LANKA
HOSPITALS
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Greatness Is A Choice

The Lanka Hospitals Corporation PLC
Annual Report 2022

Contents

Greatness Is A Choice

Excellence is not a matter of chance or fortune, rather a pattern of well planned and executed actions that results in greatness. We exemplified this ethos in the year that was by making the right decisions, growing from strength to strength while remaining true to the four pillars of our business.

As a passionate team in the field of healthcare, we understand the gravitas of our role in caring for multiple generations of individuals and families who place their health and trust in our capabilities. This trust is based on the continuous progress we invest in making sure that our hospital grows not just in service but in gaining the recognition and accreditation of the highest bodies in the industry. Our passion, therefore in offering more to our customers, through processes, procedures and value added services, cements our position as a leading brand in the industry, proving once again that our greatness is a choice that we make, undeterred, every day.

Read report online.

www.lankahospitals.com

Lanka Hospitals at a Glance

"A leader in private healthcare in Sri Lanka, Lanka Hospitals PLC primary, secondary and tertiary healthcare services aligned to international standards of quality. Our knowledgeable and caring team of medical professionals are committed to delivering positive patient outcomes, upholding a tradition of setting benchmarks for patient care in the country since inception in 2002.

We continue to invest in honing the skills of our team and state-of-the-art medical and clinical technology to enhance our capabilities in pursuit of excellence in healthcare."

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.”

Our Promise

“We believe that every person has the right to be treated with utmost respect and consideration. Therefore, at Lanka Hospitals we care about our patients, we care about their families who are anxious and concerned, we care about our colleagues and how we as a team provide the best care to our patients. Because we care, we will be sincere, compassionate and sensitive to make a difference in the lives we touch”

Lanka Hospitals at a Glance

Centres of Excellence

Heart Centre
Orthopedic Centre
Neurology Centre
Gyn and Obs Centre
Genito Urology Centre

Our People

1,016 Consultants
418 Nursing staff
1,590 Other Employees

An Islandwide Service

9 regional labs
42 owned collection centres
1,350+ collection centres
26 Pharmacy Network

Customer Confidence

25,019 Inpatients
304,075 Outpatients
69% Occupancy

Satisfied Customers

99% Customer Satisfaction

Financial Stability

Rs. 15.3 Bn Total Assets
Rs. 11.9 Bn Equity
Rs. 10.7 Bn Revenue
Rs. 3.2 Bn PAT

Committed to Quality

Joint Commission International- Gold Seal

MTQUA-Certification for medical travelers and health tourists

Quality laboratory practices

ISO 15189
ML 024-01

First Laboratory in a hospital in Sri Lanka to receive ISO 15189:2007 certification

Performance Highlights

		2022	2021	Change %
Financial Performance				
Revenue	Rs. million	10,698	10,034	7
Results from operating activities	Rs. million	1,209	1,859	(35)
Profit before tax	Rs. million	4,061	2,233	82
Profit after tax	Rs. million	3,247	2,212	47
Profit attributable to owners of the parent	Rs. million	3,247	2,212	47
Dividends	Rs. million	671	392	71
Gross profit margin	%	44	47	(7)
Operating profit margin	%	11	19	(39)
Net profit margin	%	30	22	38
Earnings per share (basic)	Rs.	14.51	9.88	47
Return on assets (ROA)	%	21	18	15
Return on capital employed (ROCE)	%	10	20	(49)
Efficiency & Financial Stability Ratios				
Total assets	Rs. million	15,334	12,000	28
Total debt	Rs. million	N/A	N/A	N/A
Shareholders' funds	Rs. million	11.981	9,319	29
Gearing ratio	Times	N/A	N/A	N/A
Debt/Equity	%	N/A	N/A	N/A
Asset turnover	Times	0.70	0.84	(17)
Net assets per share	Rs.	53.55	41.65	29
Current ratio	Times	5.55	3.86	44
Quick asset ratio	Times	4.99	3.60	39
Investor Information				
Market value per share	Rs.	95.80	54.90	74
Dividend per share	Rs	3.00	1.75	71
Company market capitalization	Rs. million	21.434	12,283	74
Price earnings ratio	Times	6.60	5.56	19
Dividend yield ratio	%	3.13	3.19	(2)
Dividend pay-out ratio	%	20.68	17.71	17
Dividend cover	Times	4.84	5.65	14
Infrastructure and Technology				
Property, plant and equipment	Rs. million	5,125	4,718	9
CAPEX	Rs. million	422	424	(0.5)
No. of beds	No.	367	367	-
Laboratory collection network	No.	42	35	20
Pharmacy network	No.	26	27	(4)

Chairman's Message

Lanka Hospitals Corporation PLC delivered another year of strong profit growth recording a consolidated profit after tax of Rs. 3.2 Bn for the financial year ended 31st December 2022, an increase of 47% over the previous year.

"After two years of gearing operations to manage a global pandemic, 2022 was a year of transitioning to a post pandemic era as people movements normalised. It was clearly necessary to redeploy our resources and realign our processes to deliver a holistic performance across multiple qualitative and quantitative performance indicators.... I am pleased to report that this was successfully achieved as the expansion of the customer base during the pandemic years and the familiarity with our levels of service saw many returning for other treatments."

Managing Uncertainty

The Board was vigilant throughout 2022 as the uncertainty observed continued for the greater part of the year, providing guidance to the management team.

Dear Shareholders,

Lanka Hospitals Corporation PLC delivered another year of strong profit growth recording a consolidated profit after tax of Rs. 3.2 Bn for the financial year ended 31st December 2022, an increase of 47% over the previous year. Achieving this in a year which has seen a decline in the profitability of many peers is commendable, serving as testimony to the disciplined financial and risk management institutionalised at LHC. This strong foundation enables the Board to drive excellence in healthcare, maintaining our reputation of being the benchmark for patient care in the country.

A Successful Transition

After two years of gearing operations to manage a global pandemic, 2022 was a year of transitioning to a post pandemic era as people movements normalised. It was clearly necessary to redeploy our resources and realign our processes to deliver a holistic performance across multiple qualitative and quantitative performance indicators. The expected decrease in diagnostics needed to be offset by an increase in hospitals operations and pharmacy. I am pleased to report that this was successfully achieved as the expansion of the customer base during the pandemic years and the familiarity with our levels of service saw many returning for other treatments. The

"All centres of excellence have recorded growth as well, ensuring the recovery was broad based, building resilience in our business model. Importantly, we have retained our JCI accreditation which was a physical review after the pandemic, affirming that our processes are in line with global best practice."

growth of the LHC Company top line by 19% stands testimony to this as it reflects the growth in hospital operations, cushioning the decrease in the Diagnostics top line of 18%. Additionally, all centres of excellence have recorded growth as well, ensuring the recovery was broad based, building resilience in our business model. Importantly, we have retained our JCI accreditation which was a physical review after the pandemic, affirming that our processes are in line with global best practice.

Managing Uncertainty

2022 was a critical year for the country as three years of diminished foreign exchange inflows accelerated the depletion of foreign currency reserves which declined below sustainable levels. Consequently, the country faced shortages of electricity, fuel and gas as well as essential foods and medicines which led to social unrest by the end of the first quarter. The rupee also devalued sharply against the dollar in towards the close of the first quarter. The beginning of the second quarter saw a sharp increase in policy rates and the Government of Sri Lanka announced the deferral of its foreign debt repayments and its intention to enter into negotiations with the International Monetary Fund for an Extended Fund Facility. The social unrest led to the resignation of the Prime Minister and President and the installation of a new President in the second and third quarters. Inflation continued to climb until September 2022 and has declined thereafter in response to policy measures.

The unavailability and affordability of medicines were critical concerns during the year for patients and players in the healthcare sector. As disposable incomes declined and costs of healthcare increased, more patients sought treatment at the free government hospital, increasing caseloads in public sector hospitals which were facing increasing shortages.

The government also announced its intention of divesting its ownership of a number of state owned entities and LHC was identified as one for divestment. As a result, part of the digitalisation was deferred for time when there would be greater clarity in the way forward for LHC. Approval in principle was granted by the Cabinet for the divestment of shares in LHC held by the government and this was notified to the Colombo Stock Exchange on 20th March 2023.

While affordability is a concern, the outlook for private healthcare remains attractive. However, it is noted that debt, liquidity and risk management and sound financial discipline are critical success factors as the entire industry faced high levels of uncertainty. Increased interest rates exerted pressure on liquidity and profitability of entities with debt on their balance sheets which reduced returns. Encouragingly, healthcare is a cash business supporting liquidity and resilience of business models.

Demand drivers include an ageing population and increasing trend in non-communicable diseases. Life and Health insurance are a key source of funding healthcare although penetration rates are relatively low. In 2022, Life Insurance premiums increased from Rs.124.7 Bn in 2021 to Rs. 135.4 in 2022 while Health Insurance declined from Rs. 19.9 Bn to Rs. 18.4 Bn reflecting the uncertainty in the market. While foreign exchange liquidity and devaluation of the rupee eased to a great extent, it will continue to be a key risk indicator over the medium term. It is also noteworthy that the revival of tourism in the country can also revive the medical tourism segment which was a lucrative stream of revenue.

Corporate Governance

The Board established a Clinical Governance Committee as a subcommittee during the year to ensure that this vital aspect is monitored at the highest levels of the organization.

The share price increased by 74% during the year to Rs. 95.8 per share. We also paid a cash dividend out of profits for the year amounting to Rs. 3.50 per share.

I wish to acknowledge the valuable contribution of Mrs. Roshini Cabraal who served for more than 3 years as the Deputy Chairperson of the board until her resignation on 27th March 2023. Her expertise in finance supported the development of a sound financial strategy that enabled us to remain resilient through 4 years of extreme shocks. I wish her the best in her future endeavors.

I welcome on to the Board Mr. Ronald. C. Perera, PC and Dr. Abinaya Alagarasan who were appointed during the year.

The Board was vigilant throughout 2022 as the uncertainty observed continued for the greater part of the year, providing guidance to the management team.

Way forward

As reported in the previous year, Sri Lanka's economy contracted in 2022 as a number of adverse factors converged. However, by the close of the first quarter of 2023, inflation and interest rates remained steadily on a downwards trend and the IMF approved the Extended Fund Facility of US$ 3 Bn and the first tranche was disbursed. Fuel prices also stabilized although the electricity tariffs increased. Tax increases came into effect in January which exerted further pressure on disposable incomes making affordability a continuing concern.

At the time of writing, the majority equity holder of LHC remains as the Sri Lanka Insurance Corporation, who were the initial promoters of the project. Execution of strategy is deferred with regards to components requiring significant funding pending finalization of the sale. LHC will continue to excel in its operations and sound management until such time.

Appreciations

On behalf of the Board, I wish to thank the team at LHC for their dedication and diligence which has supported the entity through its 4th year of extraordinary challenges. I also thank the eminent panel of consultants for the important role they play in achieving positive patient outcomes which supports LHC's reputation. I thank the officials of the National Medical Regulatory Authority and other state agencies in health sector for their cooperation in matters of mutual interest. Members of the Board have continued to provide timely counsel and guidance which proved valuable in avoiding pitfalls and I am appreciative of their contributions. I close by thanking our shareholders and business partners for their continued engagement with LHC as we look to write our next chapter.

Dr. Bandula Wijesiriwardena
Chairman

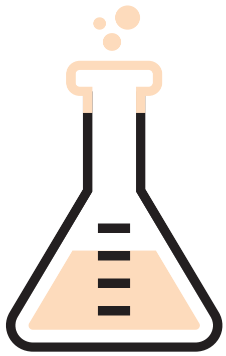
18th May 2023

Group Chief Executive Officer's Message

LHC Group delivered a commendable performance in 2022 while managing a transition to normal business from being a front-line player during the pandemic years as resources needed to be redeployed and systems changed to business as usual. Revenue streams also changed during the year and needed careful management to drive top line growth despite the challenges arising from the unfolding economic crisis.

Highlights 2022

- **Revenue** ↑ 7% to Rs. 10.7 Bn
- **EBIT** ↓ 35% to Rs. 1.2 Bn
- **PBT** ↑ 82% to Rs. 4.06 Bn
- **PAT** ↑ 47% Rs. 3.2 Bn
- **Total Assets** ↑ 28% Rs. 15.3 Bn
- **Equity** ↑ 29% to Rs. 11.9
- Strong liquidity
- Expanded the Nursing School to a Learning Academy with 12 courses
- Expanded the Company Owned and Company Operated mini labs



Strength to Strength

LHC Group top line growth moderated, recording a relatively modest 7% growth to Rs.10.7 Bn which masks the successful recalibration of operations.

Dear Shareholders,

I am pleased to report that Lanka Hospitals PLC continues to set new benchmarks in the healthcare industry with the evolution of our business model to integrate digital solutions while maintaining high standards of patient care. LHC has proven itself to be agile and resilient despite the seismic shifts in the operating environment over the past four years, responding with solutions that catered to the need of the hour.

A Different Challenge

We commenced 2022 as a year of transition in which we needed to shift emphasis from managing healthcare in a COVID-19 era to stabilizing and growing normal business. This was a significant undertaking as our revenue mix had changed significantly along with deployment of key resources. Performance in the first quarter continued to be supported by pandemic-related business which waned sharply in the next quarter.

The next three quarters were mainly about normalising business within the multiple constraints of a developing economic crisis. As most medicines and consumables are imported, exchange rates and dollar liquidity were critical concerns as it impacted both the availability and affordability of healthcare services.

Rising inflation remained a concern throughout the year, reaching a peak of 73.7% in September 2022 and declining in response to policy measures thereafter to 59.2% by December 2022. Inflation in the health subgroup increased to 47.2% by December 2022, reflecting the impact of pressures on pricing in the sector. Dwindling disposable incomes made private healthcare unaffordable for a higher percentage of the population, reducing the size of the potential market. Inflation also exerted significant pressure on operating costs as the cost of goods and services increased. Electricity and fuel costs are key components of cost which increased sharply during the year due to withdrawal of subsidies as part of policy measures implemented to reduce the country's budget deficits. Payroll costs were also increased as staff faced significant challenges which led to economic migration of skilled employees across the healthcare sector as skills are in high demand globally. Consequently, it was necessary to increase payroll to manage employee retention. The increase in interest rates during the year to curb inflation favoured LHC, boosting finance income and easing the pressure on the bottom line.

Group Chief Executive Officer's Message

A Future Forward Strategy

Our strategy was focused on rebuilding conventional business and driving growth in our chosen centres of excellence with the expected easing of the pandemic. The other critical pillars were digitalisation and people strategies. Clinical governance. corporate governance and risk management underpin these strategies, ensuring resilience of the organisation.

LHC pursued its strategy of driving revenue growth in its hospital operations, leveraging its reputation for maintaining high standards as affirmed by its international accreditations. The strong relationships developed with the corporate sector and the expatriates in the country during the pandemic also enhanced the customer base while also increasing engagement. While affordability of healthcare moderated demand in the private sector, government caseloads continued to increase reflecting the demand for affordable healthcare. LHC stepped in to offer a discount of 25% to patients who were enrolled in government clinics for their surgeries which gained traction. This had the dual effect of easing the caseloads in government hospitals while also providing timely solutions to patients. LHC was able to expand its customer base as well, making this a win win solution.

Close monitoring of the operating environment enabled us to identify early signs of foreign exchange stress which was addressed by increasing inventory levels to mitigate the potential downside risks. This proved to be a timely investment as it increased the footfall at our pharmacies which had a higher level of stocks than the other pharmacies. This also contributed to expansion of a customer base that experienced our high standards of service.

The Digitalisation strategy is focused on customer centricity to extend the boundaries of care beyond the hospital by facilitating access to our services before and after the interaction. We believe that reaching our hospital should be easy and will use cutting edge technology to facilitate this, catering to modern lifestyles of customers. Patient management is another area for digitalisation and we will look at optimizing legacy systems to support this while also addressing customer pain points such as the time taken to prepare a bill through increased automation. Customer interfaces will be a key pivot, ensuring that they are able to access the information needed. These will be supported by the ongoing projects for FIS and HRIS to upgrade the financial reporting system and the Human Resources system respectively which are expected to go live in 2023. This will support the overall digital strategy, driving productivity and efficiency in our core systems. The digitalisation strategy is comprehensive, even looking at parking to support access to the hospital. With the development of the economic crisis and the announcement of plans for the privatization of the hospital, some elements have been deferred pending finalization.

LHC also established Sri Lanka's first medical helpline manned by qualified medical graduates who provide guidance on medical needs and also provide post hospitalization care by following up. This also supports our concept of extending care beyond hospital boundaries while also facilitating ease of access to our services.

Management of our highly skilled and sought after team has been critical with high demand for skilled healthcare professionals in advanced economies and inflationary pressures. While we have been able to attract the necessary cadres to fill vacancies due to our reputation as a fair employer, local talent pools are diminishing due to economic migration. LHC expanded its Nursing School to a fully fledged Learning Academy with over 12 courses on healthcare. While the Nursing School continues to be free of charge as it feeds LHC needs, the other courses offered have brought in an additional stream of revenue. Expansion of the cost base has been minimal as were able to optimise the skilled talent pool within LHC for training on a number of modules.

Clinical governance continues to be a key area of focus for LHC as it encompasses the systems and processes that create value to support better patient outcomes. LHC has maintained JCI accreditation since 2014 with periodic reviews and evidence is maintained of all clinical and non-clinical services of the hospital with all activities following the relevant Statement of Procedure. In 2022, we enhanced the focus on clinical governance by establishing a Board Committee for the subject to review in greater depth the scope and activities relating to upholding high standards at LHC as this is a critical differentiator. The executive level Steering Committee on Clinical Governance met bi-monthly to review and monitor compliance and progress. They were supported by committees for each clinical speciality which meet semiannually, ensuring that there is a continuous evaluation of clinical governance aspects and a strong foundation of ethical practices. Zero sentinel events affirm our commitment to high standards of clinical governance maintained at LHC.

I also wish to affirm our commitment to upholding Group policies, where emphasis is placed on ethical and legal dealings, zero tolerance of corruption or attempts thereat, bribery and any form of harassment or discrimination in our workplace and any work-related situations.

Committed to Delivering Results

LHC Group delivered a commendable performance in 2022 while managing a transition to normal business from being a front-line player during the pandemic years as resources needed to be redeployed and systems changed to business as usual. Revenue streams also changed during the year and needed careful management to drive top line growth despite the challenges arising from the unfolding economic crisis. Additionally, LHC had delivered a stellar performance in 2021 creating a higher benchmark for comparison in a year that experienced a convergence of challenges.

Hospital operations recorded strong top line growth of 19% to Rs. 7.9 Bn as patient footfall increased with people returning to their workplaces and schools recommencing physical lessons. However, LHD recorded a decline in income as PCR testing volumes declined sharply as business normalized. Accordingly, LHC Group top line growth moderated, recording a relatively modest 7% growth to Rs. 10.7 Bn which masks the successful recalibration of operations.

Costs of Service increased by 14% which is commendable as foreign exchange rates and inflation soared as discussed above. Consequently, Gross Profit declined marginally by 1% to Rs. 4.7 Bn. Administration and Other Operating expenses increased by 16% and 23% as inflation exerted pressure across all cost categories. Electricity, which is a significant cost for LHC, increased by 75% in August 2022 while costs of imported medicines and consumables also increased by similar amounts. LHC has managed the cost increases well as foresight and planning facilitated inventory build up in anticipation of price hikes. Accordingly, Operating profit declined by 35% to Rs. 1.2 Bn.

Finance income increased by 609% to Rs. 2.8 Bn as interest rates increased sharply, boosting profitability.

Taxation increased by a 3,756% from Rs. 21 Mn to Rs. 814 Mn, mainly on account of deferred tax liabilities originating during the year amounting to Rs. 348 Mn. Despite the significantly increased tax charge, profit after tax increased by 47% to Rs. 3.2 Bn, boosted by interest income. Earnings per share increased from Rs. 9.88 to Rs. 14.51 as a result.

Total Assets increased by 28% to Rs. 15.3 Bn, largely due to an increase in fixed deposits as we maintained strong cashflows after investing Rs. 470 Mn in Property, Plant & Equipment and building up inventory. Our balance sheet remains strong with high levels of liquid assets supporting the solid infrastructure of a world class tertiary care hospital.

An Efficient Team

Working at the front lines of the pandemic over the past two years, our team has come together to deliver positive patient outcomes in the most difficult circumstances. We are indeed fortunate that we have the ability to attract the top talent in the country to join our team at every level, creating culture where pursuit of excellence is coded into our DNA. High standards have been maintained despite the personal challenges faced by every employee as inflation and taxation combined to reduce disposable incomes. LHC continues to address these issues within its operating mandate although more needs to be considered with the impact of taxes in January 2023. We have continued to invest in training the team, ensuring that their knowledge and skills are refreshed with the developments in their respective fields.

Acknowledgements

I wish to thank our team for their commitment and care as they continue set benchmarks in the country for patient care. I also take this opportunity to thank the Chairman and the Board for their timely guidance and counsel that enabled us to steer a safe course through a difficult year. We thank our patients for their continued confidence in our systems and processes and count on their continued patronage. On our part, we undertake to uphold high standards of care and continue to be a catalyst in the sector, making world class healthcare solutions affordable for Sri Lankans.

Deepthi Lokuarachchi
Group Chief Executive Officer

18th May 2023

Market Insights

Total Government Health Expenditure as a % of GDP in 2021

2.30%

An increase compared to 1.63% in 2019, largely due to COVID-19 related expenditure

Regulatory Bodies for Allopathic Care

- Sri Lanka Medical Council
- Ceylon Medical College Council
- Sri Lanka Nursing Council
- Private Health Services Regulatory Council
- National Medicinal Drug Regulatory Authority

Share of Healthcare Services provided by the Government Sector[1]

Inpatient care 95%
Outpatient care 50%

Private Consumption Expenditure on Health 2021

Rs. 398 Bn

[1]Rajapaksa L, De Silva P, Abeykoon A, Somatunga L, Sathasivam S, Perera S et al. Sri Lanka health system review. New Delhi: World Health Organization Regional Office for South-East Asia; 2021.

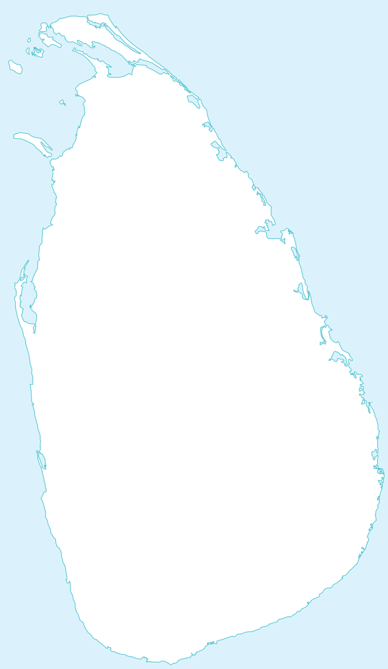
The private healthcare sector in Sri Lanka has played a key role in easing caseloads at overburdened government hospitals, reflecting the potential of this vital sector. However, the share of inpatient care remains very low due to affordability concerns and higher penetration of funding sources such as Life Insurance and Health Insurance is necessary to fuel growth. Outpatient care reflects a more even distribution between the private and government sectors. Some salient features of the healthcare sector are given below.

