 Rs.	2021 Rs.	2020 Rs.
6. OTHER INCOME				
Rent income	13,738,297	17,012,792	21,045,487	24,200,192
Car park income	32,777,273	38,452,472	32,777,273	38,452,472
Sundry income	81,513,193	9,962,451	81,389,877	9,952,250
Gain/(loss) on disposal of property, plant and equipment	8,149,153	(1,580,805)	8,270,480	(1,580,805)
Gain/(loss) on disposal of ROU assets	893,595	(1,386,310)	669,715	(1,386,310)
Dividend income	-	-	258,750,013	414,000,020
	137,071,511	62,460,600	402,902,844	483,637,819
7. NET FINANCE INCOME				
7.1 Finance income				
Interest income earned from;				
- Call deposit	5,757,582	5,452,328	2,673,036	2,119,984
- Fixed deposits- Sri Lankan Rupees	92,305,276	83,402,898	67,667,958	59,091,445
- Fixed deposits- Foreign Exchange Earners Account (FEEA)	143,273,220	102,740,681	143,273,220	102,740,681
Short term deposits	10,988,020	6,564,793	10,988,020	6,564,793
Gain on translation of foreign currency	153,946,233	51,381,579	154,654,007	51,279,309
	406,270,332	249,542,279	379,256,241	221,796,212
7.2 Finance Cost				
Interest expenses on lease liabilities	(32,598,348)	(34,917,703)	(18,417,008)	(23,051,238)
	(32,598,348)	(34,917,703)	(18,417,008)	(23,051,238)
Net Finance Income	373,671,984	214,624,576	360,839,233	198,744,974

8. PROFIT BEFORE TAX

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

For the year ended 31st December,	Group		Company	
	2021 Rs.	2020 Rs.	2021 Rs.	2020 Rs.
Directors' remuneration and fees	16,595,000	10,295,975	14,340,000	9,110,000
Auditors' remuneration				
- Statutory audit	2,148,000	1,859,088	1,500,000	1,154,800
Amortisation of intangible assets	21,344,067	22,732,700	16,378,201	14,369,136
Impairment loss (reversal of provision) of trade receivables	846,650	12,123,651	(13,638,099)	6,981,267
Impairment loss (reversal of provision) of inventories	(3,788,320)	32,435,667	(3,054,355)	26,447,893
Amortisation of Right of use assets	65,386,488	70,550,546	33,335,322	42,311,102
Legal expenses	1,481,649	1,845,077	1,481,649	1,845,077
Staff cost (note 8.1)	2,545,517,957	2,218,986,301	2,125,071,212	1,867,998,381
Loss (Gain) on disposal of property, plant and equipment	(8,149,153)	1,580,805	(8,270,480)	1,580,805
Depreciation of property, plant and equipment - Cost of services	228,398,605	207,683,465	207,787,296	188,973,458
Depreciation of property, plant and equipment - Administrative cost	229,703,372	226,234,225	199,123,314	193,279,716
8.1 Staff cost				
Staff cost Under Cost of Services				
Salaries and other related costs	916,787,041	776,086,079	909,707,874	769,256,079
Defined contribution plan cost - EPF and ETF	52,033,258	53,549,223	50,971,383	52,524,723
Defined benefit plan cost - Retiring gratuity	18,042,773	21,068,925	18,042,773	21,068,925
	986,863,073	850,704,227	978,722,031	842,849,727
Staff cost Under Administrative Cost				
Salaries and other related costs	1,400,835,142	1,220,975,970	1,024,089,370	910,060,400
Defined contribution plan cost - EPF and ETF	119,421,351	108,147,699	91,538,333	83,484,865
Defined benefit plan cost - Retiring gratuity	38,398,391	39,158,405	30,721,478	31,603,389
	1,558,654,885	1,368,282,074	1,146,349,182	1,025,148,654
	2,545,517,957	2,218,986,301	2,125,071,212	1,867,998,381
No of employees	1,922	1,929	1,520	1,557

NOTES TO THE FINANCIAL STATEMENTS CONTD.

For the year ended 31st December,	Group		Company	
	2021 Rs.	2020 Rs.	2021 Rs.	2020 Rs.
9. INCOME TAX EXPENSE				
Recognised in Income Statement				
Current tax expense				
Taxation on the profit for the year (Note 9.1)	314,838,411	131,302,238	183,034,957	123,562,337
Over provision in respect of previous year	(33,154,879)	(207,027)	(32,049,128)	(207,027)
	281,683,532	131,095,211	150,985,829	123,355,310
Deferred tax expense				
Deferred tax liability originated during the year	(298,269,436)	(80,804,104)	(288,700,673)	(79,454,225)
Deferred tax assets originated during the year	37,707,171	(24,923,754)	33,978,115	(20,370,562)
	21,121,266	25,367,354	(103,736,728)	23,530,524
Recognised in Statement of other comprehensive income				
Deferred tax on property, plant and equipment	(289,330,721)	57,683,849	(280,288,121)	48,394,467
Deferred tax on actuarial gain or loss	6,585,503	(999,050)	5,852,337	(335,000)
	282,745,218	56,684,799	(274,435,784)	48,059,468
9.1 Tax reconciliation statement				
Profit before taxation	2,232,636,739	410,360,453	1,316,873,664	467,109,426
Consolidation adjustments	269,227,213	425,197,164	-	-
Profit after adjustments	2,501,863,952	835,557,617	1,316,873,664	467,109,426
Less : Income not liable for income tax	(604,274,716)	(840,789,723)	(311,567,423)	(472,341,531)
Less : Allowable expenses	(473,194,884)	(327,612,203)	(377,230,844)	(327,612,203)
Less : Income from other sources	(497,558,073)	(233,169,567)	(469,610,338)	(233,169,567)
Add : Disallowable expense	654,050,058	567,138,359	528,702,632	567,138,359
Business income	1,580,886,338	1,124,483	687,167,690	1,124,483
Add : Income from other sources	497,455,519	260,813,365	469,610,338	233,169,567
	2,078,341,857	261,937,848	1,156,778,029	234,294,050
Less : Qualifying payments	-	-	-	-
Taxable income	2,078,341,857	261,937,848	1,156,778,029	234,294,050
Tax on final withholding payment	-	57,960,002	-	57,960,002
Income tax at 14%	221,324,087	-	96,203,477	-
Tax on taxable Income at 24%	57,289,322	73,342,236	50,606,478	65,602,334
Tax on Income at 14% - Dividend	36,225,002	-	36,225,002	-
Taxation on profits for the year	314,838,411	131,302,238	183,034,957	123,562,336

