

Check In to Wellness



**LANKA
HOSPITALS**

සුවෙන් සැලෙන්න • CARING CURING • பராமரித்தல் குணமாக்கல்

The Lanka Hospitals Corporation PLC
Integrated Annual Report 2025



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Check In to Wellness

At The Lanka Hospitals Corporation PLC, every journey to healing begins with a simple moment: check-in. It is the moment when trust is placed in our hands and the path toward wellness begins.

Guided by clinical excellence, advanced technology, and compassionate professionals, we continue to create an environment where patients feel supported from the very beginning. While our commitment to medical expertise remains at the heart of everything we do, we believe that healing is also shaped by comfort, reassurance, and human connection.

Looking ahead, our vision is to bring together the precision of modern healthcare with the warmth and familiarity of home. By creating spaces and experiences that feel welcoming and calming, we aim to ensure that every patient journey is seamless, dignified, and centred on wellbeing.

Check In to Wellness reflects more than a theme. It represents our promise to care with compassion, deliver excellence in every treatment, and create a healthcare experience where patients feel not only treated, but truly cared for.



Contents

Overview

About Us	4
About this Report	5
Approach to SLFRS S1 & S2 Sustainability Disclosure Standards	9
Financial Highlights	10
Non-Financial Performance	11
Highlights of Awards and Accreditations	12
About Lanka Hospitals	14
What Sets us Apart	15

Capital Management

Financial Capital - Group Chief Financial Officer's Review	61
Manufactured Capital	64
Human Capital	67
Intellectual Capital	74
Social & Relationship Capital	77
Natural Capital	83

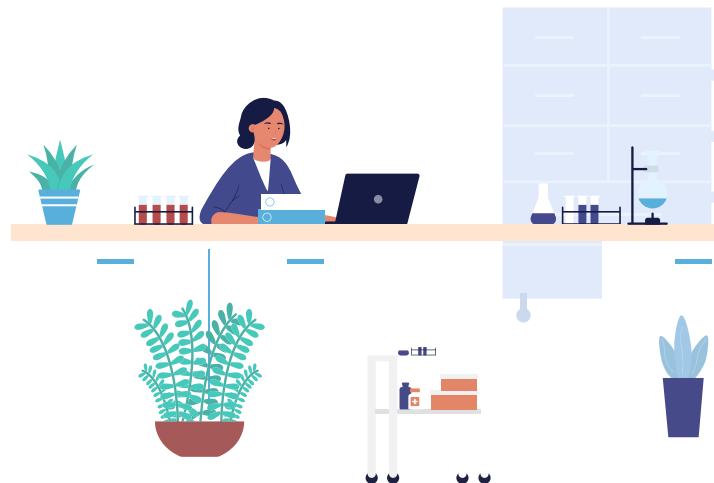


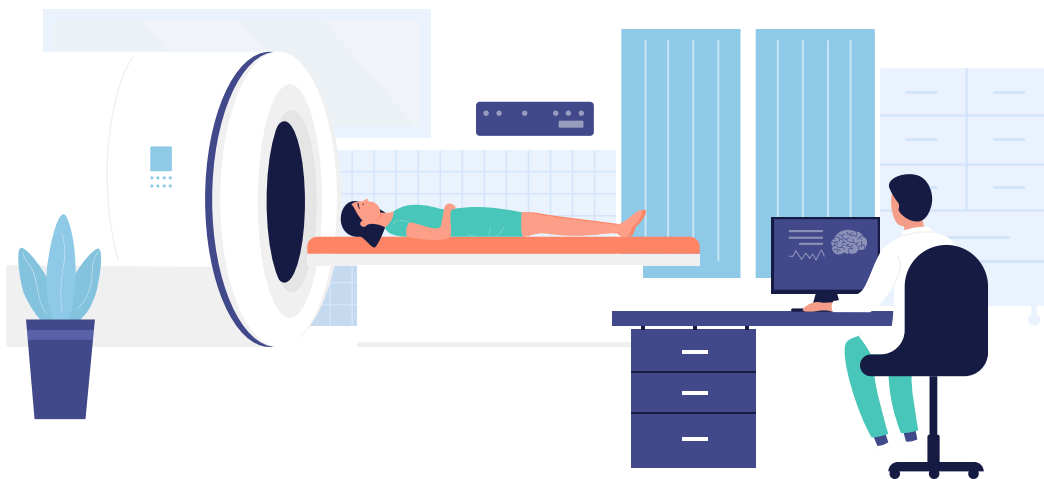
Leadership

Group Chairman's Message	18
Group Managing Director's Review	20

Delivering our Strategy

Value Creation Model	26
Stakeholder Engagement	28
Materiality	32
Operating Environment	34
Future of Healthcare	37
Strategy and Resource Allocation	39
Sustainability Integration	44
SLFRS S1 & S2 Disclosures	45
Business line Reviews	57





Governance

Board of Directors	88
EXCO	96
Corporate Governance Report	100
Clinical Governance and Patient Care	121
Risk Management	126
Way Forward	130
Annual Report of The Board of Directors on the Affairs of the Company	131
Statement of Directors' Responsibility	137
Board Nomination and Governance Committee	138
The Board Audit & Risk Committee Report	140
Board Remuneration Committee Report	142
The Board Related Party Transactions Review Committee Report	144
Board ESG & Sustainability Committee Report	146
GRI Content Index	148
Assurance Report on the Sustainability Reporting Criteria	153
Assurance Report on the Integrated Annual Report 2025	155

Financial Reports

Financial Calendar 2025 and Proposed Financial Calendar 2026	157
Independent Auditors' Report	160
Consolidated Statement of Profit or Loss	164
Consolidated Statement of Other Comprehensive Income	165
Consolidated Statement of Financial Position	166
Consolidated Statement of Changes in Equity	167
Consolidated Statement of Cash Flows	169
Notes to the Consolidated Financial Statements	171

Supplementary Information

Shareholder and Investor Information	213
Ten Year Financial Summary	215
Notice of Annual General Meeting	216
Form of Proxy	219
Corporate Information	IBC



About Us

GRI 2-1

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.”