Gross Life Insurance Premiums in 2022

Rs. 333 Bn

Gross Health Insurance Premiums in 2022

Rs. 49.3 Bn



Doctors in Government Health Services
18,992

Nurses in Government Health Services
38,743

Management Discussion & Analysis

Our Strategy

2022 was a transitioning year surrounded by economic challenges and hence the key focus was to sustain revenues, profitability and refinement of services to achieve future efficiency while implementing transformational changes amidst the disturbances which are likely.

Strong Financial Returns

Grow top line and profitability and strengthen cashflows

Clinical Governance

Maintain accreditations and align with international best practice on healthcare

Digitalisation

Increase digitalisation and automation of processes to drive efficiencies

Build Our Team

Creating a conducive workplace that attracts, retains and develops high quality talent

Drive Efficiencies

Increase capacity utilisation of infrastructure and drive efficiencies aiding cost management

Customer Centricity

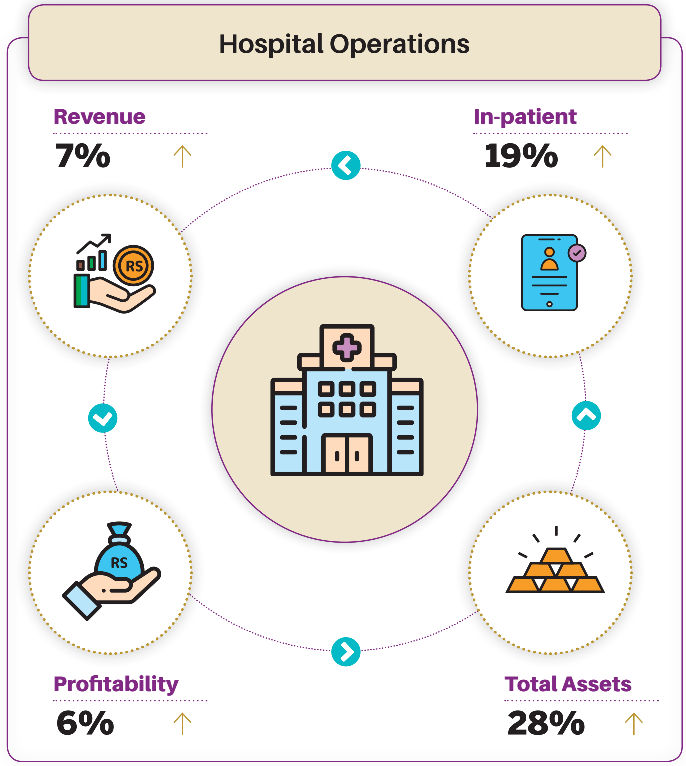
Operational Review

Hospitals Operations

- The hospital ensured continuity of services to both inpatients and outpatients by focusing relentlessly on providing a safe environment which was the primary concern in the first quarter. As the year progressed, the shortage of medicines was a key concern and foresight in planning and procuring the essential lifesaving medicines and other consumables enabled us to continue to uphold our promise of care while expanding our customer base.
- LHC opened Sri Lanka's first medical helpline manned by qualified medical graduates to guide people on their medical needs which proved a success. It was also used to follow up on post hospitalisations, extending patient care beyond the hospital and setting new benchmarks for aftercare in the country.
- High revenue growth in the first quarter was supported by COVID testing and ICU operations. However, the restoration of conventional business was severely impacted by the economic crisis as rising inflation dampened demand for private healthcare due to affordability concerns. This was exacerbated by the shortages of medicines and consumables in the country as well as the costs as inflation for the health sub-group reached 39.1% in December 2022.
- LHC supported the corporate sector and multilateral agencies during the COVID period by providing the highest standard of healthcare services to enhance the levels of confidence.
- LHC focused on making healthcare more affordable to expand its customer base. A discount of 25% to patients who were enrolled in government clinics for their surgeries which gained traction. This had the dual effect of easing the caseloads in government hospitals while also providing timely solutions to patients.
- All centres of excellence scaled up operations, unlocking efficiencies as the higher level of operations was managed with same staff.
- A Customer centric digitalisation strategy was created with cutting edge technology to connect with patients, extending the boundaries of care to cover pre and post visitations and potential hospitalisations. It would also make it easier for patients to reach the hospital quickly. It is an ambitious and multifaceted programme that seeks to not only address customer pain points such as the time taken for billing but also to inform and engage customers on the range of services and the quality standards adhered to via a user-friendly website and mobile app. This will be rolled out in stages over the next two years, ensuring that LHC is future fit both in its internal processes and its engagement with other stakeholders.

Key initiatives underway include:

- Implementation of SAP for financial reporting and management is expected to go live in 2023.
- HR systems implementation is in progress and will go live in 2023.
- Vehicle parking and management systems are currently being updated to provide a seamless flow to the hospital.



Diagnostics

- LHC operations as a trusted partner for PCR testing expanded with the introduction of a travel PCR desk at hospital and at the airport. This addition continued to offer the highest levels of services for COVID related diagnostics in the first half of the year.
- Operations of the regional network of mini labs was disrupted for 6 months due to the fuel crisis which delayed sample delivery from the periphery. However, LHC expanded its Company owned and operated networks, supporting long term growth in this lucrative aspect of healthcare. By the 4th quarter, the operations of the peripheral centres normalised and a growth plan is being implemented for these as well.
- Dollar fluctuations and price controls also impacted profitability as cost of consumables increased significantly and exacerbated by uncertainty regarding the continued availability of the same.
- Diagnostics had a lucrative income in 2021 as LHD was the preferred partner for PCR testing. As the need for PCR testing abated, revenues moderated to demand for conventional testing. While business volumes increased in this segment, 2022 was clearly a year of transition with an overall drop in volumes.
- All LHD reports can be downloaded through the web portal using an OTP and real time updates are available on the sample flow, enabling patients to track the progress. All the archived reports can be accessed by a touch of a button making it very convenient for patients to have easy access to their prior medical records. These early investments in digitization have been key to maintaining our market positioning as a leading player in diganostics.
- LHD got reaccreditation of the prestigious CAP certification in 2022.
- Looking to expand geographically by adding 23 COCO and 2 mini labs. Our existing network is very efficient and by adding the mini labs we aim to reach a much larger clientele.

CAP CERTIFICATION

Only Hospital to have the CAP certification!

COVID TESTING

Easier Access to Covid testing by installing travel desks at Hospital and Airport

ONLINE ACCESSIBILITY TO ALL REPORTS

Reports can be checked online at a touch of a button!

EXPANDING MINI LABS

Opening mini labs at various locations for quick lab testing!

Revenue	Profitability
18% ↓	46% ↓

Total Assets
22% ↑

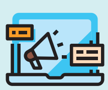
Pharmacy

- Pharmacy operations delivered a year of strong growth, recording revenue growth of 32%. LHC secured timely procurements with foresight of the economic and supply chain issues that were developing in the country. Accordingly, it had sufficient stocks during the period that the country experienced a shortage of medicines in the country, enabling expansion of its customer base.
- LHC Pharmacy has tied up with Keells Supermarkets to establish pharmacies within the supermarkets, providing patients easy access to prescribed medications. Currently there are 17 outlets at various Keells supermarkets around the country which leverage the growing footfall in modern trade channels.
- Significant process improvements were implemented during the year which resulted in reduced waiting times, increased prescription fulfillment, inventory optimization and a seamless online digital platform to address pain points of customers and drive efficiencies. Results were evident in increased conversions of prescriptions supporting top line growth.

Highlights/capabilities

- Sufficient supply of medicines despite a shortage in the country

- Easy access to many outlets through outlets opened at Supermarkets and Corporates



- Reduction of waiting times due a highly automated digitized system

- Increase in footfall due to customer satisfaction

Learning Academy

LHC operated a nursing school which was expanded into a learning academy by significantly expanding the number of courses during the year under review. It is envisaged that the Learning Academy will support growth of talent pools in the country, optimizing utilisation of its existing infrastructure and intellectual capital to further diversify its revenue streams. By the close of the year, the Learning Academy had enrolled 1,099 students and 1,008 students completed courses reflecting demand for such courses in the market.

LHA	Programmes/ Partnerships
1	Diploma in Hospital & Community Pharmacy
2	Caregiver Training programme NVQ L3 – Full time
3	Caregiver Training programme NVQ L3 – Part time
4	Certificate in Pharmacy Practice
5	Certificate in Phlebotomy
6	Cannulation Training
7	Observership programme for G.C.E. (O/Ls or A/Ls) students & Medical Students
8	First Aid and Basic Life support
9	Clinical practice for External Institutes • Dietary • Pharmacy • Laboratory • Caregiver • Nursing
10	OT Technician Programme
11	Flexible Learning Module Programme

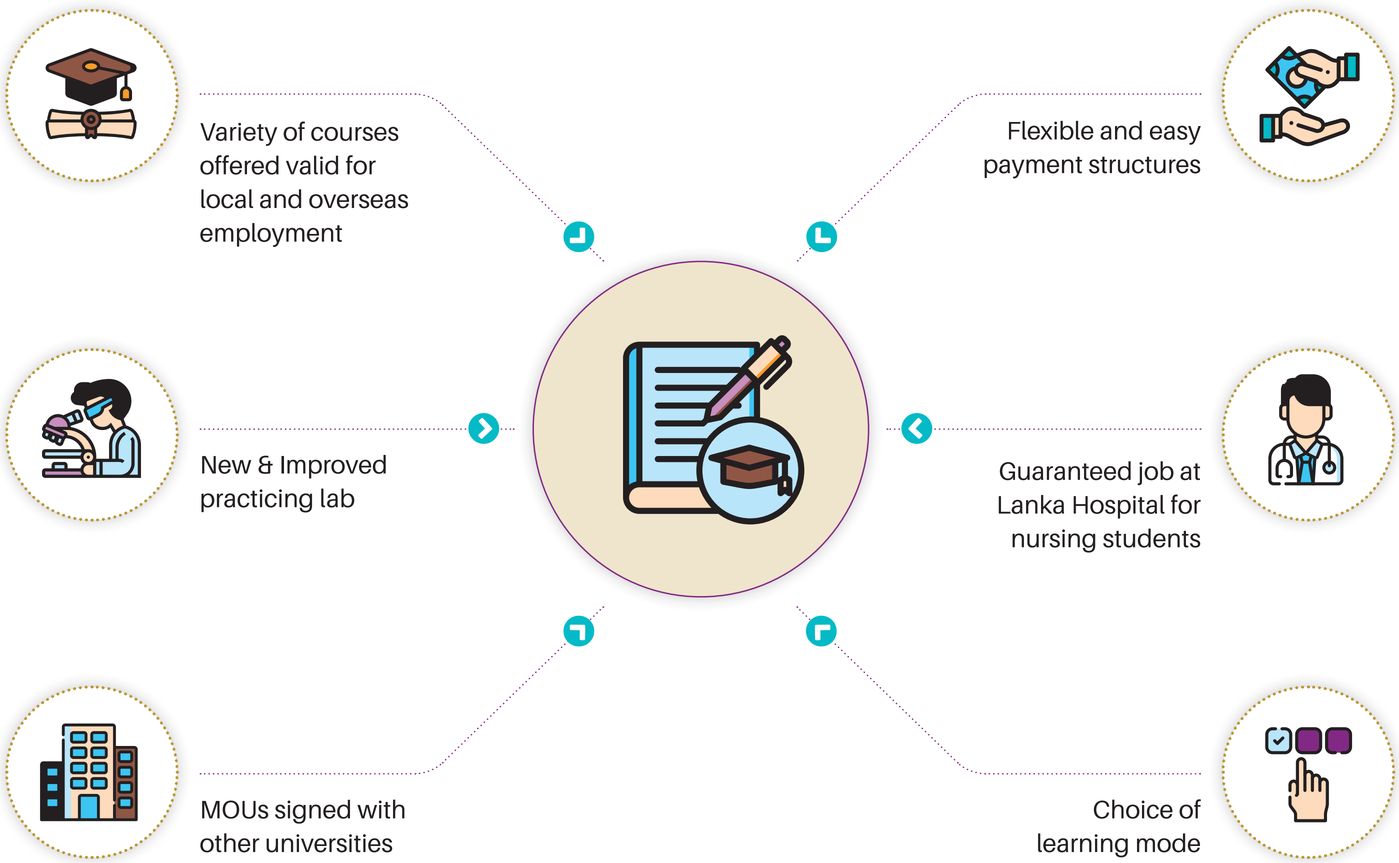
- Specialized training rooms and advanced skill labs have been added apart from the facility providing a well-rounded training. This guarantees a hands-on training for some the state-of-the-art technology.
- New MOUs have been signed with other universities offering the course provided to university leavers to further their nursing career. Entry requirements are as per the GOSL standards. The learning academy also includes NVQ 3 to NVQ 6 courses. NVQ 6 is the highest level for any nursing school in the country and only LHA offers this course currently.
- Once a student completes their chosen course a minimum of 2 months practical training is compulsory for all courses other than nursing.
- Since the expansion of the academy student growth in numbers has increased to over 300% and an additional number of more than 200 students have been waitlisted for entry.

Students Enrolled
1,099

Students Completing Courses
1,008

Students in ongoing programs
442

- The academy has gained high recognition and is much sought after in a short space of time as the students are guaranteed employment in the hospital upon completion of the course.
- While the nursing course is completely free, the fee structure for the other courses is very competitive with an added benefit of flexible and easy payment schemes offered.
- A variety of accommodating learning modules are offered i.e. full time, part time or online depending on the requirement of the students making it easy to follow and complete the course.



"LHC Group recorded growth in profitability and the balance sheet in a year marked with significant challenges for the country and the industry. High levels of liquidity with strong cash positions serves as testimony to the Group's disciplined approach to financial management as peers struggled with high levels of debt."

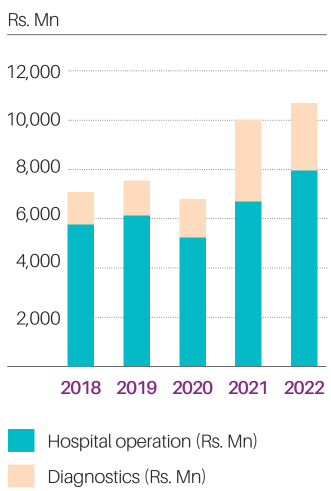
Financial Review

"LHC Group recorded growth in profitability and the balance sheet in a year marked with significant challenges for the country and the industry. High levels of liquidity with strong cash positions serves as testimony to the Group's disciplined approach to financial management as peers struggled with high levels of debt."

Revenue

Consolidated Revenue increased by 7% to Rs. 10.7 Bn during the year, as Hospital revenues increased by 19% cushioning a decrease of 18% in laboratory revenues as the demand for COVID-19 related tests declined. Growth in Hospital revenues was supported by a return to normal business as the pandemic waned with all centres of excellence recording growth in revenues. This was achieved against a backdrop of declining disposable incomes due to high inflation and an economic crisis that presented several challenges in management of critical resources. Hospital revenues accounted for 74% of Group revenue compared to 67% in the previous year as a result reflecting the decreased demand in Diagnostics. Diagnostics expanded its network of company owned and operated mini labs across the country, supporting growth in normal business in the year ahead.

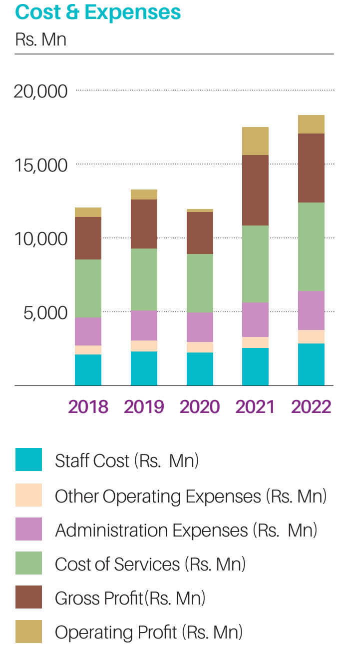
Revenue



Managing Costs

LHC maintained its focus on cost management without compromising patient care, automating processes and reducing inefficiencies across its operations. This was critical in a year of high inflation and sharp devaluation of the rupee. As most medicines and consumables are imported, this was a significant challenge. A disciplined approach to risk management enabled early identification of risks and the procurement of essential medicines for the first 6 months of the year which served to reduce the impact. Headcount increased by 4.5 taking the total to 2,008 as we strengthened our team to drive growth. However, staff costs were maintained at manageable levels with an overall decrease in employee related costs through realignment of structures.

Cost & Expenses

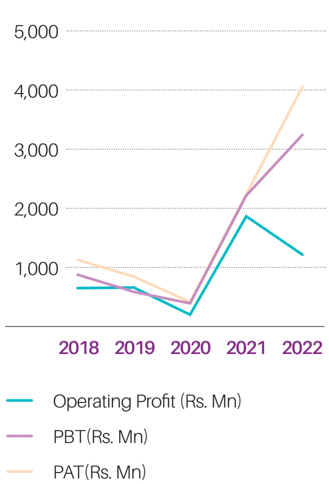


Profitability

Operating profit declined as inflation exerted pressure on costs which increased during the year as set out above. Finance income increased by 610% to Rs. 2.88 Bn supported by increasing interest rates and translation gains on foreign currency deposits as capital expenditure on large investments was put on hold due to uncertainty. This boosted Profit Before Taxation which increased by 82% to Rs. 4.06 Bn. Taxation increased significantly during the year, mainly due to a deferred tax liability originating during the year of Rs. 348 Mn which resulted in a tax charge of Rs. 814 Mn in 2022. LHC Group Profit After Tax was Rs. 3.2 Bn, a 47% increase over the previous year.

Profitability

Rs. Mn



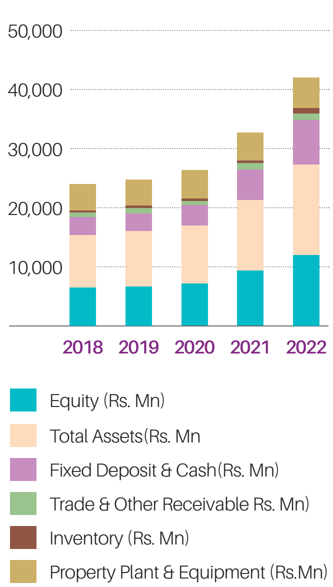
Financial Position

The Group's financial position continued to strengthen with strong profitability and prudent financial management. Total assets increased by 28% to Rs. 15.3 Bn supported by strong growth in investments in fixed deposits, Property, Plant & Equipment, inventories while cash and cash equivalents. The Group has no interest bearing borrowings. Total Liabilities amounting to Rs. 3.35 Bn which is 22% of the Group's Total Assets.

The Group's equity base strengthened further with shareholders' funds increased by 29% to Rs. 11.98 Bn during the year. Consequently, equity accounts for 78% of the Group's funding, providing a solid foundation for growth.

Asset & Funding

Rs. Mn



Cashflow

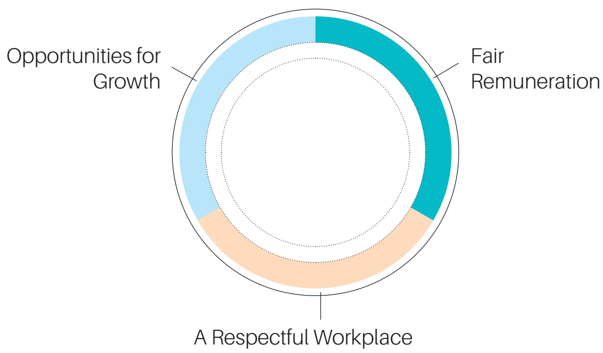
The Group's cash flow strengthened in line with the overall profitability. Net cash generated from operations declined from Rs. 2.1 Bn in the previous year to Rs. 804 Mn in 2022. Net cash outflows from investing activities amounted to a mere Rs. 171 Mn reflecting the uncertainty in the operating environment as affordability of private healthcare impacted demand. Cashflow used in financing activities amounted to Rs. 762 Mn mainly due to dividends paid to shareholders. Net cashflows increased by Rs. 212 Mn supported by minimal investments despite a 71% increase in dividends paid.

Outlook

Uncertainty in the operating environment has stabilised to a large extent but affordability of healthcare remains a critical concern due to declining disposable incomes. Cost management remains a critical priority in the year ahead as we seek to make healthcare affordable in an environment of relatively high inflation. Inflation has declined for 5 consecutive months from September, easing the pressure although it still remains at relatively high levels. Interest rates have commenced a downward trend in response to policy measures which will impact interest income which was a significant contributor to profitability in 2022. Significant efforts are being undertaken to drive top line growth enhancing fixed cost abosorption which is key to profitability in private sector healthcare.

HR Report

Operating in the Health care industry, the quality of care provided by our staff provides a strong competitive edge in a competitive sector. Attracting talent, developing and retaining employees are critical to our operations and maintenance of high standards in line with international accreditation. Therefore, it is necessary that we offer a holistic employee value proposition to our employees.



Our focus areas in 2022 are summarised below.

Meaningful Employment

- We encourage and support employee well-being, work life balance, sustainable compensation, foster diversity and inclusion, freedom of expression dignity for all.
- We motivate all our employees to improve their physical and mental well-being which helps them to be able to manage the balance between life and work simultaneously.
- Modern schemes have been formulated to provide all employees with fair, market-based compensation, and performance-focused recognition.
- We have introduced programs to promote diversity, inclusion, and freedom of expression for all employees, with emphasis on persons with disabilities and needs in terms of both physical and mental well-being.

Empowering Women

- Workshops for life Skills development outside work were conducted to enhance personal skills and confidence to be able to work under any circumstances
- We provided opportunities for our female staff members to enhance their careers, health, well-being, and safety.

Empowering Women

- Empowering Women
- Promoting Mental and Physical Fitness through training and exercise
- Making a positive impact on the communities we work with


MEDICAL SERVICE SEARCHING OPERATION ON 07-07-20770
BLOOD-BALANCE-PRESSURE
X-RAY
CAM:A1
CAM:A2
LANKA HOSPITALS
+94115430000
Hotline
Doctor Appointment
Upload Prescription
Ambulance
Contact Us
Medical Assistance
Room Types
Gallery & Events
Health Tracker
Home
Promotions
Feedback
Settings
HOSPITAL No:
HEART R:
PATIENT
CONNECTED
HOSPITAL:

Governance

Board of Directors

Vidya Jyothi
Dr. Bandula Wijesiriwardena
Chairman

Mr. Mayura Fernando
Director

Mr. Ronald C Perera, PC
Director

Dr. Ravindra Ruberu
Director

Dr. Kanishka Karunaratne
Director

Mr. Kushan De Alwis, PC
Director

Board of Directors

Ms. Lakshmi Sangakkara
Director

Mr. Nadun Fernando
Director

Ms. Richa Singh Debgupta
Director

Mr. Kasun Rajapaksa
Director

Dr. Abinaya Alagarasan
Director

Mr. Ashish Bhatia
Director

Profiles of the 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.

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 Laugfs Gas 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- Asian Region of Virtusa
- Group Finance Director of Confifi Group
- Senior Vice President of Vanik and Forbes Ceylon Group
- Partner at Ford Rhodes Thornton & Company

Mr. Ronald C Perera, PC
Chairman, Sri Lanka Insurance Corporation Ltd

Mr. Perera is an LLB graduate from the University of Colombo and holds an LLM in International Trade Law from Northumbria University. He is an alumnus of St. Joseph's College, Colombo where he completed his primary and secondary education.