9.2 The Lanka Hospitals Corporation PLC is liable to income tax at 14% for the year ended 31st December 2021.

9.3 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	
	2021 Rs.	2020 Rs.	2021 Rs.	2020 Rs.
Profit attributable to the shareholders (Rs.)	2,211,515,473	384,993,099	1,420,610,392	443,578,902
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.)	9.88	1.72	6.35	1.98
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 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
Revaluation adjustment	-	(346,488,680)	-	-	-
Disposals during the year	-	-	(6,952,559)	(1,186,095)	(773,569)
Balance as at 31st December 2020	-	11,876,734	1,774,843,997	251,217,737	61,242,777
As at 31st December 2020	73,000,002	2,595,444,103	1,459,824,905	160,125,577	27,373,358
Cost or valuation					
Balance as at 1st January 2021	73,000,002	2,607,320,837	3,234,668,902	411,343,313	88,616,135
Additions during the year	-	16,476,797	182,269,290	40,797,426	7,832,017
Transfer from capital work in progress	-	1,902,239	14,639,271	14,429,099	-
Disposals during the year	-	-	(12,935,703)	(489,698)	(437,190)
Balance as at 31st December 2021	73,000,002	2,625,699,873	3,418,641,761	466,080,140	96,010,962
Accumulated depreciation					
Balance as at 1st January 2021	-	11,876,734	1,774,843,997	251,217,737	61,242,777
Charge for the year	-	115,401,909	223,893,679	31,687,151	6,664,197
Disposals during the year	-	-	(8,560,659)	(423,046)	(277,526)
Balance as at 31st December 2021	-	127,278,643	1,990,177,017	282,481,842	67,629,448
As at 31st December 202	73,000,002	2,498,421,230	1,428,464,743	183,598,298	28,381,514

There were no capitalised borrowing costs related to the acquisition of property, plant and equipment during the year 2021 (2020 – 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.
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
-	-	-	-	-	-	(346,488,680)
(1,559,035)	(944,650)	-	-	-	-	(11,415,908)
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	166,054,508	4,757,111,279
282,708,420	791,901,128	38,213,313	24,117,956	41,574,961	166,054,508	7,759,519,475
25,956,197	76,554,638	2,046,229	72,080,000	-	-	424,012,593
-	25,488,000	-	-	-	(56,458,609)	-
(2,012,084)	(2,055,914)	-	(6,168,279)	-	-	(24,098,868)
306,652,533	891,887,852	40,259,542	90,029,677	41,574,961	109,595,899	8,159,433,200
238,895,477	566,210,779	36,357,118	24,117,956	37,645,623	-	3,002,408,196
22,689,558	50,216,378	841,679	4,504,926	2,202,500	-	458,101,977
(1,944,220)	(1,961,003)	-	(6,168,279)	-	-	(19,334,733)
259,640,815	614,466,154	37,198,797	22,454,603	39,848,123	-	3,441,175,440
47,011,718	277,421,698	3,060,745	67,575,074	1,726,838	109,595,899	4,718,257,761

12.1.3 Fully-depreciated property, plant and equipment

Property plant and equipment as at 31st December 2021 includes fully depreciated assets having a gross carrying amount (cost) of Rs.1.96 Bn (2020 - 1.59 Bn).

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

Freehold land of the Company was revalued by Mr. A.A.M. Fathihu (FIV), Independent 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 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
Cost or valuation					
Balance as at 1st January 2021	73,000,002	2,382,000,000	3,041,489,248	329,809,473	64,257,022
Additions during the year	-	16,476,797	161,282,611	28,359,131	2,798,956
Transfer from capital work in progress	-	1,902,239	14,639,271	14,429,099	-
Disposals during the year	-	-	(12,935,703)	(489,698)	(307,590)
Balance as at 31st December 2021	73,000,002	2,400,379,037	3,204,475,427	372,108,005	66,748,388
Accumulated depreciation					
Balance as at 1st January 2021	-	-	1,679,889,850	219,838,725	54,494,727
Charge for the year	-	106,719,555	203,282,370	22,932,464	4,043,820
Disposals during the year	-	-	(8,560,659)	(423,046)	(207,357)
Balance as at 31st December 2021	-	106,719,555	1,874,611,562	242,348,143	58,331,190
Carrying amounts					
As at 31st December 2021	73,000,002	2,293,659,482	1,329,863,865	129,759,863	8,417,199

There were no capitalised borrowing costs related to the acquisition of property, plant and equipment during the year 2021 (2020 – 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 Group as at the reporting date.

12.2.2 Property, plant and equipment pledged as security for liabilities

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

12.2.3 Fully-depreciated property, plant and equipment

Computer equipment Rs.	Other equipment Rs.	Kitchen equipment Rs.	Medical vehicles Rs.	Motor vehicles- Others Rs.	Capital work in progress Rs.	Total Rs.
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
204,157,949	755,155,900	38,213,311	24,117,956	41,574,961	166,054,508	7,119,830,331
21,078,629	74,893,570	2,046,229	72,080,000	-	-	379,015,922
-	25,488,000	-	-	-	(56,458,609)	-
(1,449,685)	(2,055,914)	-	(6,168,279)	-	-	(23,406,869)
223,786,893	853,481,556	40,259,540	90,029,677	41,574,961	109,595,899	7,475,439,384
179,015,095	554,375,568	36,357,118	24,117,956	37,645,623	-	2,785,734,662
15,973,123	46,410,174	841,679	4,504,926	2,202,500	-	406,910,610
(1,443,717)	(1,961,003)	-	(6,168,279)	-	-	(18,764,061)
193,544,501	598,824,737	37,198,797	22,454,603	39,848,123	-	3,173,881,211
30,242,392	254,656,819	3,060,743	67,575,074	1,726,838	109,595,899	4,301,558,172

Property plant and equipment as at 31st December 2021 includes fully depreciated assets having a gross carrying amount (cost) of Rs.1.92 Bn (2020 - 1.59 Bn).

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

Freehold land of the Company was revalued by Mr A.A.M. Fathihu (FIV), Independent 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	Method of valuation	Effective date of revaluation	Property valuer
Hathbodiya, Kirula Road, Narahenpita, Colombo 05	Open market value method	31st December 2020	Mr. A. A. M. Fathihu (FIV), Independent Chartered Valuer
Hathbodiya, Kirula Road, Narahenpita, Colombo 05	Open market value method	31st December 2020	Mr. A. A. M. Fathihu (FIV), Independent Chartered Valuer

12.2.5 Carrying amount if buildings on leasehold measured using cost model

Location	Method of valuation	Effective date of revaluation	Property valuer
578, Elvitigala Mawatha, Colombo 05	Current replacement cost basis	31st December 2020	Mr. A. A. M. Fathihu (FIV), Independent Chartered Valuer

Extent	Significant unobservable input	Carrying amount as at 31.12.2021 Rs.	Revaluation surplus Rs.	Carrying amount at cost Rs.
10.35 Perches	Estimated price per perch Rs. 3,587,224	37,127,766	30,659,319	6,468,447
10 Perches	Estimated price per perch Rs. 3,587,224	35,872,236	29,622,529	6,249,706
20.35 perches		73,000,002	60,281,848	12,718,153
20.35 perches				