Skills and experience:
- Mr. Perera is an experienced lawyer with a broad practice in the original courts as well as in the Court of Appeal and Supreme Court.
- He has experience in Civil and Criminal litigation, negotiation and drafting of commercial contracts.
- He has specialized in Commercial Law, Banking Law, Industrial Law, Injunctions, Defamation, Election petitions, Civil Appeals, Revision Applications, Writ Applications, and Fundamental Rights Cases.
- Additionally, he has appeared in several Commercial Arbitrations as well. He has also challenged the validity of several bills before the Supreme Court.

Current appointments:
Mr. Ronald Perera assumed duties on 3rd of August 2022 as the Chairman of Sri Lanka Insurance, the largest and strongest insurer in Sri Lanka.

Previous appointments:
- Appointed as the President's council in 2012
- Chairman of the Bank of Ceylon from January 2015 till November 2019 and was instrumental in shaping BOC as a major player in the financial sector.

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 Ortorhinolaryngology, 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

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. 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 37 years. He was conferred Silk and took oaths as President's Counsel in November 2012.

The areas of specialization of Mr. D'Alwis are 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 served as the Chairman of the Office of the National Unity and Reconciliation (ONUR) of Sri Lanka and was 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.

He also served as a Member of the Board of Investment of Sri Lanka.

Mr. D' Alwis served as a Member of the Committee appointed by His Excellency the President to reformulate the guidelines with regard to the appointment of President's Counsel. He was also a Member of the Committee appointed by the Ministry of Defence to review the Issuance of Frequency Permits for Television & Radio Broadcasting and related procedures.

Profiles of the Board of Directors

Mr. D' Alwis is currently a Member of the Board of Directors of Lanka Hospitals Corporation PLC and National Development Bank PLC, which are listed companies in Colombo Stock Exchange.

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

Mr. Nadun Fernando

Skills and experience: A finance professional with over 28 years' experience, including 18 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.

Ms. Richa Debgupta

Skills and experience:
Richa is Chief of Strategy & Operations at Fortis Healthcare, India's second largest healthcare provider with a network of 28 hospitals across the country. She is also a member of the Executive Committee responsible for guiding various initiatives for Fortis group. She played a crucial role in enabling two of the largest acquisitions in healthcare sector.

Ms. Richa has completed her master's Program in Hospital Management from the prestigious Indian Institute of Healthcare Management Research, Jaipur and advance management program from Indian Schools of Business (ISB), Hyderabad. She has twenty-four years of experience as a Healthcare Management Professional. Over the years she has worked in setting up different healthcare format ranging from mother & child, single super specialty to multi-speciality and quaternary care hospitals.

Ms. Richa is an active member on various healthcare industry forums in India such as CII, FICCI, AHPI & ICC. She is recipient of award from President of India for running most energy efficient hospital across the country in 2013. She has also been conferred as Best Women Healthcare Leader by ABP news, one of the leading news channel in India.
She has been conferred as "Women of Impact" 2023 by FICCI (Federation of Indian Chambers of Commerce & Industries) ladies wing.

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 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). He is also a

Current appointments:

- Group Managing Director of DSI Samson Group (Pvt) Ltd
- Managing Director of D. Samson Industries (Pvt) Ltd , Samson Compounds (Pvt) Ltd and Primo (Pvt) Ltd
- Member of the Export Development Board (EDB) Footwear Sector and Executive Committee Member of Sri Lanka Footwear Association (SLFA)
- Vice Chairman of Ceylon National Chamber of Industries (CNCI)
- Member of the General Assembly of South Asian Association for Regional Cooperation in Chamber of Commerce and Industry (SAARC CCI).

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)

Dr. Abinaya Alagarasan

Dr Abinaya Alagarasan holds a Bachelor of Medicine and Bachelor of surgery (M.B.B.S) from Sri Ramachandra University, India. She is also a Doctor of Internal Medicine (M.D) from Pondicherry University, India.

Skills and experience:
Dr. Algarasan initially trained under Professor Dr. Alagarasan who was the Head of the Cardiology Department in Tanjore Medical College as well as the Consultant Physician at the Vinodhagan Memorial Hospital. (P) Ltd, India and Heart care Centre, India .

She has also trained at the critical care at the Apollo Hospital in Chennai.

She was later attached to The Lanka Hospitals Corporation PLC as the Registrar at ICU and currently a Consultant Resident Physician at the ICU of Lanka Hospitals Corporation PLC.

Mr. Ashish Bhatia

Skills and experience: He has 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.

He is an alumnus of the Lawrence School, Sanawar.

Current appointments:

- Executive Vice President, Fortis Healthcare Ltd.

Previous appointments:

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

Ms. Roshini Cabraal

Skills and experience: A finance professional with over 30 years' experience, Ms.Cabraal has served in several sectors including Insurance, Travel, Finance and Education. She qualified as a Chartered Accountant in 1979, obtaining her fellowship in 1997, and subsequently obtaining fellowship in the Society of Certified Management Accountants of Sri Lanka in 2001. A significant part of her professional career was at James Finlay & Co (Colombo) Ltd, in the consultancy division of KPMG Ford Rhodes Thornton & Co and at International Education Systems (Pvt) Ltd where she was also on the Board of Management of the British School in Colombo. She also served as the Head of Consultancy at Capital Reach Holdings Ltd. She resigned from her position on 27th March 2023.

Exco Members

Deepthi Lokuarachchi
Group Chief Executive Officer

Dr. Lasantha Karunasekara
Director Medical Services/
Deputy Chief Executive Officer

Badrajith Siriwardana
Group Chief Financial Officer

Dr. Geethani Galagoda
Head of Laborataries

Sampath Wijesooriya
Group Chief Operations Officer

Mohamed Nizwer
Group Head of Internal Audit

Chathuri Wimalanaga
Head of Human Resources
Covering of Exco duties

Nimal Ratnayake
Chief Marketing Officer

Kanishka Kulasekera
Chief Information Officer

Dr. Deepthi De Silva
Deputy Director Medical Services

Corporate Governance

LHC is a public listed company and the majority shareholder is a state owned enterprise which necessitates upholding high standards of corporate governance. 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;

Governance Framework

Mandatory External Regulations
- Companies Act. No 7 of 2007
- Continuing listing requirements of the Colombo Stock Exchange

Voluntary Standards
- Code of Best Practice on Corporate Governance issued by CA Sri Lanka (2017)

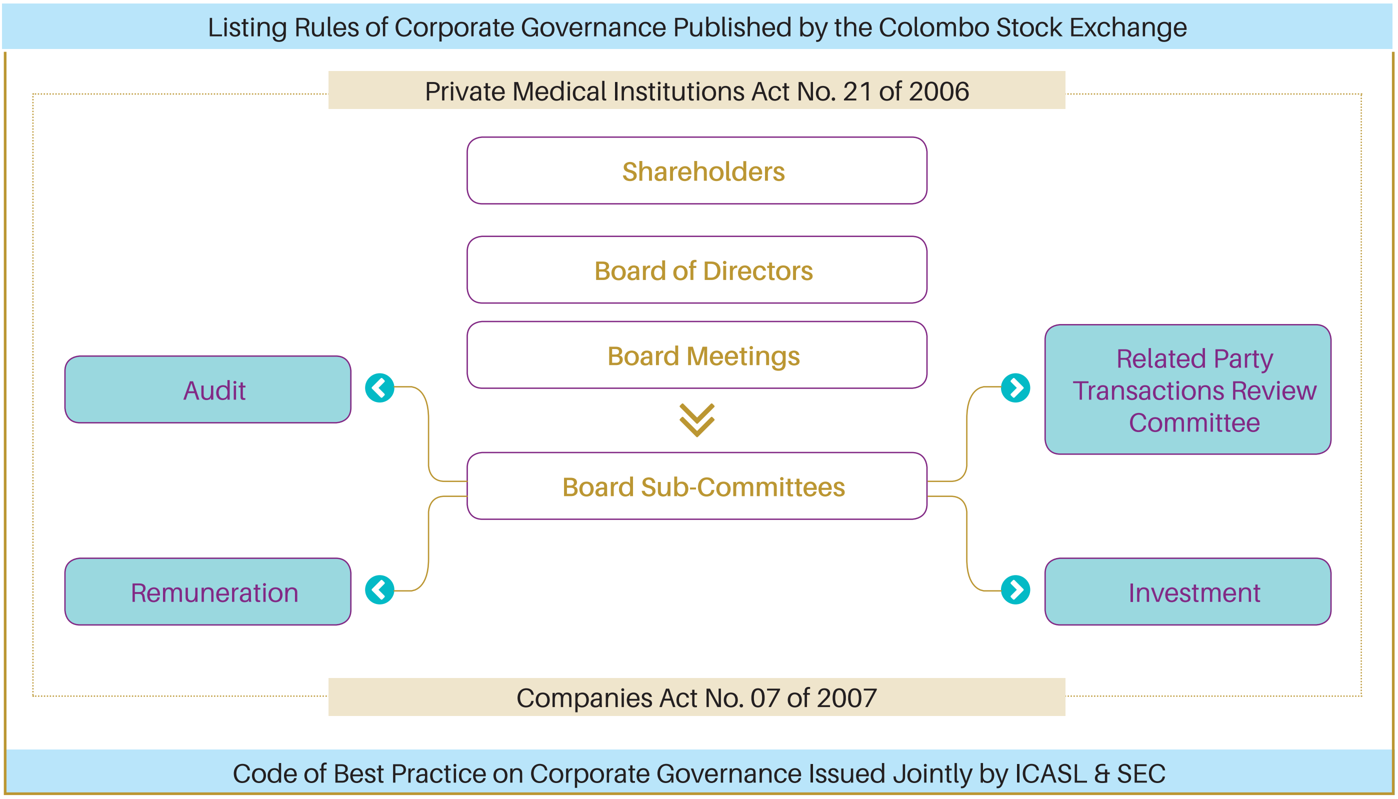
Internal instruments
- Articles of Association
- Board and Sub-Committees Charters
- Code of Ethics
- Internal controls systems
- Policy framework

Internal Mechanisms
- Strategic planning
- Certifications and accreditations
- Quality management
- Investor relations
- Integrated risk management
- Budgeting and Finance

Regulatory Framework | Stakeholder Expectations | Industry Best Practice | Structure and Operating Model

Governance Structure

The governance structure facilitates empowerment and 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. In addition to the 3 mandatory sub-committees Lanka Hospitals has also set up 3 committees providing oversight on clinical matters.



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		*As at 31st December 2022*
Audit	Review the financial reporting process, internal controls and audit function to ensure the integrity of the financial statements	Mr. Mayura Fernando (NED/ID) - Chairman Ms. Roshini Cabraal (NED/ID) - Resigned as a member w.e.f 27-03-2023 Dr. Kanishka Karunaratne (NED/ID) Dr. Abinaya Alagarasan - Appointed w.e.f. 12-04-2023
Remuneration	Assist the Board in the establishment of remuneration policies and practices	Mr. Nadun Fernando (NED/ID) - Chairman Dr. Ravindra Ruberu (NED/ID) Mr. Kasun Rajapaksa - Appointed w.e.f 30-12-2021
Related Party Transactions Review	Review the related party transactions of the group while ensuring the existence of arm's length price	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	Dr. Bandula Wijesiriwardena (NED/ID) - Chairman Mr. Nadun Fernando (NED/ID)

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

Corporate Governance

A Competent Board

The Board of Directors is the Group's apex governing body and bears ultimate 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 comprised 12 Directors at end-December 2022, all of whom operate in a Non-executive capacity. There are 9 Independent directors who account for 75% of the total number of directors. The directors collectively possess a diverse skill set as set out below and have the business acumen required to steer the Group forward. There is also a clear division of responsibilities between Board activities and the executive responsibility of running the business.

Roles and Responsibilities of the Board

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

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

Board Appointments

Mr. Ronald C Perera PC was appointed as a Non-Independent Non-Executive Director during the year. Mrs. R.S. Cabraal who was an Independent Non-Executive Director resigned from the Board with effect from 27th March 2023 and Dr. Abinaya Alagarasan was appointed as an Non Independent Non-Executive Director on 28th March 2023. Profiles of the directors appointed during the year and thereafter are set out on pages 32 to 35 of this report. 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, 1/3 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:

- Mr. Kushan De Alwis PC
- Mr. Nadun Fernando

Board Independence

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

	Name of Director	Shareholding	Management / Director[1]	Material Business Relationship [2]	Employee of Company	Family Member a Director or CEO	Nine Years of Continuous Service
	Non - Executive Independent Directors						
1.	Dr. Bandula Wijesiriwardena	None	Director	None	None	None	None
2.	Mrs. Roshini Cabraal (Resigned on 27th March 2023)	None	Director	None	None	None	None
3.	Mr. Mayura Fernando	Note 01	Director	None	None	None	None
4.	Mr. Ronald C Perera PC (Appointed on 14th October 2022)	None	Director	None	None	None	None
5.	Dr. Ravindra Ruberu	None	Director	None	None	None	None
6.	Mr. Nadun Fernando	None	Director	None	None	None	None

	Name of Director	Shareholding	Management / Director[1]	Material Business Relationship [2]	Employee of Company	Family Member a Director or CEO	Nine Years of Continuous Service
7.	Dr. Kanishka Karunaratne	None	Director	None	None	None	None
8.	Mrs. Lakshmi Sangakkara	None	Director	None	None	None	None
9.	Mr. Kushan De Alwis PC	None	Director	None	None	None	None
10.	Mr. Kasun Rajapaksa	None	Director	None	None	None	None
11.	Mr. Ashish Bhatia	None	Director	Note 02	None	None	None
12.	Mrs. Richa Debgupta	None	Director	Note 02	None	None	None
13.	Mr. Rajiv Puri	None	Alternate Director	Note 02	None	None	None
14.	Mr. Anurag Kalra	None	Alternate Director	Note 02	None	None	None

Note 01- Holds 500 shares of LHC

Note 02- Appointed by Fortis Global Healthcare Holdings Pte Ltd, which has shareholding of 28.66%.

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

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

[3] Employed by Company two years immediately preceding appointment

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 Board & Board Sub Committee meetings which are furnished to all Directors at least 7 days prior to Board/Sub-Committee meetings. Directors also have open access to the Executive management to obtain further information that could be required.

Corporate Governance

Drive strategy & performance	Risk Management	Performance updates and financial matters	Stakeholder relationships
› Drive the Group's strategy towards creating stakeholder value and ensuring that it is aligned to the Group's Vision, Mission and Values	› Ensure the reliability and robustness of the risk management practices and internal controls that are in place. This included evaluating the effectiveness of the Group's Clinical Risk Management Framework	› Financial reports on performance, financial stability and capital position › Reports from Sub-Committee chairpersons › Risk performance updates	› Ensure that stakeholder needs are effectively identified and addressed through the Group's stakeholder engagement activities

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 15 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 2022

		Board Meeting	Audit Committee Meeting	Rem Meeting	RPT Meeting
1.	Dr. Bandula Wijesiriwardena	13/13	N/A	N/A	N/A
2.	Mrs. Roshini Cabraal	13/13	7/7	N/A	N/A
3.	Mr. Mayura Fernando	13/13	7/7	N/A	4/4
4.	Mr. Ronald C Perera PC	2/4	N/A	N/A	N/A
5.	Dr. Ravindra Ruberu	9/13	N/A	4/4	N/A
6.	Mr. Nadun Fernando	10/13	N/A	4/4	N/A
7.	Dr. Kanishka Karunaratne	9/13	4/7	N/A	N/A
8.	Mrs. Lakshmi Sangakkara	13/13	N/A	N/A	4/4
9.	Mr. Kushan De Alwis PC	12/13	N/A	N/A	4/4
10.	Mr. Kasun Rajapaksa	12/13	N/A	4/4	N/A
11.	Mr. Ashish Bhatia	8/13	N/A	N/A	N/A
12.	Mrs. Richa Debgupta	7/13	N/A	N/A	N/A

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

Director's Remuneration

The Group's Remuneration policy is formulated by the Remuneration Committee which has put in place a formal and transparent procedure for determining remuneration of the Executive management including the Group CEO. 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 compromises 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 Independent non-executive directors and their profiles are detailed on pages 32 to 35 of this Report. Please refer the Remuneration Committee Report on page 58 for further details on the Committee's activities during the year under review. The aggregate remuneration paid Non-Executive Directors is disclosed in the Notes to the Financial Statements on page 91 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 Board 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 provisions of the Companies Act No. 7 of 2007.
- 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 Accounting Standards (LKAS) & Sri Lanka Financial Reporting Standards (SLFRS) 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 51 to 55 of this Report
- The Statement of Directors' Responsibility is given on page 56 of this Report.
- The Independent Auditor's Report on pages 62 to 65 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 55 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 page 57. 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 Group CEO, Group CFO, Group Head of Internal Audit, and representatives of the External auditors are invited to attend Committee meetings.

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 Notes to the Financial Statements of the Annual Report.

Code of Business Conduct and Ethics

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

Anti-Corruption and Anti-Bribery

Lanka Hospitals Group places the uppermost value on ethical practices and has disseminated a zero-tolerance policy towards fraud, corruption and bribery in all its transactions and strives to maintain a culture of honesty and transparency in our business dealings.

Based on this commitment, the Employee Code of Conduct, Clinical Governance Framework, Procurement Manual, anti-corruption, bribery and prevention of fraud policy, whistleblower policy and audit controls, amongst many others, outline the principles to which the Group is committed in relation to preventing, reporting and managing fraud, corruption and bribery. These policies cover inter alia, embezzlement, theft, misappropriation, overriding controls, giving or receiving inducements (gifts, and facilitation payments etc.), bribery, and allowing oneself to be placed in situations of conflict of interest and sexual harassment. These policies seek to ensure ethical business practices as a norm for all business units leading down to the individual employee while the transparency controls created by these policies extend to its value chain, to its patients, suppliers and business partners.
The Group is determined to continue its stance of zero-tolerance towards corruption and bribery in all its transactions and foster transparency and honesty in all business dealings, whilst continually developing its governance frameworks in line with international best practices which are further strengthened by the periodic training sessions given to employees enlightening the value of anti-corruption and anti-bribery. The Group also is an equal opportunity employer committed to creating a diverse and inclusive workplace giving all its employees career- and skill progression free from gender -based or any other forms of discrimination.

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.

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

Rule No.	Subject	Requirement	Compliance Status	Details
7.10.1. (a)	Non-Executive Directors	Two or one third of the Directors, whichever is higher, should be Non-Executive Directors.	Complied with	There are 12 Directors as at 31 December 2022. 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 2022, and 8 Independent Non-Executive Directors as of the date of the Annual Report.
7.10.2 (b)	Independent Directors	Each Non- Executive Director should submit a declaration of independence/ Non-Independence in the prescribed format.	Complied with	All the Directors have submitted declarations of Independence/ Non-Independence in the prescribed format.
7.10.3. (a)	Disclosure relating to the Directors	Names of independent Directors should be disclosed in the annual report.	Complied with	Please refer page 48 of this report.
7.10.3.(b)	Disclosure relating to the Directors	In the event a Director does not qualify as independent as per rules of corporate governance however the Board is of the opinion that the Director is nevertheless independent, it shall specify the basis of the determination in the annual report.	Complied with	All the Independent Directors satisfy the “criteria of independence” as per rules on corporate governance.
7.10.3.(c)	Disclosure relating to the Directors	A brief resume of each Director should be published in the annual report including the areas of expertise.	Complied with	Please refer to pages 32 to 35 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 58 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 2022, the Remuneration Committee comprises three Independent Non -Executive Directors and as of the date Annual Report the composition has remained unchanged.
	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 58 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 the Scope of the Remuneration Committee on page 58 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 58.
		A statement of remuneration policy.	Complied with	Please refer to page 58.
		Aggregate remuneration paid to Executive and Non- Executive Directors.	Complied with	Please refer to page 91.
7.10.6	Audit Committee	A listed company shall have an Audit Committee.	Complied with	Please refer to page 57.
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 2022, the Audit Committee comprised three Independent Non- Executive Directors and as of the Annual Report date the Audit Committee comprised two 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 an 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 page 57.
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 page 57.
		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 page 57.
		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 page 57.

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 59.
9.2.2	Composition of the Related Party Transaction Review Committee	Complied with	Please refer the related party transaction review committee report on page 59.
9.2.4	Related Party Transactions Review Committee Meetings	Complied with	The Committee met once in every quater (4 times) during the Financial Year 2022.
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 109 to 111.
9.3.2 (c)	Report by the Related Party Transaction Review Committee	Complied with	Refer the Related Party Transactions Review Committee report on page 59.
9.3.2 (d)	A declaration by the Board of Directors	Complied with	Please refer to page 59.

Clause No.	Companies Act No. 7 of 2007	Compliance Status	Details
168(1)(a)	The nature of the business together with any change thereof	Complied with	Please refer pages 51 to 55 of this report.
168(1)(b)	Signed financial statements of the Group and the company	Complied with	Please refer pages 66 to 120 of this report.
168(1)(c)	Auditors' Report on financial statements	Complied with	Please refer pages 62 to 65 of this report.
168(1)(d)	Accounting policies and any changes therein	Complied with	Please refer pages 72 to 89 of this report.
168(1)(e)	Particulars of the entries made in the interests register	Complied with	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. 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.
168(1)(f)	Remuneration and other benefits paid to Directors of the company	Complied with	Refer note 8 to the Financial Statements on page 91.
168(1)(g)	Corporate donations made by the company	Complied with	Refer page 52 of this report.
168(1)(h)	Information on Directorate of the company at the end of accounting period	Complied with	Please refer pages 48 & 51 to 55 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 91.