Significant unobservable input	Carrying amount as at 31.12.2021 Rs.	Cumulative depreciation if assets were carried at cost Rs.	Net carrying value Rs.
Estimated value per square foot Rs.5,000 - 13,500	1,750,755,095	402,633,427	1,348,121,668

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 01.01.2021 Rs.	Additions during the year Rs.	Transfers during the year Rs.	Balance as at 31.12.2021 Rs.
Building on leasehold land	166,054,508	-	(56,458,609)	109,595,899
	166,054,508	-	(56,458,609)	109,595,899

As at 31st December,	Group		Company	
	2021 Rs.	2020 Rs.	2021 Rs.	2020 Rs.
13. INTANGIBLE ASSETS				
Cost				
Balance at the beginning of the year	159,582,382	156,154,901	102,782,548	101,034,648
Additions during the year	20,087,394	3,427,481	18,005,891	1,747,900
Balance as at the end of the year	179,669,776	159,582,382	120,788,439	102,782,548
Accumulated amortisation				
Balance at the beginning of the year	103,049,706	80,317,006	60,382,707	46,013,571
Amortisation charge for the year	21,344,067	22,732,700	16,378,201	14,369,136
Balance as at the end of the year	124,393,773	103,049,706	76,760,908	60,382,707
Carrying amount	55,276,003	56,532,676	44,027,531	42,399,841

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 2021 (2020 – Nil).

As at 31st December,	Group		Company	
	2021 Rs.	2020 Rs.	2021 Rs.	2020 Rs.
14. INVESTMENT PROPERTY				
Balance at the beginning of the year	-	-	142,000,000	135,000,000
Change in fair value	-	-	4,700,000	7,000,000
Balance as at the end of the year	-	-	146,700,000	142,000,000

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 the 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/- until October 2021 and Rs. 658,845/- November 2021 onwards.

14.2 Details of land and buildings classified as investment property

Location	Building Extent	Carrying amount at cost Rs.	Fair value Rs.	Last Revaluation Date
No 578, Etiviligala Mawatha, Colombo 05	11,500 square feet	82,110,000	146,700,000	31/12/2021

Income on Investment property

For the year ended 31st December,	Group		Company	
	2021 Rs.	2020 Rs.	2021 Rs.	2020 Rs.
Rental income	-	-	7,307,190	7,187,400
Changes in fair value	-	-	4,700,000	7,000,000

14.3 As at 31st December 2021, 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

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

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

NOTES TO THE FINANCIAL STATEMENTS CONTD.

As at 31st December,	Group		Company	
	2021 Rs.	2020 Rs.	2021 Rs.	2020 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

15.1 Below table shows a summary of financial information of the subsidiary in the Group..

	2021	2020
Ownership Percentage	100%	100%
Non-current assets	407,489,333	417,264,239
Current assets	2,097,435,861	941,949,163
Non-current liabilities	140,919,876	168,606,804
Current liabilities	569,290,711	216,277,207
Net Assets	1,794,714,607	974,329,390
Revenue	3,326,556,925	1,554,342,195
Profit/(loss)	1,074,631,494	366,611,362
Other comprehensive income	4,503,735	(1,707,556)
Total comprehensive income	1,079,135,229	364,903,806
Profit attributable to equity holders	1,074,631,494	366,611,362
OCI attributable to equity holders	1,079,135,229	364,903,806
Cash flows from/ (used in) operating activities	824,014,321	357,600,262
Cash flows from/ (used in) investing activities	(564,061,538)	(80,832,493)
Cash flows from/ (used in) financing activities	(290,959,680)	(439,599,889)
Net increase/ (decrease) in cash and cash equivalents	(31,006,897)	(162,832,120)

As at 31st December,	Group		Company	
	2021 Rs.	2020 Rs.	2021 Rs.	2020 Rs.
16. INVENTORIES				
Medical items	462,179,218	446,154,891	304,432,274	349,079,207
Non medical items	8,925,690	12,284,848	8,925,690	12,284,848
Engineering stocks	6,738,345	6,182,483	6,738,345	6,182,483
Food and beverages	7,232,052	7,699,030	7,232,052	7,699,030
	485,075,304	472,321,252	327,328,360	375,245,568
Less; Impairment of inventories (Note 16.1)	(29,625,808)	(33,414,128)	(24,371,999)	(27,426,354)
	455,449,496	438,907,124	302,956,360	347,819,214
16.1 Provision on inventories				
Balance at the beginning of the year	33,414,128	978,461	27,426,354	978,461
Provision recognised/ (reversed) during the year	(3,788,320)	32,435,667	(3,054,355)	26,447,893
Balance as at the end of the year	29,625,808	33,414,128	24,371,999	27,426,354

As at 31st December,	Group		Company	
	2021 Rs.	2020 Rs.	2021 Rs.	2020 Rs.
17. TRADE AND OTHER RECEIVABLES				
Trade receivables (Note 17.1)	704,241,269	443,968,838	453,849,455	334,671,369
Impairment loss on trade receivables (Note 17.2)	(54,194,263)	(53,347,613)	(34,567,130)	(48,205,229)
	650,047,006	390,621,224	419,282,325	286,466,140
Deposits and prepayments	96,850,338	74,984,870	69,834,459	51,682,050
Advances and other receivables	148,959,341	142,671,899	127,951,584	136,562,578
Interest income receivable	135,848,051	67,979,711	124,466,619	66,359,164
	1,031,704,735	676,257,704	741,534,986	541,069,932
17.1 Trade receivables				
Sri Lanka Insurance Corporation Limited	40,181,199	22,931,610	35,714,608	20,629,987
Other debtors	629,703,355	352,648,714	383,778,132	245,652,868
Patients not yet discharged	34,356,715	68,388,514	34,356,715	68,388,514
	704,241,269	443,968,838	453,849,455	334,671,369

NOTES TO THE FINANCIAL STATEMENTS CONTD.

As at 31st December,	Group		Company	
	2021 Rs.	2020 Rs.	2021 Rs.	2020 Rs.
17.2 Impairment loss on trade receivables				
Balance at the beginning of the year	53,347,613	41,223,962	48,205,229	41,223,962
Impairment recognised (Reversal of Provision) during the year	846,650	12,123,651	(13,638,099)	6,981,267
Balance as at the end of the year	54,194,263	53,347,613	34,567,130	48,205,229
18. AMOUNTS DUE FROM RELATED COMPANIES				
Sri Lanka Insurance Corporation Limited	1,834,188	3,745,338	1,834,188	3,745,338
Lanka Hospitlas Diagnostics (Pvt) Ltd	-	-	109,905,120	7,635,177
	1,834,188	3,745,338	111,739,308	11,380,515
19. OTHER FINANCIAL ASSETS				
Fixed deposits- Foreign Exchange Earners Account (FEEA)	2,186,089,310	1,831,994,000	2,186,089,310	1,831,994,000
Fixed deposits- Sri Lankan Rupees	2,563,881,843	1,275,000,000	1,678,937,500	925,000,000
	4,749,971,153	3,106,994,000	3,865,026,810	2,756,994,000