Composition As at 31st December 2022

Name of the Director	Directorship Status
Dr. Bandula Wijesiriwardena	Independent Non Executive
Ms. Roshini Cabraal	Independent Non Executive
Mr. Mayura Fernando	Independent Non Executive
Mr. Ronald C Perera PC	Non-Independent Non Executive
Dr. Ravindra Ruberu	Independent Non Executive
Ms. Lakshmi Sangakkara	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
Mr. Ashish Bhatia	Non-Independent Non Executive
Ms. Richa Singh Debgupta	Non-Independent Non Executive

Composition As at 12th April 2022

Name of the Director	Directorship Status
Dr. Bandula Wijesiriwardena	Independent Non Executive
Mr. Mayura Fernando	Independent Non Executive
Mr. Ronald C Perera PC	Non-Independent Non Executive
Dr. Ravindra Ruberu	Independent Non Executive
Ms. Lakshmi Sangakkara	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
Mr. Ashish Bhatia	Non-Independent Non Executive
Ms. Richa Singh Debgupta	Non-Independent Non Executive
Dr. Abinaya Alagarasan	Non-Independent Non Executive

Risk Management

The key risks and opportunities for LHC Group are summarised below:

Risk & Risk Rating	Key Drivers	Mitigation Strategies
Affordability of Private Healthcare		
Affordability of private healthcare is a key area of concern as inpatient care remains at a low penetration levels and increased room capacity over the year has resulted in lower capacity utilisation across the sector **Assessment** Impact: High Likelihood: High Direction: ↗	• Disposable Income • Inflation • Funding of private healthcare • Low penetration levels of Life & Health Insurance • Competitor activity	• Ease of access to customers • Relationship management with corporates and multinational entities to attract corporate customers • Packaging treatments to provide information on healthcare costs • Special discounts to defined customer segments to expand customer base • Working with insurance companies
Health & Safety of Employees & Patients		
Health and safety of our patients and employees is the #1 priority. International accreditation affirm that processes in place to manage this risk are in line with global best practice. The risk was elevated during the pandemic but has waned with the decrease in caseloads. **Assessment** Impact: Medium Likelihood: Medium Direction: →	• Employee training • Enforcement of procedures • Epidemics and Pandemics	• Oversight of clinical governance at Board level and executive levels • Renewal of international accreditations • Staff training • Continuous enforcement of best practice standards
Talent Retention		
Talent retention is a critical factor as many skilled professionals are seeking routes for employment migration. As skilled healthcare professionals are in high demand globally, we are experiencing an increase in talent migration. **Assessment** Impact: High Likelihood: High Direction: ↗	• Disposable income • Socioeconomic stability • Global demand for skilled professionals in healthcare • Economic recovery	• Strengthening relationships with Consultants • Commenced Learning Academy to grow talent pools • Maintain competitive levels of remuneration • Automation & Digitalisation
Interest Rates		
Interest rates have a significant impact on the profitability of LHC as witnessed in 2022 as Fixed Deposits is the largest asset on the balance sheet, providing a stable source of interest income. As interest rates were relatively high in 2022, Interest Income contributed significantly to profitability, offsetting the decrease in operating profits. **Assessment** Impact: Medium Likelihood: High Direction: ↗	• Cashflows and liquidity • Interest rates	• Careful management of financial assets • Optimising returns on investments of funds

Risk Management

Risk & Risk Rating	Key Drivers	Mitigation Strategies
Exchange Rates		
As most medicines and consumables in the healthsector are imported, exchange rates play a key role in cost management and affordability of health care. Conversely, there was a significant gain on conversion of foreign currency deposit balances although the cost increases are likely to be higher when weighed in balance. **Assessment** Impact: Medium Likelihood: Medium Direction: ↗	• Exchange rate • % of imported inputs in purchases	• Deposits in foreign currency offset to some extent the increased pressure on costs resulting from rupee devaluation
Financial Risks		
The Group's activities exposes it to several financial risks such as investment risk, liquidity risk and market risk. **Assessment** Impact: Low Likelihood: Low Direction: ↙	• Foreign and local currency short-term investments • Ungeared	• 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
Technology		
Investments in infrastructure moderated significantly during the pandemic years and the economic crisis. The digitalisation is a step forward to take healthcare beyond our borders to patients and will be a key strategy. Further investments required are continuously assessed to ensure LHC can offer a world class services. **Assessment** Impact: High Likelihood: Moderate Direction: →	• Evolution of technology in healthcare • Evolution of new communication channels • Evolution of in core systems technology	• Digitalisation strategy • Review of capex requirements
Cybersecurity		
Cybersecurity threats continue to escalate and the Personal Data Protection Act No.9 of 2022 was enacted during the year making compliance mandatory. **Assessment** Impact: High Likelihood: High Direction: →	• Staff awareness about cybersecurity	• Creating staff awareness on the importance of maintaining information security and handling of sensitive information. • Deploying network protection technology to manage network and monitor suspicious cyber activities • regular testing and verification of controls.

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, 2022 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 3 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 10 to 13 and 18 to 26 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 1,350 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 66 to 120.

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 56.

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, 2022 and the Auditors' Report issued thereon is given on pages 62 to 65 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 122. 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

Annual Report of the Board of Directors on the Affairs of the Company

year ended December 31, 2022, are given in Note 8 to the Financial Statements on page 91.

2.9 Corporate Donations by the Company

During the year, the Company made donations amounting to Rs. 444,264/-

3. Net Income and Profitability

The Revenue of the Group for 2022 was Rs. 10.7 Bn (Rs. 10 Bn in 2021), while LHC's revenue was Rs. 8 Bn (Rs. 6.7 Bn in 2021). The profit after tax of the Group stood at Rs. 3.2 Bn (Rs. 2.2 Bn in 2021), while LHC's profit after tax was Rs. 2.7 Bn (Rs. 1.4 Bn in 2021).

4. Dividends and Reserves

4.1 Dividends on Ordinary Shares

First interim dividend of Rs. 2/= per share was paid on 19th September 2022. The Board declared a 2nd interim dividend of another Rs.1.50 per share for the year ended 31st December 2022 and was paid on 28th April 2023. Both 1st interim dividend and the 2nd interim dividend were paid out of the profits of the company. The total amount distributed by way of the two interim dividends was Rs. 783,062,592/=.

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

4.2 Reserves

Information on the movement of reserves is given in the Statement of Changes in Equity on pages 69 to 70 in Notes to the Financial Statements.

5. Property, Plant & Equipment, Leasehold Property and Intangible Assets

Capital expenditure incurred on Property, Plant & Equipment (including Capital Work-in-Progress), Intangible Assets and Leasehold Property of the Group are given in Note 12 and 13 on pages 94 to 98 to the Financial Statements respectively. Capital expenditure approved and contracted for, are given in Note 31 to the Financial Statements on page 112.

6. Market Value of Freehold Properties

The buildings of the Company were revalued by professionally qualified independent valuers as at December 31, 2022, 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 to the Financial Statements on pages 94 to 98.

7. Stated Capital

The Stated Capital as at 31st December 2022 was Rs. 2,671,543,090/- comprising of 223,732,169 ordinary voting shares (Rs. 2,671,543,090/- as at 31st December 2021 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 page 122.

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 121.

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 122.

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, 2022 consisted of Twelve. 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 32 to 35.

Names of the Directors of the Company as at 31st December 2022 as required by the Section 168 (1) (h) of the Companies Act No. 07 of 2007, are given below:

Name of the Director	Status of Directorship
Dr. Nambunama Nanayakkara Akmeemana Palliyaguruge Bandula Chandranath Wijesiriwardena	Independent Non Executive Director
Ms. Roshini Sunethra Cabraal	Independent Non Executive Director
Mr. Pattage Mayurasiri Bandula Fernando	Independent Non Executive Director
Mr. Ronald C Perera PC	Non Independent Non Executive Director
Dr. Tantirige Ravindra Chintaraj Ruberu	Independent Non Executive Director
Ms. Sangakkara Mudiyanselage Lakshmi Kumari Sangakkara	Independent Non Executive Director
Mr. Kushan D'Alwis PC	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
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

11.1.2 Directors Holding Office in Lanka Hospital Diagnostics (Private) Limited as at 31st December 2022

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
Mr. 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
Mr. Ronald C Perera PC	14-10-2022	-
Ms. Roshini Sunethra Cabraal	-	27-03-2023
Dr. Abinaya Alagarasan	28-03-2023	-

11.1.4 Recommendations for Re-election

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. Ronald C Perera PC and Dr. Abinaya Alagarasan who were appointed to the Board subsequent to last Annual General Meeting offer themselves for re-election as Directors 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 Directors offer themselves for re-election at this Annual General Meeting.

Mr. Kushan De Alwis PC
Mr. Nadun K Fernando

Dr. Bandula Wijesiriwardena and Mrs. Lakshmi Sangakkara having attainted the age of 70 years and retire in terms of Section 210 of the Companies Act No. 07 of 2007, and offer themselves for re-election as Directors upto the conclusion of the next Annual General Meeting of the Company in terms of Section 211 of the Companies Act No. 07 of 2007.

Annual Report of the Board of Directors on the Affairs of the Company

11.1.5 Details of Directors attendance at Directors' meetings are presented on page 42 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.

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

Name of the Director	Number of shares 2022	Number of shares 2021
Dr. Nambunama Nanayakkara Akmeemana Palliyaguruge Bandula Chandranath Wijesiriwardena	Nil	Nil
Ms. Roshini Sunethra Cabraal	Nil	Nil
Mr. Pattage Mayurasiri Bandula Fernando	500	500
Mr. Ronald C Perera PC	Nil	Nil
Dr. Tantirige Ravindra Chintaraj Ruberu	Nil	Nil
Ms. Sangakkara Mudiyanselage Lakshmi Kumari Sangakkara	Nil	Nil
Mr. Kushan D'Alwis PC	Nil	Nil
Mr. Magage Nadun Kumara Fernando	Nil	Nil
Dr. Nanayakkara Liyanage Kanishka Ganganath Karunaratne	Nil	Nil
Mr. Kasun Rajapaksa	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

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 pages 109 to 111 and 91.

These interests have been declared at Directors' meetings. Directors have no direct or indirect interest in any other contract or proposed contract with the Company. Directors' remuneration and other benefits, in respect of the Group and the Company for the financial year ended 31st December 2022 are given in Note 8 to the Financial Statements on page 91.

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. Material Issues pertaining to Employees and Industrial Relations of the Company

The Board assesses the importance and impact of each employees. Being in the healthcare sector Board and the Management give important consideration to its relationship with employees and to wider stakeholder groups who can have a significant impact on the Company.

14. Directors' declaration on related party transactions

The Directors declare that they are in compliance with section 9 of the listing rules of CSE pertaining to the related party transactions occured during the financial year ended 31st December 2022. The Directors of the Company declare that there were no related party transactions required to be disclosed under the listing rules of the CSE other than the disclosures already made in these financial statements.

15. 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.

16. 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.

17. 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 32 to the Financial Statements on page 112.

18. Appointment of Auditors

In term of Article 154 of the Constitution, Auditor General is 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 the Auditors are disclosed in note 8 of page 91 to the financial statements.

As far as the Directors are aware the auditors do not have any interest in the Company or its Group.

19. 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.

20. 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.

21. Contingent Liabilities

Details with regard to the contingent liabilities are given in note 30 to the financial statement.

22. Annual General Meeting

The Annual General Meeting of the Company will be held as a virtual meeting on 28th June 2023 at 3pm at the Dr. Prathap C Reddy Auditorium of The Lanka Hospitals Corporation PLC, No. 578, Elvitigala Mawatha, Colombo 5.

23. Acknowledgement of the content of the Report

As required by section 168 (1) (k) of the Companies Act No. 7 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

Mr. 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,

18th May 2023

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, 2022, 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 2023 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 2022, 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.

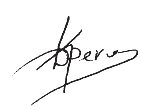
The Directors also confirm that the underlying books of accounts are in conformity with the requirements of the Sri Lanka Accounting Standards, Companies Act No. 07 of 2007, Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995, the Listing Rules of the Colombo Stock Exchange and the Code of 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,

18th May 2023

The Board Audit Committee Report

Committee Composition

Mr. Mayura Fernando (NED/ID) Chairman
Ms. Rohshini Cabraal (NED/ID) (resigned w.e.f. 27th March 2023)
Dr. Kanishka Karunaratne (NED/ID)
(NED-Non-Executive Director, ID - Independent Director)

Meeting Attendance

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

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.

The Board Audit Committee of the Company is a formally constituted subcommittee of the Board of Directors that supports in the areas of financial reporting, internal audit, internal controls, external audit and corporate risk. This report focuses on the activities of the Committee for the year under review.

The terms of reference of the Committee are defined in the Audit Committee Charter. The Audit Committee Charter is regularly reviewed and revised with the concurrence of the Board members to ensure that new developments relating to the function of the Committee are adopted.

The key 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 2022

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. Accordingly audit committee is empowered by the board for the following duties during the year 2022.

- Ensure that financial reporting systems in place are effective and well managed in order to provide accurate, appropriate and timely information to the Board, regulatory authorities and other stakeholders
- Evaluate the appropriateness of the accounting policies, standards and other compliance requirements and any new laws and regulations as applicable to the group.
- Ensure the adoption and adherence of best practise of corporate governance be in accordance with highest ethical standards for the best interest of all stakeholders.
- Review the interim and annual financials of the Group in order to maintain the integrity of the statements prior to submission of the board.
- Evaluate and monitor all aspects of the group internal audit program with the findings, management response and implementation & follow-up of recommendations.
- Assess and constantly monitored the effects of the pandemic and Sri Lankan economic crisis on the hospital operation.
- Evaluate the status of compliance & key statutory deliverables of Lanka Hospitals Group with its tax, regulatory and operations standards.
- Seek professional advice on time to time on matters within the purview of the committee to accomplish the optimum solutions to the group.

Evaluation of the Committee

During the year, the Committee has assessed all key risk areas and compliances of the group, which also included under the terms of reference and were regularly reported to the board of directors with its explanations and observations. An independent evaluation of the effectiveness of the committee and its deliverables were carried out by the other members of the board during the year considering the overall conduct and its contribution to the performance of the hospital to ensure that the objectives of the committee is achieved.

On behalf of the Committee;

Mayura Fernando,
Chairman, Audit Committee

18th May 2023

The Board Remuneration Committee Report

Committee Composition

Mr. Nadun Fernando (NED/ID) (Chairman appointed w.e.f. 20.01.2022)
Dr. Ravindra Ruberu (NED/ID)
Mr. Kasun Rajapaksa (NED/IND)
(NED-Non-Executive Director, NID - Non Independent Director, ID - Independent Director)

Meeting Attendance

Director	Attendance
Mr. Nadun Fernando	4/4
Dr. Ravindra Ruberu	4/4
Mr. Kasun Rajapaksa	4/4

Duties and Responsibilities

The Committee's primarily role is to assist the Board in fulfilling its fiduciary responsibilities with regards to the group's human capital and their financial & non-financial compensations. The key attentive areas of the committee is listed as 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 organisational structure and delegation of responsibilities
- Management development plans and succession
- Criteria for promotions

Activities in 2022

The HR and Remuneration Committee met 07 times during the year. The meetings were attended by the Group Chief Executive Officer (GCEO), Group Chief Finance Officer (GCFO) and Head of Human Resources (HOHR) together with professional advisors engaged on particular subject matters upon invitation by the committee to brief the pertinent issues related to the group human capital.

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 organization structure at Senior Leadership level
- Review GPTW survey outcome and related policies to strengthen employee relationship and engagement
- Review and revise the rewards and benefit policy in line with emerging market developments, employee expectations and industry standards.

Remuneration Policy

Remuneration Policy is designed to recommend and endorse remuneration structures taking into account the performance of the individual and industry standards whilst ensuring that the Company is able to attract, engage and retain critical talent to make continued success of the business and creation of shareholder value.

Policy guides on providing all employees fair, market-based compensation, and performance-focused recognition. Potential risks arising from inadequate remuneration structures are given due consideration in the policy and required steps have been in place to mitigate such exposures.

Further, through the Remuneration Policy, the Company endeavors to nurture a conducive and positive work environment that allows meaningful employment opportunities to all staff.

On behalf of the Committee;

Mr. Nadun Fernando
Chairman - Board HR and Remuneration Committee

18th May 2023

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)

Meeting Attendance

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

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 32 to 35 of this Report.

During the year 2022, the related party transaction review committee comprised of three independent non executive directors in conformity with the section 4.2 of the code of best practice on corporate governance 2017 which was issued by the Institute of Chartered Accountants of Sri Lanka.

The Committee is responsible for assisting 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 2022

The Committee met once in every quater (4 times) during the Financial Year 2022. The following types of related party transactions are brought to the attention of the Board:

- Insurance services obtained from the Parent Company and payments made thereof.
- Services provided and payments made to related parties.
- 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. The board has extended the scope of the Committee to include senior decision makers (Executive committee members) in the list of key management personnel, whose transactions with the group entities also reviewed by the committee. In addition a self-declaration about the related party transactions was obtained from all directors and executive committee members to establish transparency and the best practices are followed by the group.

Details of the Related Party Transactions entered into during the year are disclosed on Note 27 to the Financial Statements.

Declaration

A declaration by the Board of Directors in the Annual Report as a negative statement to the effect that no related party transaction falling within the ambit of the rule 9.3.2 of Listing Rules of the Colombo Stock Exchange was entered into by the Company during the year, is given in the Annual Report of the Board of Directors on page 54. 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 27 to the Financial Statements.

On behalf of the Committee;

Lakshmi Sangakkara
Chairperson - Related Party Transactions Review Committee

18th May 2023

Financial Reports

Financial Calendar 2022 and Proposed Financial Calendar 2023

Submission of the Interim Financial Statements in terms of Rule 7.4 (a) (i) 1 of the Colombo Stock Exchange

	2022 Submitted on	2023 to be Submitted on or Before
For the 3 months ended 31st March (unaudited)	13th May 2022	15th May 2023
For the 3 and 6 months ended 30th June (unaudited)	10th August 2022	15th August 2023
For the 3 and 9 months ended 30th September (unaudited)	15th November 2022	15th November 2023
For the 3 months and year ended 31st December (unaudited)	28th February 2023	29th February 2024

Independent Auditors' Report

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தேசிய கணக்காய்வு அலுவலகம்
NATIONAL AUDIT OFFICE

මගේ අංකය / எனது இல. / My No. } THO/C/LHC/FA/2022/01   ඔබේ අංකය / உமது இல. / Your No. }   දිනය / திகதி / Date } 17 April 2023

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 Hospitals Corporation PLC and its subsidiaries for the year ended 31 December 2022 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 2022 comprising the statement of financial position as at 31 December 2022 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 2022, 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 2022 was Rs. 10698 Mn.

අංක 306/72, පොල්දූව පාර, බත්තරමුල්ල, ශ්‍රී ලංකාව.   இல. 306/72, பொல்துவ வீதி, பத்தரமுல்லை, இலங்கை.   No. 306/72, Polduwa Road, Battaramulla, Sri Lanka.
+94 11 2 88 70 28 - 34   +94 11 2 88 72 23   ag@auditorgeneral.gov.lk   www.naosl.gov.lk

Risk Description	Our 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.	My audit procedures included the following, among others; • 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. 980 Mn as at December 31, 2022, at the lower of cost or net realizable value.

Risk Description	Our 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.	My audit procedures included; assessing adequacy and consistency of provisioning for inventories at the reporting date with the Group's inventory provision policy. • On a sample basis, comparing the carrying amounts of the Group's inventories with net realization 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 receivable as at 31 December 2022 was Rs. 475 Mn.

Risk Description	Our 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.	My audit procedures included – • 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 2022 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

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தேசிய கணக்காய்வு அலுவலகம்
NATIONAL AUDIT OFFICE
NAOSL

1.4 Other information included in the Company's 2022 Annual Report.

The other information comprises the information included in the Company's 2022 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 2022 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. Wickramarathne
Auditor General

Consolidated Statement of Profit or Loss

		Group		Company	
For the year ended 31st December,	**Note**	2022 Rs.	**2021** **Rs.**	2022 Rs.	**2021** **Rs.**
Revenue from contracts with customers	5	10,697,887,913	10,033,566,919	7,957,422,116	6,707,009,994
Cost of services		(5,993,028,196)	(5,270,033,566)	(4,735,624,497)	(3,831,885,643)
Gross profit		4,704,859,717	4,763,533,353	3,221,797,619	2,875,124,351
Other income	6	86,061,173	137,071,511	89,323,513	402,902,844
Administrative expenses		(2,655,773,836)	(2,290,179,577)	(1,885,312,857)	(1,651,142,363)
Other operating expenses		(925,938,123)	(751,460,532)	(817,014,117)	(675,550,401)
Change in fair value of investment property		-	-	8,300,000	4,700,000
Profit from the operations		1,209,208,931	1,858,964,755	617,094,158	956,034,431
Finance income	7.1	2,882,371,900	406,270,332	2,642,642,732	379,256,241
Finance cost	7.2	(30,383,252)	(32,598,348)	(16,332,997)	(18,417,008)
Net finance income		2,851,988,649	373,671,984	2,626,309,735	360,839,233
Profit before taxation	8	4,061,197,580	2,232,636,739	3,243,403,892	1,316,873,664
Income tax expense	9	(814,341,217)	(21,121,266)	(565,289,886)	103,736,728
Profit for the year		3,246,856,363	2,211,515,473	2,678,114,006	1,420,610,391
Attributable to:					
Equity holders of the company		3,246,856,363	2,211,515,473	2,678,114,006	1,420,610,391

Notes from pages 72 to 120 form an integral part of these Financial Statements. Figures in brackets indicate deductions.

Consolidated Statement of Other Comprehensive Income

		Group		Company	
For the year ended 31st December,	**Note**	2022 Rs.	**2021 Rs.**	2022 Rs.	**2021 Rs.**
Profit for the year		3,246,856,363	2,211,515,473	2,678,114,006	1,420,610,391
Other comprehensive income					
Items that will not be reclassified to profit or loss					
Surplus on revaluation of property, plant and equipment	22	417,765,345	-	390,893,155	-
Actuarial gains on defined benefit obligations	23	65,737,297	47,039,308	58,408,293	41,802,407
Deferred tax on surplus of revaluation	22	(125,329,603)	-	(117,267,946)	-
Effect on deferred tax due to rate change	22	(210,135,698)	289,330,721	(198,473,298)	280,288,121
Related tax on actuarial gain on defined benefit obligations	24	(19,721,189)	(6,585,503)	(17,522,488)	(5,852,337)
Other comprehensive income for the year, (net of tax)		128,316,151	329,784,526	116,037,716	316,238,191
Total comprehensive income for the year		3,375,172,515	2,541,299,999	2,794,151,722	1,736,848,582
Attributable to:					
Equity holders of the parent		3,375,172,515	2,541,299,999	2,794,151,722	1,736,848,582
Basic Earnings per share (Rs.)	10.1	14.51	9.88	11.97	6.35
Diluted Earnings per share (Rs.)	10.2	14.51	9.88	11.97	6.35

Notes from pages 72 to 120 form an integral part of these Financial Statements. Figures in brackets indicate deductions.