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	
	2021 Rs.	2020 Rs.	2021 Rs.	2020 Rs.
20. CASH AND CASH EQUIVALENTS				
Favourable balances				
Repo Investment	208,013,226	213,614,451	148,013,226	155,614,451
Cash in hand and at bank	245,884,371	77,042,979	196,658,531	75,532,544
	453,897,597	290,657,430	344,671,757	231,146,994
Unfavourable balances				
Bank overdraft	(482,384,819)	(255,574,022)	(361,166,990)	(215,078,494)
Cash and cash equivalents for the purpose of statement of cash flows,	(28,487,221)	35,083,408	(16,495,233)	16,068,500
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

As at 31st December,	Group		Company	
	2021 Rs.	2020 Rs.	2021 Rs.	2020 Rs.
22. REVALUATION RESERVE				
Balance at the beginning of the year	1,093,047,507	982,213,370	1,008,006,749	918,291,662
Surplus on revaluation of freehold land	-	9,000,000	-	9,000,000
Surplus on revaluation of leasehold buildings	-	206,013,745	-	172,837,383
Effect on deferred tax due to rate change	289,330,721	-	280,288,121	-
Depreciation transfer on revaluation of buildings	(51,796,694)	(46,495,759)	(48,263,185)	(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	1,330,581,534	1,093,047,507	1,240,031,685	1,008,006,749

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 plan is the present value of the defined benefit obligation at the reporting date.

As at 31st December,	Group		Company	
	2021 Rs.	2020 Rs.	2021 Rs.	2020 Rs.
23.2 Movement in defined benefit obligations				
Balance as at 1st January	294,426,643	245,319,808	259,503,102	218,983,833
Included in Income statement				
Current service cost	31,414,900	34,468,751	26,706,488	29,679,012
Interest cost	25,026,265	25,758,579	22,057,764	22,993,302
	56,441,165	60,227,330	48,764,252	52,672,314
Included in other comprehensive income				
Actuarial (gain)/ loss recognised	(47,039,308)	3,568,033	(41,802,407)	1,196,427
	(47,039,308)	3,568,033	(41,802,407)	1,196,427
Other				
Contributions paid by the employer	(26,052,893)	(14,688,528)	(24,042,784)	(13,349,472)
	(26,052,893)	(14,688,528)	(24,042,784)	(13,349,472)
Balance as at 31st December	277,775,607	294,426,643	242,422,163	259,503,102

NOTES TO THE FINANCIAL STATEMENTS CONTD.

23. EMPLOYEE BENEFIT OBLIGATIONS CONTD.**Description of the valuation method used and the information about the valuer**

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

The provision for retirement benefits obligations for the year is based on the actuarial valuation carried out by professionally qualified actuaries, Actuarial And Management Consultants (Pvt) Ltd, as at 31st December 2021. 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	
	2021 Rs.	2020 Rs.	2021 Rs.	2020 Rs.
Discount rate	11.00%	8.50%	11.00%	8.50%
Future salary growth	8%	8%	8%	8%
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	
	2021 Rs.	2020 Rs.	2021 Rs.	2020 Rs.
Change in:	+1%	+1%	+1%	+1%
	Rs	Rs	Rs	Rs
Discount rate	(16,835,504)	(21,387,617)	(14,652,587)	(18,797,622)
Future salary growth	20,636,209	25,830,701	17,944,015	22,705,896

As at 31st December,	Group		Company	
	2021 Rs.	2020 Rs.	2021 Rs.	2020 Rs.
Change in:	-1%	-1%	-1%	-1%
	Rs	Rs	Rs	Rs
Discount rate	18,968,938	24,581,648	16,498,381	21,611,913
Future salary growth	(18,572,491)	(22,847,269)	(16,159,767)	(20,077,715)

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,	2021		2020	
	Group Rs.	Company Rs.	Group Rs.	Company Rs.
within the next 12 months	29,795,564	25,926,987	34,887,239	31,424,440
Between 1-2 years	72,026,995	61,217,756	48,864,642	42,270,222
Between 2-5 years	106,654,766	97,852,437	90,237,918	81,175,172
Beyond 5 years	543,481,237	467,980,227	531,560,444	467,090,711
	751,958,562	652,977,406	705,550,243	621,960,545

24. DEFERRED TAX LIABILITIES

24.1 Deferred taxation

As at 31st December,	Group		Company	
	2021 Rs.	2020 Rs.	2021 Rs.	2020 Rs.
Net deferred tax liability				
Deferred tax liability (Note 24.1.1)	560,027,083	1,147,627,240	509,335,412	1,078,324,206
Deferred tax assets (Note 24.1.2)	(50,623,397)	(94,916,071)	(42,190,581)	(82,021,033)
	509,403,686	1,052,711,169	467,144,831	996,303,172

The movements on the deferred tax account is as follows:

As at 31st December,	Group		Company	
	2021 Rs.	2020 Rs.	2021 Rs.	2020 Rs.
24.1.1 Deferred tax liability				
Balance at the beginning of the year	1,147,627,240	1,170,747,495	1,078,324,206	1,109,383,963
Originated during the year	(298,269,436)	(80,804,104)	(288,700,673)	(79,454,225)
(Originated)/ reversal during the year- recognised in other comprehensive income	(289,330,721)	57,683,849	(280,288,121)	48,394,467
Balance at the end of the year	560,027,083	1,147,627,240	509,335,412	1,078,324,206
24.1.2 Deferred tax asset				
Balance at the beginning of the year	(94,916,071)	(68,993,267)	(82,021,033)	(61,315,472)
Originated during the year- recognised in profit or loss	37,707,171	(24,923,754)	33,978,115	(20,370,562)
(Originated)/ reversal during the year- recognised in other comprehensive income	6,585,503	(999,050)	5,852,337	(335,000)
Balance at the end of the year	(50,623,397)	(94,916,071)	(42,190,581)	(82,021,033)

NOTES TO THE FINANCIAL STATEMENTS CONTD.

24. DEFERRED TAX LIABILITIES CONTD.**24.2 Recognised deferred tax assets and liabilities****24.2.1 Group**

	Net Balance as at 1st January 2021 Rs.	Recognised in profit or loss Rs.	Recognised in OCI Rs.	Net balance as at 31st December 2021 Rs.	Deferred tax liability Rs.	Deferred tax asset Rs.
Property, plant and equipment	1,062,218,822	(251,248,208)	(289,330,721)	521,639,893	521,639,893	-
Employee benefits	(82,439,461)	36,965,372	6,585,503	(38,888,586)	-	(38,888,586)
Intangible assets	7,134,340	(8,136,339)	-	(1,001,999)	(1,001,999)	-
Impairment loss on inventory	(9,081,987)	4,934,373	-	(4,147,614)	-	(4,147,614)
Impairment loss on trade receivables	(3,394,623)	(4,192,575)	-	(7,587,198)	-	(7,587,198)
Right of use assets	78,274,078	(38,884,889)	-	39,389,189	39,389,189	-
	1,052,711,169	(260,562,265)	(282,745,218)	509,403,686	560,027,083	(50,623,397)

	Net Balance as at 1st January 2020 Rs.	Recognised in profit or loss Rs.	Recognised in OCI Rs.	Net balance as 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)

24.2 Recognised deferred tax assets and liabilities

24.2.2 Company

	Net Balance as at 1st January 2021 Rs.	Recognised in profit or loss Rs.	Recognised in OCI Rs.	Net balance as at 31st December 2021 Rs.	Deferred tax liability Rs.	Deferred tax asset Rs.
Property, plant and equipment	972,393,109	(229,603,188)	(280,288,121)	462,501,801	462,501,801	-
Investment property	16,769,200	(14,499,200)	-	2,270,000	2,270,000	-
Employee benefits	(72,660,867)	32,869,429	5,852,337	(33,939,101)	-	(33,939,101)
Intangible assets	9,382,081	(6,304,121)	-	3,077,960	3,077,960	-
Impairment loss on inventory	(7,405,411)	3,993,330	-	(3,412,080)	-	(3,412,080)
Impairment loss on trade receivables	(1,954,756)	(2,884,643)	-	(4,839,399)	-	(4,839,399)
Right of use assets	79,779,815	(38,294,165)	-	41,485,651	41,485,651	-
	996,303,172	(254,722,557)	(274,435,784)	467,144,831	509,335,412	(42,190,581)

	Net Balance as at 1st January 2020 Rs.	Recognised in profit or loss Rs.	Recognised in OCI Rs.	Net balance as 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)

As at 31st December,	Group		Company	
	2021 Rs.	2020 Rs.	2021 Rs.	2020 Rs.
25. AMOUNTS DUE TO RELATED COMPANIES				
Sri Lanka Insurance Corporation Limited	-	4,769,075	-	4,769,075
Super Religare Laboratories Limited- SRL	-	-	-	-
	-	4,769,075	-	4,769,075

NOTES TO THE FINANCIAL STATEMENTS CONTD.

As at 31st December,	Group		Company	
	2021 Rs.	2020 Rs.	2021 Rs.	2020 Rs.
26. TRADE AND OTHER PAYABLES				
Trade payables (Note 26.1)	259,392,044	249,301,263	768,804,830	463,545,258
Other payables				
- Accrued expenses	220,965,183	167,145,981	199,935,932	160,238,274
- Advance received	90,255,191	79,800,378	86,394,945	79,800,378
- Economic Service Charge payable	-	-	-	-
- Withholding tax payable	184,966	184,966	-	-
- Other payables	327,159,238	288,614,931	292,575,308	249,135,300
	897,956,622	785,047,519	1,347,711,015	952,719,210
26.1 Trade payables				
Trade payables - Lanka Hospitals Diagnostics (Pvt) Ltd	-	-	661,762,357	306,738,033
Trade payables - Other creditors	259,392,044	249,301,263	107,042,473	156,807,225
	259,392,044	249,301,263	768,804,830	463,545,258

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	
	2021 Rs.	2020 Rs.	2021 Rs.	2020 Rs.
Cost				
Balance at the beginning of the year	670,748,958	708,935,959	516,171,181	577,787,828
Additions during the year	61,793,422	23,429,645	18,551,684	-
Disposals/ Write-offs during the year	(19,970,576)	(61,616,647)	(7,739,530)	(61,616,647)
Balance as at the end of the year	712,571,804	670,748,958	526,983,335	516,171,181
Accumulated amortisation				
Balance at the beginning of the year	119,029,199	70,255,114	69,189,308	48,654,667
Charge for the year	65,386,488	70,550,546	33,335,322	42,311,102
Disposal during the year	(5,320,927)	(21,776,461)	(5,320,927)	(21,776,461)
Accumulated amortisation as at 31st December	179,094,760	119,029,199	97,203,703	69,189,308
Net book value as at 31st December	533,477,044	551,719,758	429,779,632	446,981,873

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	
	2021 Rs.	2020 Rs.	2021 Rs.	2020 Rs.
Balance at the beginning of the year	272,169,479	377,311,745	162,053,960	269,522,160
Additions during the year	61,793,422	23,429,645	18,551,684	-
Accretion of interest	32,598,348	34,917,703	18,417,008	23,051,238
Payments	(102,975,965)	(123,900,787)	(62,480,780)	(90,930,612)
Disposal during the year	(15,319,364)	(39,608,827)	(3,088,318)	(39,608,827)
Exchange (gain)/loss	-	20,000	-	20,000
Gain/Loss on Disposals	(223,880)	-	-	-
Balance as at the end of the year	248,042,040	272,169,479	133,453,554	162,053,960
Current	88,743,012	72,424,798	60,541,838	49,908,439
Non-current	159,299,028	199,744,680	72,911,716	112,145,521

27.3 Maturity analysis of the lease liability:

Less than one year	34,793,479	26,261,193	6,047,482	3,744,834
One to Five Years	173,029,817	188,440,756	95,257,446	112,616,294
More than five years	40,218,744	57,467,530	32,148,627	45,692,833
Total lease liabilities as at 31st December	248,042,040	272,169,479	133,453,554	162,053,960

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	
	2021 Rs.	2020 Rs.	2021 Rs.	2020 Rs.
For the year ended 31st December				
Amortisation expenses on right-of-use assets	65,386,488	70,550,546	33,335,322	42,311,102
Interest expenses on lease liabilities	32,598,349	34,917,703	18,417,008	23,051,238
Net amount charged to statement of profit or loss	97,984,837	105,468,249	51,752,330	65,362,340

27.5 The company is a lessee entered into 99 years lease agreement with the Urban Development Authority in 1999. In terms of this agreement a sum of Rs. 18,546,548/- per annum should be paid by the Company till 2025, and the final premium payment of Rs. 9,273,274/- should be paid in 2026.

There are other lease facilities entered by the company for corporate office and hostels. In addition, The Lanka Hospitals Diagnostic Pvt Ltd the subsidiary of The Lanka Hospitals Corporation PLC has entered into lease agreements for the purpose of Laboratory services and company sample collection centers.

NOTES TO THE FINANCIAL STATEMENTS CONTD.

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 (Executive and Non- executive Directors) are Key Management Personnel of the Group. The short term compensation of Key Management Personnel for the year ended 31st December 2021 amounted to Rs 14,340,000/- (2020 - Rs.9,110,000/-). While the compensation for Key Management Personnel of the group for the year ended 31st December 2021 amounted to Rs.16,595,000/- (2020 - Rs. 10,295,975/-).

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 2021.

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 2020 Audited Financial Statements, which required additional disclosures in the 2021 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 2020 audited financial statements, which required additional disclosures in the 2021 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.