Consolidated Statement of Financial Position

As at 31st December,	Note	Group 2022 Rs.	Group 2021 Rs.	Company 2022 Rs.	Company 2021 Rs.
ASSETS					
Non-current assets					
Property, plant and equipment	12	5,125,085,680	4,718,257,761	4,683,680,410	4,301,558,172
Right of use assets	26	531,471,112	533,477,044	422,523,261	429,779,632
Intangible assets	13	46,814,095	55,276,003	37,422,214	44,027,531
Investment property	14	-	-	155,000,000	146,700,000
Investment in subsidiary	15	-	-	414,000,020	414,000,020
		5,703,370,887	5,307,010,807	5,712,625,905	5,336,065,355
Current assets					
Inventories	16	979,995,750	455,449,496	716,850,386	302,956,360
Trade and other receivables	17	1,015,529,407	1,031,704,735	798,782,611	741,534,986
Amounts due from related companies	18	235,232	1,834,188	133,716,741	111,739,308
Financial assets measured at amortized cost	19	6,923,207,563	4,749,971,153	5,241,046,466	3,865,026,810
Cash and cash equivalents	20	711,590,993	453,897,597	624,549,496	344,671,757
		9,630,558,945	6,692,857,170	7,514,945,700	5,365,929,222
Total assets		15,333,929,832	11,999,867,977	13,227,571,605	10,701,994,577
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	1,361,084,883	1,330,581,534	1,266,920,410	1,240,031,685
Retained earnings		7,948,422,853	5,316,956,429	6,124,927,684	4,063,956,478
Total equity		11,981,050,826	9,319,081,053	10,063,391,184	7,975,531,253
Non-current liabilities					
Employee benefits	23	254,261,408	277,775,607	218,336,229	242,422,163
Deferred tax liabilities	24	1,212,337,694	509,403,686	1,136,551,969	467,144,831
Lease liability	26	151,975,808	159,299,028	70,469,960	72,911,716
		1,618,574,910	946,478,321	1,425,358,158	782,478,710
Current liabilities					
Trade and other payables	25	765,627,228	897,956,622	1,048,501,117	1,347,711,015
Lease liability	26	87,055,794	88,743,012	49,344,349	60,541,838
Income tax payable		353,794,340	265,224,151	190,568,078	174,564,771
Bank overdraft	20	527,826,734	482,384,819	450,408,719	361,166,990
		1,734,304,096	1,734,308,604	1,738,822,263	1,943,984,614
Total liabilities		3,352,879,006	2,680,786,925	3,164,180,421	2,726,463,323
Total equity and liabilities		15,333,929,832	11,999,867,977	13,227,571,605	10,701,994,577

Notes from pages 72 to 120 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 2023
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, 2021	2,671,543,090	1,093,047,507	3,404,721,752	7,169,312,349
Profit for the year	-	-	2,211,515,473	2,211,515,473
Other comprehensive income				
Actuarial gains on defined benefit obligations	-	-	47,039,308	47,039,308
Related tax on actuarial gain on defined benefit obligations	-	-	(6,585,503)	(6,585,503)
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
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	5,316,956,429	9,319,081,053
Balance as at 1st January, 2022	2,671,543,090	1,330,581,534	5,316,956,429	9,319,081,053
Adjustment for Surcharge Tax levied under the Surcharge Tax Act No. 14 of 2022	-	-	(42,006,234)	(42,006,234)
Adjusted Balance as at 1st January, 2022	2,671,543,090	1,330,581,534	5,274,950,195	9,277,074,819
Profit for the year	-	-	3,246,856,363	3,246,856,363
Other comprehensive income				
Actuarial gains on defined benefit obligations	-	-	65,737,297	65,737,297
Related tax on actuarial gain on defined benefit obligations	-	-	(19,721,189)	(19,721,189)
Surplus on revaluation of property, plant and equipment	-	417,765,345	-	417,765,345
Depreciation transfer on surplus on revaluation of buildings	-	(51,796,694)	51,796,694	-
Effect on deferred tax due to rate change	-	(210,135,698)	-	(210,135,698)
Deferred tax on surplus of revaluation	-	(125,329,603)	-	(125,329,603)
Transaction with owners recorded directly in equity				
Dividend	-	-	(671,196,507)	(671,196,507)
Balance as at 31st December, 2022	2,671,543,090	1,361,084,883	7,948,422,853	11,981,050,826

Notes from pages 72 to 120 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, 2021	2,671,543,090	1,008,006,749	2,950,664,128	6,630,213,967
Profit for the year	-	-	1,420,610,391	1,420,610,391
Other comprehensive income				
Actuarial gain on defined benefit obligations	-	-	41,802,407	41,802,407
Related tax on actuarial gain on defined benefit obligations	-	-	(5,852,337)	(5,852,337)
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
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	4,063,956,478	7,975,531,253
Balance as at 1st January, 2022	2,671,543,090	1,240,031,685	4,063,956,478	7,975,531,253
Adjustment for Surcharge Tax levied under the Surcharge Tax Act No. 14 of 2022	-	-	(35,095,284)	(35,095,284)
Adjusted Balance as at 1st January, 2022	2,671,543,090	1,240,031,685	4,028,861,194	7,940,435,969
Profit for the year	-	-	2,678,114,006	2,678,114,006
Other comprehensive income				
Actuarial gain on defined benefit obligations	-	-	58,408,293	58,408,293
Related tax on actuarial gain on defined benefit obligations	-	-	(17,522,488)	(17,522,488)
Surplus on revaluation of property, plant and equipment		390,893,155	-	390,893,155
Depreciation transfer on surplus on revaluation of buildings	-	(48,263,185)	48,263,185	-
Effect on deferred tax due to rate change		(198,473,298)	-	(198,473,298)
Deferred tax on surplus of revaluation	-	(117,267,946)	-	(117,267,946)
Transaction with owners recorded directly in equity				
Dividend	-	-	(671,196,507)	(671,196,507)
Balance as at 31st December, 2022	2,671,543,090	1,266,920,410	6,124,927,684	10,063,391,184
Dividend per share - 2022 (Note - 11)				3.00
Dividend per share - 2021 (Note - 11)				1.75

Notes from pages 72 to 120 form an integral part of these Financial Statements. Figures in brackets indicate deductions.

Consolidated Statement of Cash Flows

		Group		Company	
For the year ended 31st December,	**Note**	**2022 Rs.**	**2021 Rs.**	**2022 Rs.**	**2021 Rs.**
Cash flow from operating activities					
Profit before taxation		4,061,197,580	2,232,636,739	3,243,403,892	1,316,873,664
Adjustments for:					
Interest income	7.1	(927,519,010)	(252,324,099)	(686,784,543)	(224,602,234)
Dividend Income	6	-	-	-	(258,750,013)
Gain on translation of foreign currency		(1,955,858,189)	(153,946,233)	(1,955,858,189)	(154,654,007)
Depreciation on property, plant and equipment	12	460,627,462	458,101,977	406,145,886	406,910,610
Amortisation of right of use assets	26.4	88,678,536	65,386,488	51,707,046	33,335,322
Interest cost on lease liability	26.4	30,383,251	32,598,349	16,332,997	18,417,008
Amortisation of intangible assets	13	18,217,031	21,344,067	14,233,142	16,378,201
Net change in fair value of investment property	14	-	-	(8,300,000)	(4,700,000)
Provision for retiring gratuity	23.2	65,060,744	56,441,165	55,520,062	48,764,252
Reversal of impairment provision on inventory	16.1	(19,113,261)	(3,788,320)	(23,326,755)	(3,054,355)
Impairment loss / (reversal of provision) on trade receivables		5,286,007	846,650	(1,008,802)	(13,638,099)
Gain on disposal of right of use assets	6	(4,547,153)	(893,595)	(347,157)	(669,715)
Gain on disposal of property, plant and equipment	6	(1,256,725)	(8,149,153)	(1,256,725)	(8,270,480)
Operating cash flows before working capital changes		1,821,156,273	2,448,254,035	1,110,460,855	1,172,340,155
(Increase)/decrease in inventories		(505,432,993)	(12,754,052)	(390,567,271)	47,917,209
(Increase)/decrease in trade and other receivables		92,416,014	(288,425,342)	(37,547,805)	(128,719,501)
Increase/(decrease) in amounts due from related companies		1,598,957	1,911,150	(21,977,433)	(100,358,793)
Increase/(decrease) in trade and other payables		(132,329,394)	112,909,103	(299,209,897)	394,991,804
Increase/(decrease) in amounts due to related companies		-	(4,769,075)	-	(4,769,075)
		1,277,408,857	2,257,125,819	361,158,449	1,381,401,799
Cash generated from operations					
Retiring gratuity paid	23.2	(22,837,645)	(26,052,893)	(21,197,703)	(24,042,784)
Interest paid	26.4	(30,383,251)	(32,598,349)	(16,332,997)	(18,417,008)
Income tax paid		(420,029,746)	(64,374,436)	(248,238,457)	(23,668,136)
Net cash inflow from operating activities		804,158,215	2,134,100,141	75,389,292	1,315,273,871
Cash flows from investing activities					
Acquisition of property, plant and equipment	12	(422,429,963)	(424,012,593)	(370,114,894)	(379,015,922)
Expenditure incurred on capital work in progress	12	(38,429,720)	-	(38,429,720)	-
Purchase of intangible assets	13	(9,755,123)	(20,087,394)	(7,627,825)	(18,005,891)
Proceeds from disposal of property, plant and equipment		12,426,368	12,913,288	12,426,368	12,913,288
Interest income received		846,624,809	184,455,760	668,093,525	166,494,779
Dividend income received	6	-	-	-	258,750,013
(Investment)/withdrawal in other financial assets		(217,378,220)	(1,489,030,920)	579,838,533	(953,378,802)
Net cash generated from (used in) investing activities		171,058,151	(1,735,761,859)	844,185,987	(912,242,536)
Cash flows from financing activities					
Dividend paid		(671,196,507)	(391,531,296)	(671,196,507)	(391,531,296)
Lease paid		(91,768,379)	(70,377,616)	(57,742,763)	(44,063,772)
Net cash outflow from (used in) financing activities		(762,964,886)	(461,908,912)	(728,939,270)	(435,595,068)
Net increase/(decrease) in cash and cash equivalents		212,251,480	(63,570,629)	190,636,010	(32,563,733)
Cash and cash equivalent at the beginning of the year		(28,487,221)	35,083,408	(16,495,233)	16,068,500
Cash and cash equivalent at the end of the period (Note A)		183,764,259	(28,487,221)	174,140,777	(16,495,233)
Note A- Analysis of cash and cash equivalents					
Favourable balances					
Cash in hand and at bank		484,297,964	245,884,371	417,256,467	196,658,531
Short term investments		227,293,029	208,013,226	207,293,029	148,013,226
		711,590,993	453,897,597	624,549,496	344,671,757
Unfavourable balances					
Bank overdrafts		(527,826,734)	(482,384,819)	(450,408,719)	(361,166,990)
Cash and cash equivalents		183,764,259	(28,487,221)	174,140,777	(16,495,233)

Notes from pages 72 to 120 form an integral part of these Financial Statements. Figures in brackets indicate deductions.

Notes to the Financial Statements

1. REPORTING ENTITY

1.1 Corporate Information

(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 2022 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 and Company as at 31st December 2022 was 2008 and 1582 (Group: 1,922 and Company: 1,520 as at 31st December 2021)

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 4.25.

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:

- 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 66 to 67;
- a Statement of Financial Position providing the information on the financial position of the Group and the Company as at the year end. Refer page 68;
- 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 69 to 70;
- 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 page 71;
- Notes to the Financial Statements comprising Significant Accounting Policies and other explanatory information. Refer pages 72 to 120.

2.3 Date of Authorisation for Issue

The financial statements of the Group and the Company for the year ended 31 December 2022 were authorised for issue by the Company's Board of Directors on 28th March 2023.

2.4 Basis of Measurement

The consolidated and separate financial statements have been prepared on the historical cost basis, except that land and buildings on leasehold land, 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 consolidated financial statements are measured using the currency of the primary economic environment in which the company operates (the Functional Currency).
The consolidated 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 consolidated financial Statements.

2.8 Rounding

The amounts in the Consolidated 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 Consolidated Statement of profit or loss , 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 Consolidated 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 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.

2.12.2 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.

2.12.3 Useful Lives of Depreciable Assets

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

2.12.4 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.

2.12.5 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.

2.12.6 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.

2.12.7 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.

2.12.8 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

There were no significant changes to the accounting policies except for below.

The Group has adopted Onerous Contracts - Costs of fulfilling a Contract (Amendments to LKAS 37) from 01st January 2022. The revised policy is to include both incremental costs and an allocation of other direct costs. The amendments apply respectively to contracts existing at the date when the amendments are first applied.

The Group does not have any onerous contracts as at 01st January 2022, hence there is no impact on the opening equity balances as at 01st January 2022.

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 such amounts are generally recognised in profit or loss.

Any contingent consideration is measured at fair value at the date of acquisition. If an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

4.1.2 Subsidiary

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

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

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

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

The 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

Business model assessment

The Company makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Company's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated - e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Company's continuing recognition of the assets.

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL. Assessment whether contractual cash flows are solely payments of principal and interest.

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Company considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable-rate features;
- prepayment and extension features; and
- terms that limit the Company's claim to cash flows from specified assets (e.g. non-recourse features).

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

Notes to the Financial Statements

Financial assets - Assessment whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Company considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable-rate features;
- prepayment and extension features; and
- terms that limit the Company's claim to cash flows from specified assets (e.g. non-recourse features).

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

4.3.1.1.1 Financial Assets at Amortised Cost (Debt Instruments)

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

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

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

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

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

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

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

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

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

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

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

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.

Notes to the Financial Statements

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.

4.3.3 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 2 years.

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

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

4.4.2 Significant Components of Property Plant and Equipment

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

4.4.3 Subsequent Cost

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

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

The cost of capital work-in-progress is the cost of purchase or construction together with any related expenses hereon. Capital work-in-progress is transferred to the respective asset accounts at the time of first utilization or at the time the asset is commissioned.

4.4.7 Borrowing Costs

Borrowing costs that are directly attributable to acquisition, construction or production of a qualifying asset which takes a substantial period of time to get ready for its intended use or sale, are capitalised as a part of the asset. The amounts of the borrowing costs which are eligible for capitalisation are determined in accordance with LKAS 23 - Borrowing Costs. Borrowing costs that are not capitalised are recognised as expenses in the period in which they are incurred and charged to the Statement of Profit or Loss and Other Comprehensive Income.

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 an 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 Statement of profit or loss. 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 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.

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.

Finance Leases - Group as a Lessor

As per SLFRS 16, a lease which transfers substantially all the risks and rewards incidental to ownership of an underlying asset is classified as a finance lease. At the commencement date, the Group recognizes assets held under finance lease in the SOFP and present them as a lease receivable at an amount equal to the net investment in the lease. Net investment in the lease is arrived by discounting lease payments receivable at the interest rate implicit in the lease, i.e. the rate which causes present value of lease payments to equal to the fair value of the underlying asset and initial direct costs.

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.

Operating Leases - Group as a Lessor

As per SLFRS 16, a lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership of an underlying asset. The Group recognises lease payments from operating leases as income on straight-line basis. Initial direct costs incurred in negotiating operating leases are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

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 – Intangible Assets

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.

Expenditure on internally developed software is recognised as an asset when the Company is able to demonstrate its intention and ability to complete the development and use the software in a manner that will generate future economic benefits, and can reliably measure the costs to complete the development. The capitalized costs of internally developed software include all costs directly attributable to developing the software and capitalized borrowing costs, and are amortised over its useful life. Internally developed software is stated at capitalized cost less accumulated amortization and any accumulated impairment losses.

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

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 exgratia in the short term, if the Group has a present legal or constructive obligation to pay this amount as a result of past service rendered by the employee, and the obligation can be measured reliably.

4.12.2 Defined Contribution Plan

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

4.12.2.1 Employee Provident Fund and Employee Trust Fund

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

4.12.3 Defined Benefit Plan - Retiring Gratuity

A defined benefit plan is a post- employment benefit plan other than a defined contribution plan as define 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.

Income Statements

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 profit or loss 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 profit or loss.

4.17 Income Tax Expense

Income tax expense comprises current and deferred tax. Income tax expense is recognised in the Income Statement except to the extent that it relates to items recognised directly in Equity or in Other Comprehensive Income. According to Inland Revenue (Amendment) Act No. 45 of 2022, income tax rate applicable for companies has been changed from 14% to 30% with effect from 01st July 2022.

4.17.1 Current Tax

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

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

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

Provision for taxation is based on the profit for the year adjusted for taxation purposes in accordance with the provisions of the Inland Revenue Act No 24 of 2017 commencing 1 April 2018 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 Advance Income Tax (AIT) on Dividends

Dividends distributed out of profits after tax attracted a tax of 14% till 30th September 2022 and 15% with effect from 01st October 2022 charged in the hands of the dividend recipient. No Advance Income Tax (AIT) was mandatorily imposed until 30th September 2022 whereas 15% AIT (similar to Withholding Tax) is mandatorily imposed on dividends distributed with effect from 01st January 2023. Therefore, any dividends distributed after 01st January 2023 shall be subject to 15% AIT where shareholders shall receive dividends net of AIT. AIT deducted on dividends shall be final tax and will attract no further tax in the hands of the shareholders. With the introduction of the Inland Revenue (Amendment) Acts No. 10 of 2021 and No. 45 of 2022, any dividends paid out of the dividends received, shall be exempted from income tax net of the cost of funds. In addition, if a resident company pays the dividend to a non-resident person (including a company) such would be totally exempt from income tax.

4.17.4 Social Security Contribution Levy (SSCL)

The Social Security Contribution Levy (SSCL) Act No. 25 of 2022, has been passed in the parliament imposing a new levy on the turnover of persons. The SSCL came into operations with effect from 01st October 2022. Since SSCL is a turnover based direct tax, it has two tax bases.

1. Value Addition attributable to financial services.
2. Turnover liable for General VAT (Turnover not liable for financial services).

The Value Addition attributable for Financial Services shall be derived with the application of the turnover ratio distinguishing General VAT and VAT on Financial Services. Tax fraction 2.5/120.5 is applied in computing SSCL. In addition, turnover, liable for General VAT too shall be chargeable with SSCL. The Company is required to pay SSCL on the General VAT liable turnover at the rate of 2.5%.

4.17.5 Advance Income Tax (AIT) and Withholding Tax (WHT)

Advance Income Tax (AIT) which has similar attributes to the Withholding Tax has been re-introduced with the introduction of Inland Revenue (Amendment) Act No. 45 of 2022 effecting from 01st of January 2023. AIT shall be charged on the interest paid or credited from all interest bearing deposit accounts denominated in Sri Lankan Rupees at the rate of 5% on such interest payments or credits. Interest received on interest bearing foreign currency accounts, "Special Deposit Accounts" and Diplomatic accounts are exempted from AIT. Withholding Tax has been reintroduced on Services Fees paid to Individuals and the Rent paid any person under the Inland Revenue (Amendment) Act No. 45 of 2022 effecting from 01st January 2023. If any individual including a sole proprietorship is paid with a service related fees as provided under the Section 85 - (1C) of the Inland Revenue (Amendment) Act No. 45 of 2022, the Withholding Tax agent or the service recipient has to deduct Withholding Tax at the rate of 5% on the total gross amount if such payment exceeds LKR 100,000.00 per calendar month. Withholding Tax has re-introduced on Rent expenses paid to any person if such aggregate gross rent income surpasses or equal to LKR 100,000.00 for a calendar month at the rate of 10%.

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.

4.20 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.

4.21 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 31and 30 to the financial statements.

4.22 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.

4.23 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.

4.24 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.

Secretary to the Treasury has conveyed to the management of The Lanka Hospitals Corporation PLC on 17th March 2023 about the “Approval in Principle” granted by the cabinet of Ministers for the divestment of the major shareholding in The Lanka Hospitals Corporation PLC.

4.25 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 new Sri Lanka Accounting Standards (SLFRSs/LKASs) which will become applicable for financial periods beginning after 01st January 2023. Accordingly, the Group has not applied the following new standards in preparing these Financial Statements.

i) Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to Sri Lanka Accounting Standard LKAS 12 – “Income Taxes”)

The amendments narrow the scope of the initial recognition exemption to exclude transactions that give rise to equal and offsetting temporary differences – e.g. leases and decommissioning liabilities. The amendments apply for annual reporting periods beginning on or after 01st January 2023. For leases and decommissioning liabilities, the associated deferred tax asset and liabilities will need to be recognised from the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to retained earnings or other components of equity at that date. For all other types of transactions, the amendments apply to transactions that occur after the beginning of the earliest period presented. There will be no impact on retained earnings on adoption of the amendments.

ii) Sri Lanka Accounting Standard - SLFRS 17 “Insurance Contracts” effective from 01st January 2025

SLFRS 17 introduces a new measure of insurance revenue, based on the delivery of services to policy holders and excluding any premiums related to the investment elements of policies, which will be significantly different from existing premium revenue measures, currently reported in the income statement. In order to transition to SLFRS 17, the amount of deferred profit, being the CSM at transition date, needs to be determined. SLFRS 17 will not be applicable to the Company.

iii) Other New Accounting Pronouncements

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

- Classification of liabilities as current or non-current (Amendments to LKAS 1) - effective for annual periods beginning on or after 01st January 2023.
- Disclosure of accounting policies (Amendments to LKAS 1 and SLFRS Practice Statement 2) - effective for annual periods beginning on or after 01st January 2023.
- Definition of accounting estimates (Amendments to LKAS 8) - effective for annual periods beginning on or after 01st January 2023.

Notes to the Financial Statements

	Group		Company	
For the year ended 31st December,	**2022 Rs.**	**2021 Rs.**	**2022 Rs.**	**2021 Rs.**
5. REVENUE FROM CUSTOMER CONTRACTS				
Hospital revenue	7,957,422,116	6,707,009,994	7,957,422,116	6,707,009,994
Laboratory revenue	2,740,465,797	3,326,556,925	-	-
	10,697,887,913	10,033,566,919	7,957,422,116	6,707,009,994

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

	Group		Company	
For the year ended 31st December,	**2022 Rs.**	**2021 Rs.**	**2022 Rs.**	**2021 Rs.**
6. OTHER INCOME				
Rent income	13,386,031	13,738,297	21,292,171	21,045,487
Car park income	34,694,365	32,777,273	34,694,365	32,777,273
Sundry income	32,176,899	81,513,193	31,733,096	81,389,877
Gain on disposal of property, plant and equipment	1,256,725	8,149,153	1,256,725	8,270,480
Gain on disposal of ROU assets	4,547,153	893,595	347,157	669,715
Dividend income	-	-	-	258,750,013
	86,061,173	137,071,511	89,323,513	402,902,844
7. NET FINANCE INCOME				
7.1 Finance income				
Interest income from;				
- Call deposit	10,141,413	5,757,582	5,138,443	2,673,036
- Fixed deposits- Sri Lankan Rupees	474,663,602	92,305,276	238,932,105	67,667,958
- Fixed deposits- Foreign Exchange Earners Account (FEEA)	412,989,629	143,273,220	412,989,629	143,273,220
Gain on translation of foreign currency	1,954,852,891	153,946,233	1,955,858,189	154,654,007
Short term deposits - Interest Income	29,724,365	10,988,020	29,724,365	10,988,020
	2,882,371,900	406,270,332	2,642,642,732	379,256,241
7.2 Finance Cost				
Interest expenses on lease liabilities	(30,383,252)	(32,598,348)	(16,332,997)	(18,417,008)
	(30,383,252)	(32,598,348)	(16,332,997)	(18,417,008)
Net Finance Income	2,851,988,649	373,671,984	2,626,309,735	360,839,233

8. PROFIT BEFORE TAX

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

	Group		Company	
For the year ended 31st December,	**2022 Rs.**	**2021 Rs.**	**2022 Rs.**	**2021 Rs.**
Directors' remuneration and fees	17,185,000	16,595,000	15,155,000	14,340,000
Auditors' remuneration				
-Statutory audit	2,505,000	2,148,000	1,728,000	1,500,000
Amortisation of intangible assets (Note 13)	18,217,031	21,344,067	14,233,142	16,378,201
Impairment loss (reversal of provision) of trade receivables (Note 17)	261,562	846,650	(1,008,802)	(13,638,099)
Reversal of impairment provision on inventory (Note 16)	(19,113,261)	(3,788,320)	(23,326,755)	(3,054,355)
Amortisation of right of use assets	88,678,536	65,386,488	51,707,046	33,335,322
Legal expenses	2,611,865	1,481,649	2,603,085	1,481,649
Staff cost (note 8.1)	2,817,392,596	2,545,517,957	2,299,432,481	2,125,071,212
Gain on disposal of property, plant and equipment	(1,256,725)	(8,149,153)	(1,256,725)	(8,270,480)
Gain on disposal of right of use assets	(4,547,153)	(893,595)	(347,157)	(669,715)
Depreciation of property, plant and equipment - Cost of services	226,186,371	228,398,605	204,446,584	207,787,296
Depreciation of property, plant and equipment - Administrative cost	234,441,092	229,703,372	201,699,302	199,123,314

8.1 Staff Cost

Staff cost Under Cost of Services				
Salaries and other related costs	929,712,706	916,787,041	920,831,809	909,707,874
Defined contribution plan cost - EPF and ETF	56,765,282	52,033,258	55,379,732	50,971,383
Defined benefit plan cost - Retiring gratuity	20,909,482	18,042,773	20,553,379	18,042,773
	1,007,387,470	986,863,073	996,764,920	978,722,031
Staff cost Under Administrative Cost				
Salaries and other related costs	1,628,666,140	1,400,835,142	1,164,310,279	1,024,089,370
Defined contribution plan cost - EPF and ETF	137,187,724	119,421,351	103,390,599	91,538,333
Defined benefit plan cost - Retiring gratuity	44,151,262	38,398,391	34,966,684	30,721,478
	1,810,005,126	1,558,654,885	1,302,667,562	1,146,349,182
	2,817,392,596	2,545,517,957	2,299,432,481	2,125,071,212
No of employees	2,008	1,922	1,582	1,520

Notes to the Financial Statements

	Group		Company	
For the year ended 31st December,	2022 Rs.	2021 Rs.	2022 Rs.	2021 Rs.
9. INCOME TAX EXPENSE				
Recognised in statement of profit or loss				
Income tax expense				
Taxation on the profit for the year (Note 9.1)	423,927,118	314,838,411	227,749,992	183,034,957
Under/(over) provision in respect of previous year	42,666,581	(33,154,879)	1,396,488	(32,049,128)
	466,593,699	281,683,532	229,146,480	150,985,832
Deferred tax expense				
Deferred tax liability orginated during the year	412,614,247	(298,269,436)	387,357,254	(288,700,673)
Deferred tax assets orginated during the year	(64,866,729)	37,707,171	(51,213,848)	33,978,115
	814,341,217	21,121,266	565,289,886	(103,736,728)
Recognised in Statement of other comprehensive income				
Deferred tax charge on property, plant and equipment	335,465,301	(289,330,721)	315,741,244	(280,288,121)
Deferred tax charge on acturial gain or loss	19,721,189	6,585,503	17,522,488	5,852,337
	355,186,490	(282,745,218)	333,263,732	(274,435,784)
9.1 Reconciliation of the Accounting Profit to income Tax Expense				
Profit before taxation	4,061,197,580	2,232,636,739	3,243,403,892	1,316,873,664
Consolidation adjustments	16,106,227	269,227,213	-	-
Profit after adjustments	4,077,303,807	2,501,863,952	3,243,403,892	1,316,873,664
Less : Income not liable for income tax	(412,989,630)	(604,274,716)	(412,989,630)	(311,567,423)
Less : Allowable expenses	(580,377,580)	(473,194,884)	(447,205,213)	(377,230,844)
Less : Income from other sources	(2,540,481,807)	(497,558,073)	(2,295,547,344)	(469,610,338)
Add : Disallowable expense	683,308,031	654,050,058	542,833,754	528,702,632
Business income	1,226,762,822	1,580,886,338	630,495,459	687,167,690
Add : Income from other sources	570,515,916	497,455,519	329,781,449	469,610,338
Taxable income	1,797,278,738	2,078,341,857	960,276,909	1,156,778,029
Income tax at 14%	85,873,397	221,324,087	44,134,682	96,203,477
Tax on taxable Income at 24%	68,461,910	57,289,322	39,573,774	50,606,479
Tax on taxable Income at 30%	269,591,811	-	144,041,536	-
Tax on income at 14% - Dividend	-	36,225,002	-	36,225,002
Taxation on profits for the year	423,927,118	314,838,411	227,749,992	183,034,957

9.2 The Inland Revenue (Amended) Act No.45 of 2022 was certified by the speaker on 19th December 2022. The standard rate of income tax has been increased from 24% to 30%. The increase in the income tax rate to 30% has resulted in two tax rates being applicable for the year of assessment 2022/23. The Company have computed the current tax based on the appropriate rates.