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 Rs.	Balance as at 31st December 2021 (Payable)/ Receivable (Rs.)	Balance as at 31st December 2020 (Payable)/ Receivable (Rs.)
Sri Lanka Insurance Corporation Limited	Parent Company	Services provided	184,095,688	35,714,608	20,629,987
		Amount received	(169,011,067)		
		Premiums paid for the insurance policy on fire, vehicle, professional indemnity, staff insurance and general insurance	51,495,772	-	(4,769,075)
		Amounts write back	4,769,075		
		Amounts Paid	(51,495,772)		
		Other medical services provided by the company	13,173,451	1,834,188	3,745,338
		Amounts Received	(15,084,602)		
Lanka Hospitals Diagnostics (Private) Limited	Subsidiary Company	Reimbursement of expenses and the rent income received/ receivable by the Company	102,269,943	109,905,120	7,635,177
		Amounts Received	-		
		Services provided	(990,024,324)	(661,762,357)	(306,738,033)
		Amounts Paid	635,000,000		

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
	2021	Lanka Hospitals Diagnostics (Private) Ltd	Subsidiary Company	Laboratory Services provided	990,024,324	18.86%	Arm's Length Transactions
		Sri Lanka Insurance Corporation PLC	Parent Company	Medical Services provided	184,095,688	4%	Arm's Length Transactions
	2020	Lanka Hospitals Diagnostics (Private) Ltd	Subsidiary Company	Laboratory Services provided	608,824,202	8.07%	Arm's Length Transactions
		Sri Lanka Insurance Corporation PLC	Parent Company	Medical Services provided	127,907,616	2%	Arm's Length Transactions

NOTES TO THE FINANCIAL STATEMENTS CONTD.

29. CONTINGENT LIABILITIES AND ASSETS

Liabilities

Pending litigations against The Lanka Hospitals Corporation PLC with a maximum liability of Rs. 56 Mn exist as at the reporting date. Based on the information currently available company has been advised by its legal council that it is not probable the ultimate resolution of such legal procedures would not likely have a material adverse effect on the result of the operations, financial position or liquidity of the company. Accordingly, no provision for any liability has been made in these financial statements in this respect.

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

Assets

There were no material contingent assets as at the reporting date which require adjustments to or disclosure in the financial statements.

30. CAPITAL COMMITMENTS

Capital commitments of Group and Company in respect of the on going projects but not incurred as at the financial year end amounted to Rs.43 Mn.

31. EVENTS OCCURRING AFTER THE REPORTING DATE

The Board of Directors of the Company has declared an interim dividend of LKR 1.00 per share for the financial year ended 31st December 2021 on 20th January 2022 and paid on 23rd February 2022.

There have been no events subsequent to the reporting date, which require disclosure in the financial statements other than mentioned above.

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

32.1 Financial risk factors

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

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

32.2 Market risk management

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

Currency risk

The company is exposed to currency risk on foreign currency fixed deposits amounting to Rs. 2,186.089.310/- (USD 10,813,000). 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.

As at 31st December,	Average Rate		Reporting Date Spot Rate	
	2021	2020	2021	2020
USD	198.88	185.52	198.50	184.12

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 2021.

Group

As at 31st December,	2021		2020	
	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%	109,304,465	-	91,599,700	-
LKR appreciated against USD by 5%	(109,304,465)	-	(91,599,700)	-

Company

As at 31st December,	2021		2020	
	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%	109,304,465	-	91,599,700	-
LKR appreciated against USD by 5%	(109,304,465)	-	(91,599,700)	-

NOTES TO THE FINANCIAL STATEMENTS CONTD.

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES CONTD.

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.

32.3 Operational risk

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

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

32.4 Liquidity risk management

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

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

The table below summarises financial assets/liabilities.

As at 31st December,	Group		Company	
	2021 Rs.	2020 Rs.	2021 Rs.	2020 Rs.
Cash in hand and at bank	453,897,597	290,657,430	344,671,757	231,146,994
Trade and other receivables within 30 days	201,100,972	151,501,149	128,006,771	88,073,434
Short term deposits	4,749,971,153	3,106,994,000	3,865,026,810	2,756,994,000
Total liquid assets	5,404,969,723	3,549,152,578	4,337,705,338	3,076,214,428
Less;				
Bank overdraft	482,384,819	255,574,022	361,166,990	215,078,494
Trade payables on demand	259,392,044	249,301,263	768,804,830	463,545,258
Other payables on demand	638,564,578	535,746,256	578,906,185	489,173,952
Total demand liabilities	1,380,341,441	1,040,621,541	1,708,878,005	1,167,797,705
Excess/short liquidity through operating cycle	4,024,628,282	2,508,531,038	2,628,827,334	1,908,416,723

NOTES TO THE FINANCIAL STATEMENTS CONTD.

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES CONTD.

The following table shows the amounts to be settled no more than 12 months and more than 12 months after the reporting period for each liability items.

As at 31st December 2021,	Carrying amount Rs.	Group		Carrying amount Rs.	Company	
		Less than 12 Months Rs.	Over one year Rs.		Less than 12 Months Rs.	Over one year Rs.

Non current liabilities

Lease liability	159,299,028	-	159,299,028	72,911,716	-	72,911,716
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Current liabilities

Amounts due to related companies	-	-	-	-	-	-
Trade and other payables	897,956,622	897,956,622	-	1,347,711,015	1,347,711,015	-
Lease liability	88,743,012	88,743,012	-	60,541,838	60,541,838	-
Bank overdraft	482,384,819	482,384,819	-	361,166,990	361,166,990	-

As at 31st December 2020,	Carrying amount Rs.	Group		Carrying amount Rs.	Company	
		Less than 12 Months Rs.	Over one year Rs.		Less than 12 Months Rs.	Over one year Rs.

Non current liabilities

Lease liability	199,744,680	-	199,744,680	112,145,521	-	112,145,521
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Current liabilities

Amounts due to related companies	4,769,075	4,769,075	-	4,769,075	4,769,075	-
Trade and other payables	785,047,519	785,047,519	-	952,719,210	952,719,210	-
Lease liability	72,424,798	72,424,798	-	49,908,439	49,908,439	-
Bank overdraft	255,574,022	255,574,022	-	215,078,494	215,078,494	-

32.5 Credit risk management

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

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

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

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			
	2021		2020		2021		2020	
	Rs.	Exposure %	Rs.	Exposure %	Rs.	Exposure %	Rs.	Exposure %
Trade and other receivables	1,031,704,735	17%	676,257,704	17%	741,534,986	15%	541,069,932	15%
Other financial assets	4,749,971,153	76%	3,106,994,000	76%	3,865,026,810	78%	2,756,994,000	78%
Cash and cash equivalents	453,897,597	7%	290,657,430	7%	344,671,757	7%	231,146,994	7%
Total	6,235,573,486	100%	4,073,909,134	100%	4,951,233,554	100%	3,529,210,926	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.

33. CAPITAL MANAGEMENT

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

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

33.1 Capital management policy

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

34. SEGMENT REPORTING

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

NOTES TO THE FINANCIAL STATEMENTS CONTD.

35. CLASSIFICATION OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

Financial assets and financial liabilities are measured on an ongoing basis at either fair value or amortised cost. The following table sets out the carrying amount/fair value of financial assets and liabilities by category as defined in LKAS 39- Financial Instruments : Recognition and measurement under headings reported in the Statement of Financial Position and related fair value hierarchy.

Group

As at 31st December 2021	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	-	-	2,498,421,230	2,498,421,230
Investment property	-	-	-	-
Total non-financial assets	-	-	2,571,421,232	2,571,421,232
Financial assets				
Trade and other receivables	1,031,704,735	-	-	1,031,704,735
Other financial assets	4,749,971,153	-	-	4,749,971,153
Cash and cash equivalents	453,897,597	-	-	453,897,597
Total financial assets	6,235,573,486	-	-	6,235,573,486
Financial liabilities				
Trade and other payables	-	897,956,622	-	897,956,622
Bank overdraft	-	482,384,819	-	482,384,819
Total financial liabilities	-	1,380,341,441	-	1,380,341,441
As at 31st December 2020				
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
Total non-financial assets	-	-	2,668,444,105	2,668,444,105
Financial assets				
Trade and other receivables	676,257,704	-	-	676,257,704
Other financial assets	3,106,994,000	-	-	3,106,994,000
Cash and cash equivalents	290,657,430	-	-	290,657,430
Total financial assets	4,073,909,134	-	-	4,073,909,134
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

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
2,498,421,230	-	-	2,498,421,230	2,498,421,230
2,571,421,232	-	-	2,571,421,232	2,571,421,232
1,031,704,735	-	-	-	1,031,704,735
4,749,971,153	-	-	-	4,749,971,153
453,897,597	-	-	-	453,897,597
6,235,573,486	-	-	-	6,235,573,486
897,956,622	-	-	-	897,956,622
482,384,819	-	-	-	482,384,819
1,380,341,441	-	-	-	1,380,341,441
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
676,257,704	-	-	-	676,257,704
3,106,994,000	-	-	-	3,106,994,000
290,657,430	-	-	-	290,657,430
4,073,909,134	-	-	-	4,073,909,134
785,047,519	-	-	-	785,047,519
255,574,022	-	-	-	255,574,022
1,040,621,541	-	-	-	1,040,621,541

NOTES TO THE FINANCIAL STATEMENTS CONTD.

35. 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 LKAS 39- Financial Instruments : Recognition and measurement under headings reported in the Statement of Financial Position and related fair value hierarchy.

Company

As at 31st December 2021	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	-	-	2,400,379,037	2,400,379,037
Investment property	-	-	146,700,000	146,700,000
Total non-financial assets	-	-	2,620,079,039	2,620,079,039
Financial assets				
Trade and other receivables	741,534,986	-	-	741,534,986
Other financial assets	3,865,026,810	-	-	3,865,026,810
Cash and cash equivalents	344,671,757	-	-	344,671,757
Total financial assets	4,951,233,554	-	-	4,951,233,554
Financial liabilities				
Trade and other payables	-	1,347,711,015	-	1,347,711,015
Bank overdraft	-	361,166,990	-	361,166,990
Total financial liabilities	-	1,708,878,005	-	1,708,878,005
As at 31st December 2020				
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

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
2,400,379,037	-	-	2,400,379,037	2,400,379,037
146,700,000	-	-	146,700,000	146,700,000
2,620,079,039	-	-	2,620,079,039	2,620,079,039
741,534,986	-	-	-	741,534,986
3,865,026,810	-	-	-	3,865,026,810
344,671,757	-	-	-	344,671,757
4,951,233,554	-	-	-	4,951,233,554
1,347,711,015	-	-	-	1,347,711,015
361,166,990	-	-	-	361,166,990
1,708,878,005	-	-	-	1,708,878,005
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

SHAREHOLDER AND INVESTOR INFORMATION

TOP 20 SHAREHOLDING AS AT 31ST DECEMBER 2021

Shareholder	2021		2020	
	No of shares	Holding	No of shares	Holding
1 Fortis Healthcare International Pte Ltd	64,120,915	28.66%	64,120,915	28.66%
2 Sri Lanka Insurance Corporation Ltd - Life Fund	58,781,308	26.27%	58,781,308	26.27%
3 Sri Lanka Insurance Corporation Ltd - General Fund	56,080,643	25.07%	56,080,643	25.07%
4 Property Development PLC A/C No.1	21,329,000	9.53%	21,329,000	9.53%
5 People's Bank	7,316,042	3.27%	7,316,042	3.27%
6 Bank of Ceylon A/c Ceybank Unit Trust	3,014,475	1.35%	3,014,475	1.35%
7 Dr. M.R. Mubarak	1,421,606	0.64%	1,421,606	0.64%
8 Bank of Ceylon A/c Ceybank Century Growth Fund	524,721	0.23%	857,616	0.38%
9 Bank of Ceylon A/c No.1 Account	411,773	0.18%	309,949	0.14%
10 Mr. A.H. Munasinghe	288,300	0.13%	293,300	0.13%
11 Mr. G.C.A. De Silva	258,443	0.12%	-	0.00%
12 Mr. R. Amarasinghe	250,000	0.11%	-	0.00%
13 Sandwave Limited	227,977	0.10%	227,977	0.10%
14 Hatton National Bank PLC - Arpico Ataraxia Equity Income Fund	200,000	0.09%	200,000	0.09%
15 Mr. S. Subramaniam	161,165	0.07%	156,104	0.07%
16 Mrs. C.A.D.S. Woodward	158,788	0.07%	220,300	0.10%
17 Mrs. M.A.C. Felsingar	117,700	0.05%	117,700	0.05%
18 Mr. M.N. Cader	112,024	0.05%	-	0.00%
19 Mr. G. C. Goonethilleke	100,000	0.04%	-	0.00%
20 Seylan Bank PLC/ Mohamed Mushtaq Fuad	100,000	0.04%	-	0.00%
	214,974,880	96.09%	214,446,935	95.85%

INDIVIDUAL / INSTITUTION AS AT 31 DECEMBER 2021

	No of Shareholders	As %	No of Shares	As %
Individual	7,400	98.10	10,424,043	4.66
Institution	143	1.90	213,308,126	95.34
	7,543	100.00	223,732,169	100.00

RESIDENT / NON-RESIDENT AS AT 31 DECEMBER 2021

	No of Shareholders	As %	No of Shares	As %
Resident	7,522	99.72	159,094,774	71.11
Non-Resident	21	0.28	64,637,395	28.89
	7,543	100.00	223,732,169	100.00