9.3 Surcharge Tax

As per the Surcharge Tax Act No. 14 of 2022 which was certified on 8th April 2022, Company and the Group liable for Surcharge Tax since the Sri Lanka Insurance Corporation Limited (SLIC) is the holding company of The Lanka Hospitals Corporation PLC. SLIC Group has exceeded the threshold of Rs. 2 Bn of aggregate taxable income.

Total Surcharge Tax liability of Rs. 42,006,234 and Rs. 35,095,284 has been recognised for the Group and the Company respectively as an opening adjustment to the 1st January 2022 retained earnings in the statement of Changes in Equity as per the addendum to the Statement of Alternative Treatment (SoAT) issued by The Institute of Chartered Accountants of Sri Lanka.

On 19th April 2022, the Group and the Company paid Rs. 21,003,117 and Rs. 17,547,642 respectively on account of the first installment of the Surcharge Tax liability. The final installment of Surcharge Tax payable reported under income tax liability as of 30th June 2022 has been paid on 14th July 2022.

10. EARNINGS AND DIVIDEND PER SHARE

10.1. Basic Earnings per Share

Basic earning per share is calculated by dividing the profit attributable to the equity holders of the Company by the weighted average number of ordinary shares outstanding during the year.

	Group		Company	
For the year ended 31st December,	**2022 Rs.**	**2021 Rs.**	**2022 Rs.**	**2021 Rs.**
Profit attributable to the shareholders (Rs.)	3,246,856,363	2,211,515,473	2,678,114,006	1,420,610,392
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.)	14.51	9.88	11.97	6.35

10.2 Diluted Earnings per Share

Diluted earnings per share is calculated by dividing the net profit for the year attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the year after adjustment for the effects of all dilutive potential ordinary shares.

There were no dilutive potential ordinary shares as at 31st December 2022 (2021 - Nill). Hence, diluted earnings per share is same as basic earnings per share as per note 10.1.

11. DIVIDEND PER SHARE

	Group		Company	
For the year ended 31st December,	**2022 Rs.**	**2021 Rs.**	**2022 Rs.**	**2021 Rs.**
Dividend (Rs.)	671,196,507	391,531,296	671,196,507	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.)	3.00	1.75	3.00	1.75

Notes to the Financial Statements

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.	Computer equipment Rs.	Other equipment Rs.	Kitchen equipment Rs.	Medical vehicles Rs.	Motor vehicles-Others Rs.	Capital work in progress Rs.	Total Rs.
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	282,708,420	791,901,128	38,213,313	24,117,956	41,574,961	166,054,508	7,759,519,475
Additions during the year	-	16,476,797	182,269,290	40,797,426	7,832,017	25,956,197	76,554,638	2,046,229	72,080,000	-	-	424,012,593
Transfer from capital work in progress	-	1,902,239	14,639,271	14,429,099	-	-	25,488,000	-	-	-	(56,458,609)	-
Disposals during the year	-	-	(12,935,703)	(489,698)	(437,190)	(2,012,084)	(2,055,914)	-	(6,168,279)	-	-	(24,098,868)
Balance as at 31st December 2021	73,000,002	2,625,699,873	3,418,641,761	466,080,140	96,010,962	306,652,533	891,887,852	40,259,542	90,029,677	41,574,961	109,595,899	8,159,433,200
Accumulated depreciation												
Balance as at 1st January 2021	-	11,876,734	1,774,843,997	251,217,737	61,242,777	238,895,477	566,210,779	36,357,118	24,117,956	37,645,623	-	3,002,408,196
Charge for the year	-	115,401,909	223,893,679	31,687,151	6,664,197	22,689,558	50,216,378	841,679	4,504,926	2,202,500	-	458,101,977
Disposals during the year	-	-	(8,560,659)	(423,046)	(277,526)	(1,944,220)	(1,961,003)	-	(6,168,279)	-	-	(19,334,733)
Balance as at 31st December 2021	-	127,278,643	1,990,177,017	282,481,842	67,629,448	259,640,815	614,466,154	37,198,797	22,454,603	39,848,123	-	3,441,175,440
As at 31st December 2021	73,000,002	2,498,421,230	1,428,464,743	183,598,298	28,381,514	47,011,718	277,421,698	3,060,745	67,575,074	1,726,838	109,595,899	4,718,257,761
Cost or valuation												
Balance as at 1st January 2022	73,000,002	2,625,699,873	3,418,641,761	466,080,140	96,010,962	306,652,533	891,887,852	40,259,542	90,029,677	41,574,961	109,595,899	8,159,433,200
Additions during the year	-	28,833,319	190,805,294	64,309,026	11,378,669	48,154,016	72,413,446	1,726,192	4,810,000	-	38,429,720	460,859,683
Revaluation surplus	13,000,000	176,563,957	-	-	-	-	-	-	-	-	-	189,563,957
Transfers to other category	-	-	1,341,250	-	(1,341,250)	-	-	-	-	-	-	-
Transfer from capital work in progress	-	32,223,687	-	-	-	-	-	-	-	-	(32,223,687)	-
Disposals during the year	-	-	(36,159,116)	(736,934)	(2,546,994)	(9,480,072)	(2,801,214)	-	-	-	-	(51,724,330)
Balance as at 31st December 2022	86,000,002	2,863,320,836	3,574,629,189	529,652,233	103,501,387	345,326,477	961,500,084	41,985,734	94,839,677	41,574,961	115,801,932	8,758,132,510
Accumulated depreciation												
Balance as at 1st January 2022	-	127,278,643	1,990,177,017	282,481,842	67,629,448	259,640,815	614,466,154	37,198,797	22,454,603	39,848,123	-	3,441,175,440
Charge for the year	-	116,965,520	208,863,749	32,403,175	7,416,097	23,531,557	50,736,445	1,661,460	17,322,622	1,726,838	-	460,627,462
Disposals during the year	-	-	(26,982,380)	(625,303)	(1,590,564)	(9,362,722)	(1,993,716)	-	-	-	-	(40,554,685)
Transfers on revaluation during the year	-	(228,201,387)	-	-	-	-	-	-	-	-	-	(228,201,387)
Balance as at 31st December 2022	-	16,042,776	2,172,058,386	314,259,714	73,454,981	273,809,649	663,208,883	38,860,257	39,777,225	41,574,961	-	3,633,046,830
As at 31st December 2022	86,000,002	2,847,278,060	1,402,570,804	215,392,519	30,046,406	71,516,828	298,291,202	3,125,477	55,062,452	-	115,801,932	5,125,085,680

There were no capitalised borrowing costs related to the acquisition of property, plant and equipment during the year 2022 (2021 – 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.

12.1.3 Property, Plant and Equipment - Contractual Commitments

Contractual commitments of property, plant and equipment as at the reporting date is Rs. 49.7 Mn.

12.1.4 Fully-depreciated Property, Plant and Equipment

Property plant and equipment as at 31st December 2022 includes fully depreciated assets having a gross carrying amount (cost) of Rs. 2.18 Bn (2021 - 1.96 Bn).

12.1.5 Details of the Valuation of Property, Plant and Equipment

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 2022 on current replacement cost basis.

Freehold land of the Company was revalued by Mr. A.A.M. Fathihu (FIV), Independent Chartered Valuer in December 2022 on current market value basis.

Notes to the Financial Statements

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.	Computer equipment Rs.	Other equipment Rs.	Kitchen equipment Rs.	Medical vehicles Rs.	Motor vehicles-Others Rs.	Capital work in progress Rs.	Total Rs.
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	204,157,949	755,155,900	38,213,311	24,117,956	41,574,961	166,054,508	7,119,830,331
Additions during the year	-	16,476,797	161,282,611	28,359,131	2,798,956	21,078,629	74,893,570	2,046,229	72,080,000	-	-	379,015,922
Transfer from capital work in progress	-	1,902,239	14,639,271	14,429,099	-	-	25,488,000	-	-	-	(56,458,609)	-
Disposals during the year	-	-	(12,935,703)	(489,698)	(307,590)	(1,449,685)	(2,055,914)	-	(6,168,279)	-	-	(23,406,869)
Balance as at 31st December 2021	73,000,002	2,400,379,037	3,204,475,427	372,108,005	66,748,388	223,786,893	853,481,556	40,259,540	90,029,677	41,574,961	109,595,899	7,475,439,384
Accumulated depreciation												
Balance as at 1st January 2021	-	-	1,679,889,850	219,838,725	54,494,727	179,015,095	554,375,568	36,357,118	24,117,956	37,645,623	-	2,785,734,662
Charge for the year	-	106,719,555	203,282,370	22,932,464	4,043,820	15,973,123	46,410,174	841,679	4,504,926	2,202,500	-	406,910,610
Disposals during the year	-	-	(8,560,659)	(423,046)	(207,357)	(1,443,717)	(1,961,003)	-	(6,168,279)	-	-	(18,764,061)
Balance as at 31st December 2021	-	106,719,555	1,874,611,562	242,348,143	58,331,190	193,544,501	598,824,737	37,198,797	22,454,603	39,848,123	-	3,173,881,211
Carrying amounts												
As at 31st December 2021	73,000,002	2,293,659,482	1,329,863,865	129,759,863	8,417,199	30,242,392	254,656,819	3,060,743	67,575,074	1,726,838	109,595,899	4,301,558,172
Cost or valuation												
Balance as at 1st January 2022	73,000,002	2,400,379,037	3,204,475,427	372,108,005	66,748,388	223,786,893	853,481,556	40,259,540	90,029,677	41,574,961	109,595,899	7,475,439,384
Additions during the year	-	28,833,319	181,717,871	42,860,201	2,995,943	36,944,154	70,227,214	1,726,192	4,810,000	-	38,429,720	408,544,614
Revaluation surplus / (loss)	13,000,000	163,563,957	-	-	-	-	-	-	-	-	-	176,563,957
Transfer from capital work in progress	-	32,223,687	-	-	-	-	-	-	-	-	(32,223,687)	-
Transfer to other category	-	-	1,341,250	-	(1,341,250)	-	-	-	-	-	-	-
Disposals during the year	-	-	(36,159,116)	(736,934)	(2,546,994)	(9,480,072)	(2,801,214)	-	-	-	-	(51,724,330)
Balance as at 31st December 2022	86,000,002	2,625,000,000	3,351,375,432	414,231,272	65,856,087	251,250,975	920,907,556	41,985,732	94,839,677	41,574,961	115,801,932	8,008,823,624
Accumulated depreciation												
Balance as at 1st January 2022	-	106,719,555	1,874,611,562	242,348,143	58,331,190	193,544,501	598,824,737	37,198,797	22,454,603	39,848,123	-	3,173,881,211
Charge for the year	-	107,609,642	187,123,962	22,315,659	4,152,877	17,435,452	46,797,374	1,661,460	17,322,622	1,726,838	-	406,145,886
Disposals during the year	-	-	(26,982,380)	(625,303)	(1,590,564)	(9,362,722)	(1,993,716)	-	-	-	-	(40,554,685)
Transfers on revaluation during the year	-	(214,329,197)	-	-	-	-	-	-	-	-	-	(214,329,197)
Balance as at 31st December 2022	-	-	2,034,753,144	264,038,499	60,893,503	201,617,231	643,628,395	38,860,257	39,777,225	41,574,961	-	3,325,143,215
Carrying amounts												
As at 31st December 2022	86,000,002	2,625,000,000	1,316,622,288	150,192,774	4,962,585	49,633,744	277,279,161	3,125,475	55,062,452	-	115,801,932	4,683,680,410

There were no capitalised borrowing costs related to the acquisition of property, plant and equipment during the year 2022 (2021 – Nil).

12.2.1 Title Restriction on Property, Plant and Equipment

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

12.2.2 Property, Plant and Equipment Pledged as Security for Liabilities

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

12.2.3 Property, Plant and Equipment - Contractual Commitments

Contractual commitments of property, plant and equipment as at the reporting date is Rs. 49.7 Mn.

12.2.4 Fully-depreciated Property,Plant and Equipment

Property plant and equipment as at 31st December 2022 includes fully depreciated assets having a gross carrying amount (cost) of Rs. 2.1 Bn (2021 - 1.92 Bn).

12.2.5 Details of the Valuation of Property, Plant and Equipment

The building constructed on leasehold land of the Company was revalued by Mr. A.A.M. Fathihu (MRICS), Independent Chartered Valuer with appropriate experience valuation of properties in relevant location in December 2022 on current replacement cost basis.

Freehold land of the Company was revalued by Mr. A.A.M. Fathihu (MRICS), Independent Chartered Valuer in December 2022 on current market value basis.

12.2.6 Freehold Land Carried at Revalued Amount

Fair value maesurement of Freehold land has been clasiffied as a level 3 in fair value hierarchy

Location	Method of valuation	Effective date of revaluation	Property valuer	Extent	Significant unobservable input	Carrying amount as at 31.12.2022 Rs.	Revaluation surplus Rs.	Carrying amount at cost Rs.
Hathbodiya, Kirula Road, Narahenpita, Colombo 05	Open market value method	31st December 2022	Mr. A A M Fathihu (MRICS), Independent Chartered Valuer	10.35 Perches	Estimated price per perch Rs. 4,226,044.25	43,739,558	37,271,112	6,468,447
Hathbodiya, Kirula Road, Narahenpita, Colombo 05	Open market value method	31st December 2022	Mr. A A M Fathihu (MRICS), Independent Chartered Valuer	10 Perches	Estimated price per perch Rs. 4,226,044.25	42,260,444	36,010,737	6,249,706
				20.35 perches		86,000,002	73,281,849	12,718,153

12.2.7 Carring Amount if Buildings on Leasehold Measured Using Cost Model

Location	Method of valuation	Effective date of revaluation	Property valuer	Significant unobservable input	Cost as at 31.12.2022 Rs.	Cumulative depreciation if assets were carried at cost Rs.	Net carrying value Rs.
578, Elvitigala Mawatha, Colombo 05	Current replacement cost basis	31st December 2022	Mr. A A M Fathihu (MRICS), Independent Chartered Valuer	Estimated value per square foot Rs. 7,500 - 17,500	1,811,812,101	447,016,940	1,364,795,161

Notes to the Financial Statements

12.2.8 Capital Work in Progress

As at 31st December,	Balance as at 1.1.2022 Rs.	Additions during the year Rs.	Transfers during the year Rs.	Balance as at 31.12.2022 Rs.
Building on leasehold land	109,595,899	38,429,720	(32,223,687)	115,801,932
	109,595,899	38,429,720	(32,223,687)	115,801,932

13. INTANGIBLE ASSETS

	Group		Company	
As at 31st December,	**2022 Rs.**	**2021 Rs.**	**2022 Rs.**	**2021 Rs.**
Cost				
Balance at the beginning of the year	179,669,776	159,582,382	120,788,439	102,782,548
Additions during the year	9,755,123	20,087,394	7,627,825	18,005,891
Balance as at the end of the year	189,424,899	179,669,776	128,416,264	120,788,439
Accumulated amortisation				
Balance at the beginning of the year	124,393,773	103,049,706	76,760,908	60,382,707
Amortisation charge for the year	18,217,031	21,344,067	14,233,142	16,378,201
Balance as at the end of the year	142,610,804	124,393,773	90,994,050	76,760,908
Carrying amount	46,814,095	55,276,003	37,422,214	44,027,531

Intangible assets include 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 2022 (2021 – Nil).

Intangible assets - Contractual commitments
Contractual commitments of intangible assets as at the reporting date is Rs. 37.5 Mn.

14. INVESTMENT PROPERTY

	Group		Company	
As at 31st December,	**2022 Rs.**	**2021 Rs.**	**2022 Rs.**	**2021 Rs.**
Balance at the beginning of the year	-	-	146,700,000	142,000,000
Change in fair value	-	-	8,300,000	4,700,000
Balance as at the end of the year	-	-	155,000,000	146,700,000

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

14.1 Income Earned from Investment Property

Investment property consists of value attributable to 7th floor of the building constructed on leasehold land, at 578, Elvitigala Mawatha, Colombo 5 which is given on rental to Lanka Hospitals Diagnostics (Private) Limited which is a subsidiary, for a monthly rental of Rs. 658,845/-.

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	155,000,000	31/12/2022

Income on Investment property	Group		Company	
for the year ended 31st December,	**2022 Rs.**	**2021 Rs.**	**2022 Rs.**	**2021 Rs.**
Rental income	-	-	7,906,140	7,307,190
Changes in fair value	-	-	8,300,000	4,700,000

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.

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

As at 31st December 2022, the fair value of the investment property is based on valuation performed by Mr. A.A.M. Fathihu (MRICS), Independent Chartered Valuer, an accredited independent valuer who has appropriate experience in valuation of properties. The valuation is based on depreciation 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
Depreciation 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: • 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
No contractual obligations to purchase, construct or develop invesstment property or enhancement.

Notes to the Financial Statements

	Group		Company	
As at 31st December,	**2022 Rs.**	**2021 Rs.**	**2022 Rs.**	**2021 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.

	2022	**2021**
Ownership Percentage	100%	100%
	Rs.	**Rs.**
Non-current assets	409,856,151	407,489,333
Current assets	2,650,109,385	2,097,435,861
Non-current liabilities	143,658,542	140,919,876
Current liabilities	538,524,451	569,290,711
Net Assets	2,377,782,543	1,794,714,607
Revenue	2,740,465,798	3,326,556,925
Profit/(loss)	584,848,584	1,074,631,494
Other comprehensive income	5,130,303	4,503,735
Total comprehensive income	589,978,887	1,079,135,229
Profit attributable to equity holders	584,848,584	1,074,631,494
OCI attributable to equity holders	589,978,887	1,079,135,229
Cash flows from/ (used in) operating activities	735,435,674	824,014,321
Cash flows from/ (used in) investing activities	(673,127,836)	(564,061,538)
Cash flows from/ (used in) financing activities	(40,692,368)	(290,959,680)
Net increase/ (decrease) in cash and cash equivalents	21,615,471	(31,006,897)

As at 31st December,	Group 2022 Rs.	Group 2021 Rs.	Company 2022 Rs.	Company 2021 Rs.
16. INVENTORIES				
Medical items	948,493,383	462,179,218	675,880,716	304,432,274
Non medical items	20,158,010	8,925,690	20,158,010	8,925,690
Engineering stocks	12,127,514	6,738,345	12,127,514	6,738,345
Food and beverages	9,729,391	7,232,052	9,729,391	7,232,052
	990,508,297	485,075,304	717,895,630	327,328,360
Less; Impairment of inventories (Note 16.1)	(10,512,547)	(29,625,808)	(1,045,244)	(24,371,999)
	979,995,750	455,449,496	716,850,386	302,956,360

As at 31st December,	Group 2022 Rs.	Group 2021 Rs.	Company 2022 Rs.	Company 2021 Rs.
16.1 Provision on Inventories				
Balance at the beginning of the year	29,625,808	33,414,128	24,371,999	27,426,354
Reversal of provision during the year	(19,113,261)	(3,788,320)	(23,326,755)	(3,054,355)
Balance as at the end of the year	10,512,547	29,625,808	1,045,244	24,371,999

There were no inventories pledge as a securities for liabilities by the group and the company as at the reporting date.

As at 31st December,	Group 2022 Rs.	Group 2021 Rs.	Company 2022 Rs.	Company 2021 Rs.
17. TRADE AND OTHER RECEIVABLES				
Trade receivables (Note 17.1)	475,137,403	704,241,269	363,482,475	453,849,455
Impairment loss on trade receivables (Note 17.2)	(54,455,825)	(54,194,263)	(33,558,328)	(34,567,130)
	420,681,579	650,047,006	329,924,147	419,282,325
Deposits and prepayments	117,015,272	96,850,338	82,129,070	69,834,459
Advances and other receivables	261,090,305	148,959,341	243,571,757	127,951,584
Interest income receivable	216,742,251	135,848,051	143,157,636	124,466,619
	1,015,529,407	1,031,704,735	798,782,611	741,534,986
17.1. Trade Receivables				
Sri Lanka Insurance Corporation Limited	33,292,248	40,181,199	26,397,504	35,714,608
Other debtors	375,231,990	629,703,355	270,471,806	383,778,132
Patients not yet discharged	66,613,165	34,356,715	66,613,165	34,356,715
	475,137,403	704,241,269	363,482,475	453,849,455
17.2. Impairment Loss on Trade Receivables				
Balance at the beginning of the year	54,194,263	53,347,613	34,567,130	48,205,229
Impairment recognised/ (Reversal of Provision) during the year	261,562	846,650	(1,008,802)	(13,638,099)
Balance as at the end of the year	54,455,825	54,194,263	33,558,328	34,567,130

Notes to the Financial Statements

	Group		Company	
As at 31st December,	**2022 Rs.**	**2021 Rs.**	**2022 Rs.**	**2021 Rs.**
18. AMOUNTS DUE FROM RELATED COMPANIES				
Sri Lanka Insurance Corporation Limited	235,232	1,834,188	235,232	1,834,188
Lanka Hospitlas Diagnostics (Pvt) Ltd	-	-	133,481,509	109,905,120
	235,232	1,834,188	133,716,741	111,739,308

	Group		Company	
As at 31st December,	**2022 Rs.**	**2021 Rs.**	**2022 Rs.**	**2021 Rs.**
19. FINANCIAL ASSETS MEASURED AT AMORTIZED COST				
Fixed deposits- Foreign Exchange Earners Account (FEEA)	4,236,445,430	2,186,089,310	4,236,445,430	2,186,089,310
Fixed deposits- Sri Lankan Rupees	2,686,762,133	2,563,881,843	1,004,601,036	1,678,937,500
	6,923,207,563	4,749,971,153	5,241,046,466	3,865,026,810

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

	Group		Company	
As at 31st December,	**2022 Rs.**	**2021 Rs.**	**2022 Rs.**	**2021 Rs.**
20. CASH AND CASH EQUIVALENTS				
Favourable balances				
Repo Investment	227,293,029	208,013,226	207,293,029	148,013,226
Cash in hand and at bank	484,297,964	245,884,371	417,256,467	196,658,531
	711,590,993	453,897,597	624,549,496	344,671,757
Unfavourable balances				
Bank overdraft	(527,826,734)	(482,384,819)	(450,408,719)	(361,166,990)
Cash and cash equivalents for the purpose of statement of cash flows,	183,764,259	(28,487,221)	174,140,777	(16,495,233)

	Group		Company	
As at 31st December,	**2022 Rs.**	**2021 Rs.**	**2022 Rs.**	**2021 Rs.**
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

The holders of ordinary shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at meetings of the Company.

	Group		Company	
As at 31st December,	**2022 Rs.**	**2021 Rs.**	**2022 Rs.**	**2021 Rs.**
22 . REVALUTION RESERVE				
Balance at the beginning of the year	1,330,581,534	1,093,047,507	1,240,031,685	1,008,006,749
Surplus on revlautaion of freehold land	13,000,000	-	13,000,000	-
Surplus on revlautaion of Leasehold Buildings	404,765,345	-	377,893,155	-
Effect on deferred tax due to rate change	(210,135,698)	289,330,721	(198,473,298)	280,288,121
Depreciation transfer on revaluation of buildings	(51,796,694)	(51,796,694)	(48,263,185)	(48,263,185)
Deferred tax on surplus of revalution of buildings	(125,329,603)	-	(117,267,946)	-
Balance as at the end of the year	1,361,084,883	1,330,581,534	1,266,920,410	1,240,031,685

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

23. EMPLOYEE BENEFITS

23.1 Description of the Post Employment Defined Benefit Plan

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

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

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

The provision for retirement benefits obligations for the year is based on the actuarial valuation carried out by professionally qualified actuaries, Acturial and Management Consultants (Pvt) Ltd, as at 31st December 2022. The liability is not externally funded.

Notes to the Financial Statements

	Group		Company	
As at 31st December,	2022 Rs.	2021 Rs.	2022 Rs.	2021 Rs.
23.2 Movement in Defined Benefit Obligations				
Balance as at 1st January	277,775,607	294,426,643	242,422,163	259,503,102
Included in Income statement				
Current service cost	34,505,427	31,414,900	28,853,624	26,706,488
Interest cost	30,555,317	25,026,265	26,666,438	22,057,764
	65,060,744	56,441,165	55,520,062	48,764,252
Included in other comprehensive income				
Actuarial gain recognised	(65,737,297)	(47,039,308)	(58,408,293)	(41,802,407)
	(65,737,297)	(47,039,308)	(58,408,293)	(41,802,407)
Other				
Contributions paid by the employer	(22,837,645)	(26,052,893)	(21,197,703)	(24,042,784)
	(22,837,645)	(26,052,893)	(21,197,703)	(24,042,784)
Balance at 31st December	254,261,408	277,775,607	218,336,229	242,422,163

	Group		Company	
As at 31st December,	2022	2021	2022	2021
23.3 Actuarial Assumptions				
The following were the principal actuarial assumptions at the reporting date.				
Discount rate	20.00%	11.00%	20.00%	11.00%
Future salary growth	8%	8%	8%	8%
Staff turnover rate	16%	18%	16%	18%
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.

	Group		Company	
As at 31st December,	**2022**	**2021**	**2022**	**2021**
Change in:	+1%	+1%	+1%	+1%
	Rs.	**Rs.**	**Rs.**	**Rs.**
Discount rate	(7,168,461)	(16,835,504)	(6,322,650)	(14,652,587)
Future salary growth	9,738,853	20,636,209	8,446,254	17,944,015

	Group		Company	
As at 31st December,	**2022**	**2021**	**2022**	**2021**
Change in:	-1%	-1%	-1%	-1%
	Rs.	**Rs.**	**Rs.**	**Rs.**
Discount rate	7,745,777	18,968,938	6,737,088	16,498,381
Future salary growth	(9,236,763)	(18,572,491)	(8,010,346)	(16,159,767)

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

	2022		2021	
As at 31st December,	**Group Rs.**	**Company Rs.**	**Group Rs.**	**Company Rs.**
within the next 12 months	62,762,873	51,479,297	29,795,564	25,926,987
Between 1-2 years	122,040,936	105,996,658	72,026,995	61,217,756
Between 2-5 years	148,232,114	128,940,500	106,654,766	97,852,437
Beyond 5 years	308,289,039	268,066,317	543,481,237	467,980,227
	641,324,962	554,482,772	751,958,562	652,977,406

24. DEFERRED TAX LIABILITIES

	Group		Company	
As at 31st December,	**2022 Rs.**	**2021 Rs.**	**2022 Rs.**	**2021 Rs.**
24.1 Deferred Taxation				
Net deferred tax liability				
Deferred tax liability (Note 24.1.1)	1,308,106,631	560,027,083	1,212,433,910	509,335,412
Deferred tax assets (Note 24.1.2)	(95,768,937)	(50,623,397)	(75,881,941)	(42,190,581)
	1,212,337,694	509,403,686	1,136,551,969	467,144,831

The movements on the deferred tax account is as follows:

As at 31st December,	Group		Company	
	2022 Rs.	2021 Rs.	2022 Rs.	2021 Rs.
24.1.1 Deferred tax liability				
Balance at the beginning of the year	560,027,083	1,147,627,240	509,335,412	1,078,324,206
Originated during the year- recognised in profit or loss	412,614,247	(298,269,436)	387,357,254	(288,700,673)
(Originated)/ reversal during the year- recognised in other comprehensive income	335,465,301	(289,330,721)	315,741,244	(280,288,121)
Balance at the end of the year	1,308,106,631	560,027,083	1,212,433,910	509,335,412
24.1.2 Deferred tax asset				
Balance at the beginning of the year	(50,623,397)	(94,916,071)	(42,190,581)	(82,021,033)
Originated during the year- recognised in profit or loss	(64,866,729)	37,707,171	(51,213,848)	33,978,115
(Originated)/ reversal during the year- recognised in other comprehensive income	19,721,189	6,585,503	17,522,488	5,852,337
Balance at the end of the year	(95,768,937)	(50,623,397)	(75,881,941)	(42,190,581)

24.2 Recognised Deferred Tax Assets and Liabilities

24.2.1 Group

	Net Balance as at 1st January 2022 Rs.	Recognised in profit or loss Rs.	Recognised in OCI Rs.	Net Balance at 31st December 2022 Rs.	Deferred tax liability Rs.	Deferred tax asset Rs.
Property, plant and equipment	521,639,893	324,047,194	335,465,301	1,181,152,388	1,181,152,388	-
Employee benefits	(38,888,586)	(57,111,029)	19,721,189	(76,278,426)	-	(76,278,426)
Intangible assets	(1,001,999)	4,951,510	-	3,949,511	3,949,511	-
Impairment loss on inventory	(4,147,614)	993,849	-	(3,153,764)	-	(3,153,764)
Impairment loss on trade receivables	(7,587,198)	(8,749,550)	-	(16,336,747)	-	(16,336,747)
Right of use assets	39,389,189	83,615,543	-	123,004,732	123,004,732	-
	509,403,686	347,747,518	355,186,490	1,212,337,694	1,308,106,631	(95,768,937)

	Net Balance as at 1st January 2021 Rs.	Recognised in profit or loss Rs.	Recognised in OCI Rs.	Net Balance 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)

24. DEFERRED TAX LIABILITIES

24.2.2 Company

Recognised deferred tax assets and liabilities

	Net Balance as at 1st January 2022 Rs.	Recognised in profit or loss Rs.	Recognised in OCI Rs.	Net balance at 31st December 2022 Rs.	Deferred tax liability Rs.	Deferred tax asset Rs.
Property, plant and equipment	462,501,801	297,545,673	315,741,244	1,075,788,718	1,075,788,718	-
Investment property	2,270,000	220,000	-	2,490,000	2,490,000	-
Employee benefits	(33,939,101)	(49,084,256)	17,522,488	(65,500,869)	-	(65,500,869)
Intangible assets	3,077,960	4,320,254	-	7,398,214	7,398,214	-
Impairment loss on inventory	(3,412,080)	3,098,507	-	(313,574)	-	(313,574)
Impairment loss on trade receivables	(4,839,399)	(5,228,099)	-	(10,067,498)	-	(10,067,498)
Right of use assets	41,485,651	85,271,327	-	126,756,978	126,756,978	-
	467,144,831	336,143,406	333,263,732	1,136,551,969	1,212,433,910	(75,881,941)

	Net Balance as at 1st January 2021 Rs.	Recognised in profit or loss Rs.	Recognised in OCI Rs.	Net balance 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)

	Group		Company	
As at 31st December,	**2022 Rs.**	**2021 Rs.**	**2022 Rs.**	**2021 Rs.**
25. TRADE AND OTHER PAYABLES				
Trade payables (Note 25.1)	170,904,264	259,392,044	532,922,440	768,804,830
Other payables				
- Accrued expenses	288,670,147	220,965,183	258,360,651	199,935,932
- Advance received	78,139,229	90,255,191	72,591,748	86,394,945
- Withholding tax payable	37,663	184,966	-	-
- Other payables	227,875,924	327,159,238	184,626,278	292,575,308
	765,627,228	897,956,622	1,048,501,117	1,347,711,015
25.1 Trade Payables				
Trade payables - Lanka Hopsitals Diagnostics (Pvt) Ltd	-	-	402,806,686	661,762,357
Trade payables - Other creditors	170,904,264	259,392,044	130,115,754	107,042,473
	170,904,264	259,392,044	532,922,440	768,804,830

26. LEASES

The value of the Right-of-use assets is presented as a separate line item in the Consolidated Statement of Financial Position and the correspondent lease liability has presented under 'Current liabilities and Non current liabilities' in the Statement of Financial Position as at 31 December 2022.

Further, the amortisation charge on Right-of-use asset is presented as a separate line item under 'Depreciation & Amortization' and the interest cost on lease liability is presented as a component of the finance cost of the Group/Company in the Statement of Profit or Loss for the year ended 31st December 2022.

The relevant disclosures to be made under "Notes to Consolidated the Financial Statements" in the Annual Financial Statements for the year ended 31 December 2022 are illustrated below.

26.1 The Carrying Amounts of right-of-use Assets Recognised and its Movements During the Year:

	Group		Company	
For the year ended 31st December,	**2022 Rs.**	**2021 Rs.**	**2022 Rs.**	**2021 Rs.**
Cost				
Balance at the beginning of the year	712,571,804	670,748,958	526,983,335	516,171,181
Additions during the year	108,144,209	61,793,422	52,708,186	18,551,684
Disposals/write-off during the year	(27,560,730)	(19,970,576)	(11,796,444)	(7,739,530)
Balance as at the end of the year	793,155,283	712,571,804	567,895,077	526,983,335
Accumulated amortisation				
Balance at the beginning of the year	179,094,760	119,029,199	97,203,703	69,189,308
Charge for the year	88,678,536	65,386,488	51,707,046	33,335,322
Disposal/write-off during the year	(6,089,125)	(5,320,927)	(3,538,933)	(5,320,927)
Accumulated amortisation as at 31st December	261,684,171	179,094,760	145,371,816	97,203,703
Net book value as at 31st December	531,471,112	533,477,044	422,523,261	429,779,632

26.2 The Carrying Amounts of Lease Liability (included under Current and Non current Liabilities) and its Movements During the Year:

	Group		Company	
For the year ended 31st December,	**2022 Rs.**	**2021 Rs.**	**2022 Rs.**	**2021 Rs.**
Balance at the beginning of the year	248,042,040	272,169,479	133,453,554	162,053,960
Additions during the year	108,144,209	61,793,422	52,708,186	18,551,684
Accretion of interest	30,383,251	32,598,348	16,332,997	18,417,008
Payments	(121,519,141)	(102,975,965)	(74,075,760)	(62,480,780)
Disposal during the year	(21,818,761)	(15,319,364)	(8,604,668)	(3,088,318)
Gain on Disposals	(4,199,996)	(223,880)	-	-
Balance as at the end of the year	239,031,602	248,042,040	119,814,309	133,453,554
Current	87,055,794	88,743,012	49,344,349	60,541,838
Non-current	151,975,808	159,299,028	70,469,960	72,911,716
	239,031,602	248,042,040	119,814,309	133,453,554

26.3 Maturity Analysis of the Contractual Undiscounted Cashflows:

	Group		Company	
	2022 Rs.	2021 Rs.	2022 Rs.	2021 Rs.
Less than one year	87,055,794	34,793,479	49,344,349	6,047,482
One to Five Years	151,016,142	173,029,817	70,469,961	95,257,446
More than five years	959,666	40,218,744	-	32,148,627
Total cashflows as at 31st December	239,031,602	248,042,040	119,814,310	133,453,554

26.4 The Amounts Recognised in the Statement of Profit or Loss for the Year Ended 31st December

	Group		Company	
	2022 Rs.	2021 Rs.	2022 Rs.	2021 Rs.
For the year ended 31st December				
Amortisation expenses on right-of-use assets	88,678,536	65,386,488	51,707,046	33,335,322
Interest expenses on lease liabilities	30,383,251	32,598,349	16,332,997	18,417,008
Amounts recognised in the statement of profit and loss	119,061,787	97,984,837	68,040,043	51,752,330

26.5 The amounts Recognised in the Statement of Cash Flows for the Year Ended 31st December

	Group		Company	
	2022 Rs.	2021 Rs.	2022 Rs.	2021 Rs.
For the year ended 31st December				
Payments on lease instalments	(121,519,141)	(102,975,965)	(74,075,760)	(62,480,780)
Amount recognised in statement of cash flows	(121,519,141)	(102,975,965)	(74,075,760)	(62,480,780)

26.6 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.

27. 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.

Notes to the Financial Statements

27.1 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).

27.2 Transactions with the Key Management Personnel

Key Management Personnel are those having authority and responsibility for planning, directing and controlling the activates of the entity directly or indirectly. The members of the Board of Directors & Executive Commitee members (EXCO) have the 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) and Executive Committee members (EXCO) are Key Management Personnel of the Group. The short term compensation of Key Management Personnel for the year ended 31st December 2022 amounted to Rs. 112,138,636- (2021 - Rs. 99,203,374/-). While the compensation for Key Management Personnel of the group for the year ended 31st December 2022 amounted to Rs.124,092,016/- (2021 - Rs. 112,245,124/-).

27.3 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 2022.

27.4 Recurrent Related Party Transactions

Other than the transactions disclosed in Note 27.6.1,there were no any recurrent related party transactions which aggregate value exceeds 10% of the gross revenue of the Company as per December 2021 Audited Financial Statements, which required additional disclosures in the 2022 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.

27.5 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 2021 audited financial statements, which required additional disclosures in the 2022 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.

27.6 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 2022 (Payable)/ Receivable (Rs.)	Balance as at 31st December 2021 (Payable)/ Receivable (Rs.)
Sri Lanka Insurance Corporation Limited	Parent Company	Services provided	146,754,002	26,397,504	35,714,608
		Amount received	(156,071,106)		
		Premiums paid for the insurance policy on fire, vehicle, professional indemnity, staff insurance and general insurance	60,244,656	-	-
		Amounts Paid	(60,244,656)		
		Other medical services provided by the company	18,463,682	235,232	1,834,188
		Amounts Received	(20,062,638)		
Lanka Hospitals Diagnostics (Private) Limited	Subsidiary Company	Reimbursement of expenses and the rent income received/receivable by the Company	23,576,389	133,481,509	109,905,120
		Services provided	(1,428,583,968)	(402,806,686)	(661,762,357)
		Amounts Paid	1,687,539,639		

27.6.1

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
2022	Lanka Hospitals Diagnostics (Private) Ltd	Subsidiary Company	Laboratory Services provided	1,428,583,968	21.30%	Arm's Length Transactions
	Sri Lanka Insurance Corporation PLC	Parent Company	Medical Services provided	146,754,002	2%	Arm's Length Transactions
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

Notes to the Financial Statements

28. GOING CONCERN

The Directors have made an assessment of the Company's/Group's ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. The assessment took into consideration current economic developments in order to make projections for future economic conditions of the environment in which it operates. The main factors that cause uncertainties regarding the application of this principle relate to the unstable economic environment in the Country, the existing and potential continuing implications of COVID-19 pandemic and uncertain volatile Macro economic conditions on the business operations, performance of the Group and the measures adopted by the Government to support the recovery of the economy. Based on the above and taking into account the Company's capital management and the ability of the Company to access the liquidity mechanisms, the Group estimates that the conditions for the application of the going concern principle for the preparation of its financial statements are met. The Board is not aware of any material uncertainties that may cast significant doubt on the Company's/ Group's ability to continue as a going concern. Therefore, the Financial Statements continue to be prepared on the going concern basis.

29 . IMPACT ON CURRENT ECONOMIC CONDITIONS

As at 31st December 2022 inflation rate was 59.2%. However, it has been de-escalated up to 50.6% as at 28th February 2023. Exchange rates also observed a notable fluctuation after the balance sheet date and has not adjusted in the current year financial statements since the conditions that gave rise to an exchange loss did not exist as of 31st December 2022.

The Monetary Board of the Central Bank of Sri Lanka (CBSL) has decided to increase the Standing Deposit Facility Rate (SDFR) and the Standing Lending Facility Rate (SLFR). The depletion of foreign reserves has put restrictions on imports and affected supplies.

The Group/company has taken the adequate measures to ensure it continues its operations as a going concern as explained in risk management (note 33). The management of the entity continues to monitor the potential impact to the continuity of the business. Accordingly, macroeconomic variables are evaluated while making assumptions and judgments when preparing financial statements.

30. CONTINGENT LIABILITIES AND ASSETS

Liabilities

Pending litigations against The Lanka Hospitals Corporation PLC with a maximum liability of Rs. 106 Mn exist as at the reporting date. Based on the information currently available company has been adviced 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.

31. CAPITAL COMMITMENTS

Capital commitments of Group and Company in respect of the on going projects but not incurred as at the financial year end 31st December 2022 amounted to Rs. 87.3 Mn. (2021 : Rs. 43 Mn).

32. EVENTS OCCURRING AFTER THE REPORTING DATE

The Board declared a 2nd interim dividend of another Rs. 1.50 per share for the year ended 31st December 2022 on 23rd March 2023.

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

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

33.1 Financial Risk Factors

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

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

33.2 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. 4,236,445,430/- (USD 11,754,579). 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.

	Average Rate		Reporting Date Spot Rate	
As at 31st December,	**2022**	**2021**	**2022**	**2021**
USD	324.55	198.88	360.41	198.50

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 Group and Company as at 31st December 2022.

As at 31st December,	2022		2021	
	Effect on profit or loss Rs.	**Effect on equity Rs.**	**Effect on profit or loss Rs.**	**Effect on equity Rs.**
Group				
LKR depreciated against USD by 5%	211,822,271	-	109,304,465	-
LKR appreciated against USD by 5%	(211,822,271)	-	(109,304,465)	-

Company

As at 31st December,	2022		2021	
	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%	211,822,271	-	109,304,465	-
LKR appreciated against USD by 5%	(211,822,271)	-	(109,304,465)	-

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

33.3 Operational Risk

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

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

33.4 Liquidity Risk Management

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

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

33.4 Liquidity Risk Management (contd.)

The table below summarises financial assets/liabilities.

As at 31st December,	Group 2022 Rs.	Group 2021 Rs.	Company 2022 Rs.	Company 2021 Rs.
Cash and cash equivalents	711,590,993	453,897,597	624,549,496	344,671,757
Trade and other receivebles within 30 days	171,400,690	201,100,972	150,861,980	128,006,771
Financial assets measured at amortized cost	6,923,207,563	4,749,971,153	5,241,046,466	3,865,026,810
Total liquid assets	7,806,199,246	5,404,969,723	6,016,457,942	4,337,705,338
Less;				
Bank overdraft	527,826,734	482,384,819	450,408,719	361,166,990
Trade payables on demand	170,904,264	259,392,044	532,922,440	768,804,830
Other payables on demand	594,722,965	638,564,578	515,578,677	578,906,185
Total demand liabilities	1,293,453,963	1,380,341,441	1,498,909,836	1,708,878,005
Excess/short liquidity through operating cycle	6,512,745,283	4,024,628,282	4,517,548,106	2,628,827,333

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 2022,

	Group Carrying amount Rs.	Group Less than 12 Months Rs.	Group Over one year Rs.	Company Carrying amount Rs.	Company Less than 12 Months Rs.	Company Over one year Rs.
Non current liabilities						
Lease liability	151,975,808	-	151,975,808	70,469,960	-	70,469,960
Current liabilities						
Trade and other payables	765,627,228	765,627,228	-	1,048,501,117	1,048,501,117	-
Lease liability	87,055,794	87,055,794	-	49,344,349	49,344,349	-
Bank overdraft	527,826,734	527,826,734	-	450,408,719	450,408,719	-

As at 31st December 2021,

	Group Carrying amount Rs.	Group Less than 12 Months Rs.	Group Over one year Rs.	Company Carrying amount Rs.	Company Less than 12 Months Rs.	Company Over one year Rs.
Non current liabilities						
Lease liability	159,299,028	-	159,299,028	72,911,716	-	72,911,716
Current liabilities						
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	-

33.5 Credit Risk Management

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

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

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

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

	Group				Company			
As at 31st December,	**2022 Rs.**	**Exposure %**	**2021 Rs.**	**Exposure %**	**2022 Rs.**	**Exposure %**	**2021 Rs.**	**Exposure %**
Trade and other receivables	1,015,529,407	12%	1,031,704,735	17%	798,782,611	12%	741,534,986	15%
Financial assets measured at amortized cost	6,923,207,563	80%	4,749,971,153	76%	5,241,046,466	79%	3,865,026,810	78%
Cash and cash equivalents	711,590,993	8%	453,897,597	7%	624,549,496	9%	344,671,757	7%
Total	8,650,327,963	100%	6,235,573,486	100%	6,664,378,573	100%	4,951,233,554	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.