DIRECTORS'/SENIOR MANAGEMENT SHAREHOLDINGS AS AT 31ST DECEMBER

	Position	2021		2020	
		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	-	500	-
Mr. Kushan De ALWIS PC	Director	-	-	-	-
Mr. Nandun FERNANDO	Director	-	-	-	-
Dr. Kanishka KARUNARATNE	Director	-	-	-	-
Mr. Kasun RAJAPAKSA	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	
		2021	2020	2021	2020
Earning Per Share	Rs.	9.88	1.72	6.35	1.98
Dividend Per Share	Rs.	1.75	-	1.75	-
Net Assets Value Per Share	Rs.	41.65	32.04	35.65	29.63
Market Value per Ordinary Share					
Highest price	Rs.	-	-	65.00	54.90
Lowest price	Rs.	-	-	40.00	27.50
Closing Price	Rs.	-	-	54.90	53.40
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	3.60	3.50	2.60	2.79

SUMMARY OF SHARE RANGES AS AT 31ST DECEMBER

Share Range	No of shareholders	2021		Holding %	No of shareholders	2020		Holding %
		No of shares				No of shares		
1 1 -1,000	6,122	2,079,126	0.93	6,140	2,107,653	0.94		
2 1001 - 10,000	1,275	3,557,453	1.59	1,281	3,580,486	1.60		
3 10,001 - 100,000	128	3,320,710	1.48	77	1,816,657	0.81		
4 100,001 - 1,000,000	11	2,710,891	1.21	15	4,163,384	1.86		
5 1,000,001 & above	7	212,063,989	94.78	7	212,063,989	94.78		
	7,543	223,732,169	100.00	7,520	223,732,169	100.00		

PUBLIC SHAREHOLDING

- Public shareholding percentage as at 31st December 2021 - 20% (2020 - 20%)
- Number of public shares as at 31st December 2021 - 44,748,803 (2020 - 44,748,803)
- Number of public shareholders as at 31st December 2021 - 7,539 (2020 - 7,516)
- Float adjusted Market Capitalization Rs. 2,456,709,285 (2020 - 2,389,586,080)
- The Float adjusted market capitalization of the Company falls under Option 5 of Rule 7.13.1 (a), of the Listing Rules of the Colombo Stock Exchange and the Company has complied with the minimum public holding requirement applicable under the said option.

TEN YEAR FINANCIAL SUMMARY

In Rs. Mn -	Group Year ended 31 December				
	2021	2020	2019	Audited 2018	2017
Revenue from customer contracts	10,034	6,804	7,549	7,077	6,382
Cost of Services	(5,270)	(3,942)	(4,329)	(4,113)	(3,519)
Gross Profit	4,764	2,862	3,220	2,964	2,863
Other operating income	137	62	68	59	52
Administrative & Other operating Expenses	(3,042)	(2,729)	(2,635)	(2,380)	(2,186)
Finance income	406	250	226	479	193
Finance cost	(33)	(35)	(38)	-	-
Profit before tax	2,233	410	841	1,122	922
Income tax (expense) / release	(21)	(25)	(261)	(252)	(341)
Profit for the year	2,212	385	581	870	581
ASSETS					
Non current assets					
Property, plant and equipment	4,718	4,757	4,375	4,489	4,520
Right of use assets	533	552	639	-	-
Intangible asset	55	57	76	94	96
Investment in subsidiary	-	-	-	-	-
Advance lease premium	-	-	-	217	203
	5,307	5,365	5,089	4,800	4,819
Current assets					
Inventories	455	439	413	369	295
Trade and other receivables	1,032	676	915	726	554
Amounts due from related parties	2	4	6	5	7
Income tax Receivable	-	-	-	-	-
Cash and cash equivalents & Other Financial Assets	5,204	3398	3004	3050	2475
	6,693	4,517	4,338	4,150	3,331
Total assets	12,000	9,882	9,427	8,950	8,150
EQUITY AND LIABILITIES					
Equity					
Stated capital	2,672	2,672	2,672	2,672	2,672
Revaluation reserve	1,331	1,093	982	1,029	1,066
Retained earning / (loss)	5,317	3,405	2,975	2,754	2,282
Total equity	9,319	7,169	6,629	6,455	6,020
Non current liabilities					
Employee benefit obligations	278	294	245	189	167
Deferred tax liabilities	509	1,053	1,102	1,004	998
Lease Liability	159	200	301	-	-
	946	1,547	1,648	1,193	1,165
Current liabilities					
Borrowings / Bank Overdraft	482	256	262	332	233
Amounts due to related parties	-	5	6	6	23
Lease Liability	89	72	77	-	-
Income tax payable	265	48	57	167	39
Trade and other payables	898	785	748	797	670
	1,734	1,166	1,150	1,302	965
Total liabilities	2,681	2,713	2,798	2,495	2,130
Total equity and liabilities	12,000	9,882	9,427	8,950	8,150

			Company	
			Year ended 31	
			December	
			Audited	
2016	2015	2014	2013	2012
5,886	5,514	4,754	4,072	3,406
(3,099)	(2,973)	(2,647)	(2,142)	(1,881)
2,787	2,541	2,107	1,930	1,525
53	36	39	30	25
(1,941)	(1,766)	(1,694)	(1,352)	(1,212)
183	156	70	148	102
-	-	-	-	-
1,081	967	522	756	439
(109)	(107)	(8)	(67)	(53)
972	860	514	689	386
4,083	3,650	3,660	3,199	2,817
-	-	-	-	-
60	61	32	6	1
-	-	-	50	-
189	175	162	148	134
4,332	3,886	3,854	3,403	2,952
319	272	307	176	149
503	434	472	471	261
4	6	6	32	4
-	-	34	-	-
2,194	1,746	1,000	1,017	1,002
3,020	2,458	1,819	1,696	1,416
7,352	6,344	5,673	5,099	4,368
2,672	2,672	2,672	2,672	2,672
1,284	994	1,028	1,020	858
1,888	1,324	783	367	99
5,844	4,990	4,483	4,059	3,629
134	119	106	67	52
426	347	314	278	231
-	-	-	-	-
560	466	420	345	283
234	179	198	135	111
24	28	13	4	5
-	-	-	-	-
36	21	-	14	-
654	660	559	542	340
948	888	770	695	456
1,508	1,354	1,190	1,040	739
7,352	6,344	5,673	5,099	4,368

CORPORATE INFORMATION

NAME OF THE COMPANY

The Lanka Hospitals Corporation PLC

COMPANY REGISTRATION NO.

PQ 180

REGISTERED OFFICE

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

BOARD OF DIRECTORS

Dr. Bandula Wijesiriwardena
Ms. Roshini Cabraal
Ms. Richa Singh Debgupta
Mr. Ashish Bhatia
Dr. Ravindra Ruberu
Ms. Lakshmi Sangakkara
Mr. Mayura Fernando
Mr. Kushan D' Alwis PC
Mr. Nadun Fernando
Dr. Kanishka Karunaratne
Mr. Kasun Rajapaksa

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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