The aging of Trade Receivables at the reporting date was

	Group				Company			
	2022		2021		2022		2021	
	Gross Rs.	**Impairment Rs.**	**Gross Rs.**	**Impairment Rs.**	**Gross Rs.**	**Impairment Rs.**	**Gross Rs.**	**Impairment Rs.**
Past due 0-90 days	300,291,601	4,680,838	424,710,109	2,161,544	240,024,212	3,395,760	270,972,416	974,895
Past due 91-180 days	25,525,400	748,440	133,803,331	5,007,446	21,623,896	361,922	84,861,462	1,860,018
Past due 181-270 days	8,218,620	697,375	55,023,071	4,741,871	4,967,856	294,723	29,172,289	2,455,331
Past due 271-364 days	20,772,087	4,069,302	13,379,669	3,614,279	1,022,018	276,595	4,993,665	1,068,466
More than 365 days	53,716,530	44,259,870	42,968,374	38,669,123	29,231,328	29,229,328	29,492,908	28,208,420
	408,524,238	54,455,825	669,884,554	54,194,263	296,869,310	33,558,328	419,492,740	34,567,130

34. CAPITAL MANAGEMENT

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

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

34.1 Capital Management Policy

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

	Group		Company	
As at 31st December,	**2022 Rs.**	**2021 Rs.**	**2022 Rs.**	**2021 Rs.**
Total Liabilities	3,352,879,006	2,680,786,925	3,164,180,421	2,726,463,323
Less: Cash and Cash Equivalents	711,590,993	453,897,597	624,549,496	344,671,757
Net Debt	2,641,288,013	2,226,889,327	2,539,630,925	2,381,791,566
Total Equity	11,981,050,826	9,319,081,053	10,063,391,184	7,975,531,253
Net Debt to Equity Ratio	22%	24%	25%	30%

35. SEGMENT REPORTING

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

Notes to the Financial Statements

36. CLASSIFICATION OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

36.1 Group

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.

As at 31st December 2022	Financial assets - amortised cost Rs.	Other financial liabilities Rs.	Non financial asset Rs.	Total carrying amount Rs.	Fair Value Rs.	Fair Value			
						Level 1 Rs.	Level 2 Rs.	Level 3 Rs.	Total Rs.
Non-financial assets									
Property, plant and equipment									
Freehold land	-	-	86,000,002	86,000,002	86,000,002	-	-	86,000,002	86,000,002
Leasehold buildings	-	-	2,847,278,060	2,847,278,060	2,847,278,060	-	-	2,847,278,060	2,847,278,060
Total non-financial assets	-	-	2,933,278,062	2,933,278,062	2,933,278,062	-	-	2,933,278,062	2,933,278,062
Financial assets									
Trade and other receivables	1,015,529,407	-	-	1,015,529,407	1,015,529,407	-	-	-	1,015,529,407
Financial assets measured at amortized cost	6,923,207,563	-	-	6,923,207,563	6,923,207,563	-	-	-	6,923,207,563
Cash and cash equivalents	711,590,993	-	-	711,590,993	711,590,993	-	-	-	711,590,993
Total financial assets	8,650,327,963	-	-	8,650,327,963	8,650,327,963	-	-	-	8,650,327,963
Financial liabilities									
Trade and other payables	-	765,627,228	-	765,627,228	765,627,228	-	-	-	765,627,228
Bank overdraft	-	527,826,734	-	527,826,734	527,826,734	-	-	-	527,826,734
Total financial liabilities	-	1,293,453,962	-	1,293,453,962	1,293,453,962	-	-	-	1,293,453,962
As at 31st December 2021									
Non-financial assets									
Property, plant and equipment									
Freehold land	-	-	73,000,002	73,000,002	73,000,002	-	-	73,000,002	73,000,002
Leasehold buildings	-	-	2,498,421,230	2,498,421,230	2,498,421,230	-	-	2,498,421,230	2,498,421,230
Total non-financial assets	-	-	2,571,421,232	2,571,421,232	2,571,421,232	-	-	2,571,421,232	2,571,421,232
Financial assets									
Trade and other receivables	1,031,704,735	-	-	1,031,704,735	1,031,704,735	-	-	-	1,031,704,735
Financial assets measured at amortized cost	4,749,971,153	-	-	4,749,971,153	4,749,971,153	-	-	-	4,749,971,153
Cash and cash equivalents	453,897,597	-	-	453,897,597	453,897,597	-	-	-	453,897,597
Total financial assets	6,235,573,486	-	-	6,235,573,486	6,235,573,486	-	-	-	6,235,573,486
Financial liabilities									
Trade and other payables	-	897,956,622	-	897,956,622	897,956,622	-	-	-	897,956,622
Bank overdraft	-	482,384,819	-	482,384,819	482,384,819	-	-	-	482,384,819
Total financial liabilities	-	1,380,341,441	-	1,380,341,441	1,380,341,441	-	-	-	1,380,341,441

36. CLASSIFICATION OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

36.2 Company

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.

As at 31st December 2022	Financial Assets - amortised costs Rs.	Other financial liabilities Rs.	Non financial asset Rs.	Total carrying amount Rs.	Fair Value Rs.	Fair Value			
						Level 1 Rs.	Level 2 Rs.	Level 3 Rs.	Total Rs.
Non-financial assets									
Property,plant and equipment									
Freehold land	-	-	86,000,002	86,000,002	86,000,002		-	86,000,002	86,000,002
Leasehold buildings	-	-	2,625,000,000	2,625,000,000	2,625,000,000	-	-	2,625,000,000	2,625,000,000
Investment property	-	-	155,000,000	155,000,000	155,000,000	-		155,000,000	155,000,000
Total non-financial assets	-	-	2,866,000,002	2,866,000,002	2,866,000,002	-	-	2,866,000,002	2,866,000,002
Financial assets									
Trade and other receivables	798,782,611	-	-	798,782,611	798,782,611	-	-	-	798,782,611
Financial assets measured at amortized cost	5,241,046,466	-	-	5,241,046,466	5,241,046,466	-	-	-	5,241,046,466
Cash and cash equivalents	624,549,496	-	-	624,549,496	624,549,496	-	-	-	624,549,496
Total financial assets	6,664,378,573	-	-	6,664,378,573	6,664,378,573	-	-	-	6,664,378,573
Financial liabilities									
Trade and other payables	-	1,048,501,117	-	1,048,501,117	1,048,501,117	-	-	-	1,048,501,117
Bank overdraft	-	450,408,719	-	450,408,719	450,408,719	-	-	-	450,408,719
Total financial liabilities	-	1,498,909,836	-	1,498,909,836	1,498,909,836	-	-	-	1,498,909,836
As at 31st December 2021									
Non-financial assets									
Property,plant and equipment									
Freehold land	-	-	73,000,002	73,000,002	73,000,002	-	-	73,000,002	73,000,002
Leasehold buildings	-	-	2,400,379,037	2,400,379,037	2,400,379,037	-	-	2,400,379,037	2,400,379,037
Investment property	-	-	146,700,000	146,700,000	146,700,000	-	-	146,700,000	146,700,000
Total non-financial assets	-	-	2,620,079,039	2,620,079,039	2,620,079,039	-	-	2,620,079,039	2,620,079,039
Financial assets									
Trade and other receivables	741,534,986	-	-	741,534,986	741,534,986	-	-	-	741,534,986
Other financial assets	3,865,026,810	-	-	3,865,026,810	3,865,026,810	-	-	-	3,865,026,810
Cash and cash equivalents	344,671,757	-	-	344,671,757	344,671,757	-	-	-	344,671,757
Total financial assets	4,951,233,554	-	-	4,951,233,554	4,951,233,554	-	-	-	4,951,233,554
Financial liabilities									
Trade and other payables	-	1,347,711,015	-	1,347,711,015	1,347,711,015	-	-	-	1,347,711,015
Bank overdraft	-	361,166,990	-	361,166,990	361,166,990	-	-	-	361,166,990
Total financial liabilities	-	1,708,878,005	-	1,708,878,005	1,708,878,005	-	-	-	1,708,878,005

36. CLASSIFICATION OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES (CONTD.)

36.2 Company (Contd.)

Cash and cash equivalents / Bank overdraft

The carrying amount of the cash and cash equivalents and bank overdrafts approximates the fair value as at the reporting date as they are short term in nature.

Trade receivables

Trade receivables are expected to be settled within one year from the reporting date, hence the discounting impact would be immaterial. Therefore, carrying amount approximates the fair value as at the reporting date.

Trade and other payable

Trade and other payables are expected to be settled within one year from the reporting date hence the discounting impact would be immaterial. Therefore, carrying amount approximate the fair value as at the reporting date.

Shareholder and Investor Information

TOP 20 SHAREHOLDING AS AT 31ST DECEMBER 2022

	2022		2021	
Shareholder	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. Peoples Bank	7,316,042	3.27%	7,316,042	3.27%
6. Bank of Ceylon A/c Ceybank Unit Trust	3,014,475	1.35%	3,014,475	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%	524,721	0.23%
9. Peoples Leasing & Finance PLC/ L.P. Hapangama	350,368	0.16%	-	0.00%
10. Mr. A.H.Munasinghe	283,900	0.13%	288,300	0.13%
11. J.B.Cocoshell (Pvt) Ltd	283,271	0.13%	-	0.00%
12. Acuity Partners (Pvt) Limited / Mr. Don Janaka Nishan Hettiarachi	275,000	0.12%	-	0.00%
13. Hatton National Bank PLC - Arpico Ataraxia Equity Income Fund	210,000	0.09%	200,000	0.09%
14. Peoples Leasing & Finance PLC/ Dr.H.S.D.Soysa & Mrs. G.Soysa	200,000	0.09%	-	0.00%
15. Mr. D.C. Chandiram	147,000	0.07%	-	0.00%
16. Rubber Investment Trust Ltd A/C No 01	145,494	0.07%	-	0.00%
17. DFCC Bank PLC/ S M D N P Banda	135,980	0.06%	-	0.00%
18. Mr. N.R. Ratnayake	114,000	0.05%	-	0.00%
19. Mr. M.N. Cader	112,024	0.05%	112,024	0.05%
20. Mr. P. Kumaran	102,400	0.05%	-	0.00%
	214,948,147	96.07%	213,189,034	95.29%

INDIVIDUAL / INSTITUTION AS AT 31 DECEMBER 2022

	No of Shareholders	As %	No of Shares	As %
Individual	7,307	98.08	9,888,588	4.42
Institution	143	1.92	213,843,581	95.58
	7,450	100.00	223,732,169	100.00

RESIDENT / NON-RESIDENT AS AT 31 DECEMBER 2022

	No of Shareholders			
		As %	No of Shares	As %
Resident	7,430	99.73	159,418,519	71.25
Non-Resident	20	0.27	64,313,650	28.75
	7,450	100.00	223,732,169	100.00

Shareholder and Investor Information

DIRECTORS'/SENIOR MANAGEMENT SHAREHOLDINGS AS AT 31ST DECEMBER

		2022		2021	
Board of Directors	**Position**	**No of shares**	**Holding %**	**No of shares**	**Holding %**
Dr. Bandula WIJESIRIWARDENA	Chairman	-	-	-	-
Ms. Roshini CABRAAL (Resigned on 27th March 2023)	Director	-	-	-	-
Mr. Mayura FERNANDO	Director	500	-	500	-
Mr. Ronald C PERERA PC	Director	-	-	-	-
Dr. Ravindra RUBERU	Director	-	-	-	-
Ms. Lakshmi SANGAKKARA	Director	-	-	-	-
Mr. Kushan De ALWIS PC	Director	-	-	-	-
Mr. Nandun FERNANDO	Director	-	-	-	-
Dr. Kanishka KARUNARATNE	Director	-	-	-	-
Mr. Kasun RAJAPAKSA	Director	-	-	-	-
Mr. Ashish BHATIA	Director	-	-	-	-
Ms. Richa Singh DEBGUPTA	Director	-	-	-	-
Mr. Anurag KALRA (Alternate Director to Mr. Ashish BHATIA)	Alternate Director	-	-	-	-
Mr. Rajiv PURI (Alternate Director to Ms. Richa Singh DEBGUPTA)	Alternate Director	-	-	-	-
Senior Management					
Mr. Deepthi Lokuarrachchi	Group Chief Executive Officer	-	-	-	-

		Group		Company	
		2022	**2021**	**2022**	**2021**
Earning Per Share	Rs.	14.51	9.88	11.97	6.35
Dividend Per Share	Rs.	3.00	1.75	3.00	1.75
Net Assets Value Per Share	Rs.	53.55	41.65	44.98	35.65
Market Value per Ordinary Share					
Highest price	Rs.	-	-	120.00	65.00
Lowest price	Rs.	-	-	39.90	40.00
Closing Price	Rs.	-	-	95.80	54.90
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	4.99	3.60	3.91	2.60

SUMMARY OF SHARE RANGES AS AT 31 DECEMBER

	2022			2021		
Share Range	**No of shareholders**	**No of shares**	**Holding %**	**No of shareholders**	**No of shares**	**Holding %**
1. 1 -1,000	6,092	2,026,578	0.91	6,122	2,079,126	0.93
2. 1001 - 10,000	1,221	3,420,124	1.53	1,275	3,557,453	1.59
3. 10,001 - 100,000	117	3,337,320	1.49	128	3,320,710	1.48
4. 100,001 - 1,000,000	13	2,884,158	1.29	11	2,710,891	1.21
5. 1,000,001 & above	7	212,063,989	94.78	7	212,063,989	94.78
	7,450	223,732,169	100.00	7,543	223,732,169	100.00

PUBLIC SHAREHOLDING

Public Shareholding as at 31st December 2022 - 20.00% (2021 - 20.00%)
Number of shares as at 31st December 2022 - 44,748,803 (2021- 44,748,803)
Number of Shareholders as at 31st December 2022 - 7,446 (2021 - 7,539)
Float adjusted Market Capitalization Rs. 4,286,935,327 (2021 - Rs. 2,456,709,285)

The float adjusted market capitalization of the Company falls under Option 4 of Rule 7.14.1 (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

	Group									
	Year ended 31 December									
	Audited									
In Rs. Mn -	**2022**	**2021**	**2020**	**2019**	**2018**	**2017**	**2016**	**2015**	**2014**	**2013**
Revenue from customer contracts	10,698	10,034	6,804	7,549	7,077	6,382	5,886	5,514	4,754	4,072
Cost of Services	(5,993)	(5,270)	(3,942)	(4,329)	(4,113)	(3,519)	(3,099)	(2,973)	(2,647)	(2,142)
Gross Profit	4,705	4,764	2,862	3,220	2,964	2,863	2,787	2,541	2,107	1,930
Other operating income	86	137	62	68	59	52	53	36	39	30
Administrative & Other operating Expenses	(3,582)	(3,042)	(2,729)	(2,635)	(2,380)	(2,186)	(1,941)	(1,766)	(1,694)	(1,352)
Finance income	2,882	406	250	226	479	193	183	156	70	148
Finance cost	(30)	(33)	(35)	(38)	-	-	-	-	-	-
Profit before tax	4,061	2,233	410	841	1,122	922	1,081	967	522	756
Income tax expense	(814)	(21)	(25)	(261)	(252)	(341)	(109)	(107)	(8)	(67)
Profit for the year	3,247	2,212	385	581	870	581	972	860	514	689
ASSETS										
Non current assets										
Property, plant and equipment	5,125	4,718	4,757	4,375	4,489	4,520	4,083	3,650	3,660	3,199
Right of use assets	531	533	552	639	-	-	-	-	-	-
Intangible asset	47	55	57	76	94	96	60	61	32	6
Investment in subsidiary	-	-	-	-	-	-	-	-	-	50
Advance lease premium	-	-	-	-	217	203	189	175	162	148
	5,703	5,307	5,365	5,089	4,800	4,819	4,332	3,886	3,854	3,403
Current assets										
Inventories	980	455	439	413	369	295	319	272	307	176
Trade and other receivables	1,016	1,032	676	915	726	554	503	434	472	471
Amounts due from related parties	0	2	4	6	5	7	4	6	6	32
Income tax Receivable	-	-	-	-	-	-	-	-	34	-
Cash and cash equivalents & Other Financial Assets	7,635	5,204	3398	3004	3050	2475	2,194	1,746	1,000	1,017
	9,631	6,693	4,517	4,338	4,150	3,331	3,020	2,458	1,819	1,696
Total assets	15,334	12,000	9,882	9,427	8,950	8,150	7,352	6,344	5,673	5,099
EQUITY AND LIABILITIES										
Equity										
Stated capital	2,672	2,672	2,672	2,672	2,672	2,672	2,672	2,672	2,672	2,672
Revaluation reserve	1,361	1,331	1,093	982	1,029	1,066	1,284	994	1,028	1,020
Retained earnings	7,948	5,317	3,405	2,975	2,754	2,282	1,888	1,324	783	367
Total equity	11,981	9,319	7,169	6,629	6,455	6,020	5,844	4,990	4,483	4,059
Non current liabilities										
Employee benefit obligations	254	278	294	245	189	167	134	119	106	67
Deferred tax liabilities	1,212	509	1,053	1,102	1,004	998	426	347	314	278
Lease Liability	152	159	200	301	-	-	-	-	-	-
	1,618	946	1,547	1,648	1,193	1,165	560	466	420	345
Current liabilities										
Borrowings / Bank Overdraft	528	482	256	262	332	233	234	179	198	135
Amounts due to related parties	-	-	5	6	6	23	24	28	13	4
Lease Liability	87	89	72	77	-	-	-	-	-	-
Income tax payable	354	265	48	57	167	39	36	21	-	14
Trade and other payables	766	898	785	748	797	670	654	660	559	542
	1,735	1,734	1,166	1,150	1,302	965	948	888	770	695
Total liabilities	3,353	2,681	2,713	2,798	2,495	2,130	1,508	1,354	1,190	1,040
Total equity and liabilities	15,334	12,000	9,882	9,427	8,950	8,150	7,352	6,344	5,673	5,099

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the 24th Annual General Meeting of The Lanka Hospitals Corporation PLC(LHC) will be held as a virtual meeting on June 28, 2023 at 3.00 pm. assembled at the Dr. Prathap C Reddy Auditorium of The Lanka Hospitals Corporation PLC, No.578, Elvitigala Mawatha, Colombo 5 for the purposes of conducting the following businesses:

1. To receive and consider the Annual Report and the Audited Financial Statements of the Company for the year ended 31st December 2022 together with the Report of the Auditors' thereon.
2. Election of Mr. Ronald C Perera PC as a Director who was appointed to the Board during the year in terms of Article 92 of the Articles of Association.
3. Election of Dr. Abinaya Alagarasan as a Director who was appointed to the Board on 28th March 2023, in terms of Article 92 of the Articles of Association.
4. To re-elect Mr. Kushan De Alwis PC who retires by rotation in terms of Article 85 of the Articles of Association and being eligible offers himself for re-election.
5. To re-elect Mr. Nadun Fernando who retires by rotation in terms of Article 85 of the Articles of Association and being eligible offers himself for re-election.
6. To re-elect Dr. Bandula Wijesiriwardena who retires in terms of Section 210 of the Companies Act No. 07 of 2007.
7. To re-elect Mrs Lakshmi Sangakkara who retires in terms of Section 210 of the Companies Act No 07 of 2007.
8. To note the appointment of the Auditor General as the Auditors of the company for the ensuing financial year in compliance with Article 154 of the constitution of Sri Lanka.
9. To authorize the Directors to determine donations for the year 2023 and up to the date of the next Annual General Meeting.
10. Any other business of which due notice has been given.

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

Accounting Systems Secretarial Services (Private) Limited
Secretaries

18th May 2023

Form of Proxy

THE LANKA HOSPITALS CORPORATION PLC
(Company Registration No PQ180)
NIo. 578, Elvitigala Mawatha, Narahenpita, Colombo 5.

I/WE..

bearing NIC NO.. of ....
being a shareholder/shareholders of The Lanka Hospitals Corporation PLC, hereby appoint:

- Full name of proxy :
- NIC of Proxy :
- Address of Proxy :
- Contact Numbers : Land.. mobile.. Email ID...

failing him/her

Dr. Bandula Wijesiriwardena	or failing him
Mr. Mayura Fernando	or failing him
Mr. Ronald C Perera PC	or failing him
Dr. Ravindra Ruberu	or failing him
Ms. Lakshmi Sangakkara	or failing her
Mr. Kushan De Alwis PC	or failing him
Mr. Nadun Fernando	or failing him
Dr. Kanishka Karunaratne	or failing him
Mr. Ashish Bhatia	or failing him
Ms. Richa Singh Debgupta	or failing her
Mr. Kasun Rajapaksa	or failing him
Dr. Abinaya Alagarasan	

as my/our Proxy to represent me/us* to vote for me/us on my/our behalf at the 24th Annual General Meeting of the Company to be held on 28th June 2023 at 3.00p.m and at any adjournment thereof and at every poll which may be taken in consequence thereon.

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

		FOR	AGAINST
1.	To receive and consider the Annual Report and the Audited Financial Statements of the Company for the year ended 31st December 2022 with the Report of the Auditors' thereon.	☐	☐
2.	Election of Mr. Ronald C Perera as a Director who was appointed to the Board during the year in terms of Article 92 of the Articles of Association.	☐	☐
3.	Election of Dr. Abinaya Alagarasan as a Director who was appointed to the Board on 28th March 2023, in terms of Article 92 of the Articles of Association.	☐	☐
4.	To re-elect Mr. Kushan De Alwis PC who retires by rotation in terms of Article 85 of the Articles of Association and being eligible offers himself for re-election.	☐	☐
5.	To re-elect Mr. Nadun Fernando who retires by rotation in terms of Article 85 of the Articles of Association and being eligible offers himself for re-election.	☐	☐
6.	To re-elect Dr. Bandula Wijesiriwardena who retires in terms of Section 210 of the Companies Act No. 07 of 2007.	☐	☐
7.	To re-elect Mrs. Lakshmi Sangakkara who retires in terms of Section 210 of the Companies Act No 07 of 2007.	☐	☐
8.	To authorize the Directors to determine donations for the year 2023 and up to the date of the next Annual General Meeting.	☐	☐

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

....
Signature Date

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

Form of Proxy

INSTRUCTIONS FOR COMPLETION

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

Notes

Notes

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
Mr. Mayura Fernando
Mr. Ronald C Perera PC
Dr. Ravindra Ruberu
Ms. Lakshmi Sangakkara
Mr. Kushan De Alwis PC
Mr. Nadun Fernando
Dr. Kanishka Karunaratne
Mr. Kasun Rajapaksa
Ms. Richa Singh Debgupta
Mr. Ashish Bhatia
Dr. Abinaya Alagarasan

SECRETARIES & REGISTRAS 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

optima
Designing Your Year!
Designed & Produced by
Optima Designs (Pvt) Ltd.
A full service design and print company.
www.optimadesigns.lk

LANKA
HOSPITALS

සුවෙන් සැපෙන් • CARING CURING • பராமரித்தல் குணமாக்கல்

No: 578, Elvitigala Mawatha,
Narahenpita, Colombo 5, Sri Lanka.