Our History

The Lanka Hospitals Corporation PLC commenced operations in Sri Lanka on 7th June 2002, under the brand name of Apollo Hospitals, a part of the chain of Apollo Hospitals founded by the renowned Dr. Prathap C. Reddy in India. As the only purpose built private hospital of its kind in Sri Lanka, Apollo Colombo revolutionised Sri Lanka’s healthcare service, and today under the brand Lanka Hospitals, we continue to dominate and lead the healthcare sector. Ours is still considered to be the best health care facility in the country.

About this Report

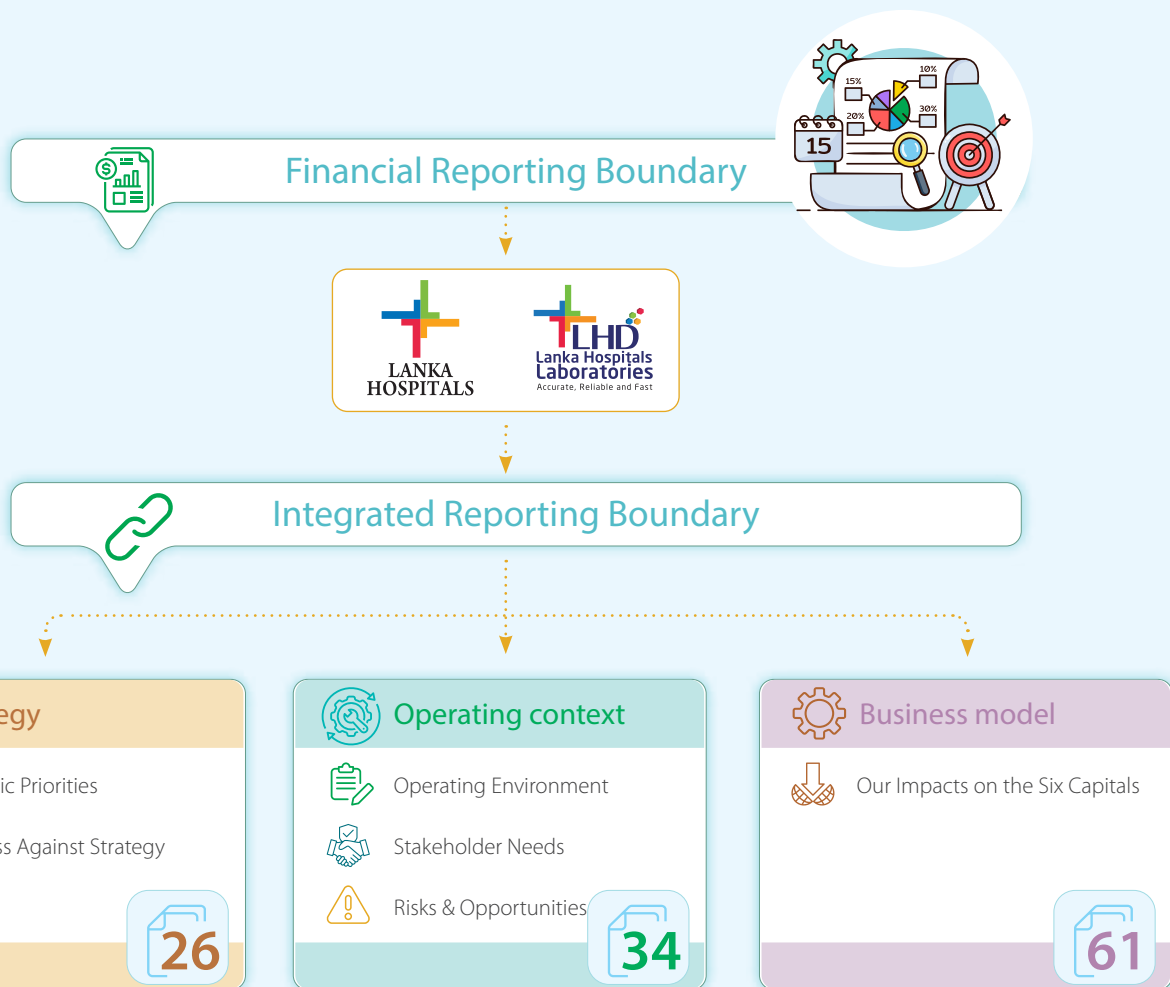
GRI 2-1, 2-2, 2-3, 2-4, 2.6

The Integrated Annual Report of The Lanka Hospitals Corporation PLC (“LHC”) represents the Group’s primary communication to our capital providers and other stakeholders to whom we are accountable. The Report includes material information relating to the progress made against the Group’s strategic priorities, the values and impacts delivered to our key stakeholders, dynamics shaping our operating environment and our expectations for the short, medium and long-term. The Group adopts an annual reporting cycle and this Report covers the period from 1st of January 2025 to 31st of December 2025 (FY 2025) and includes material information after this date and up to Board approval on 31st March 2026. All previous reports, including the most recent report for FY 2024 are available for download at <https://www.lankahospitals.com/about/annual-reports/>



Scope and Boundary:

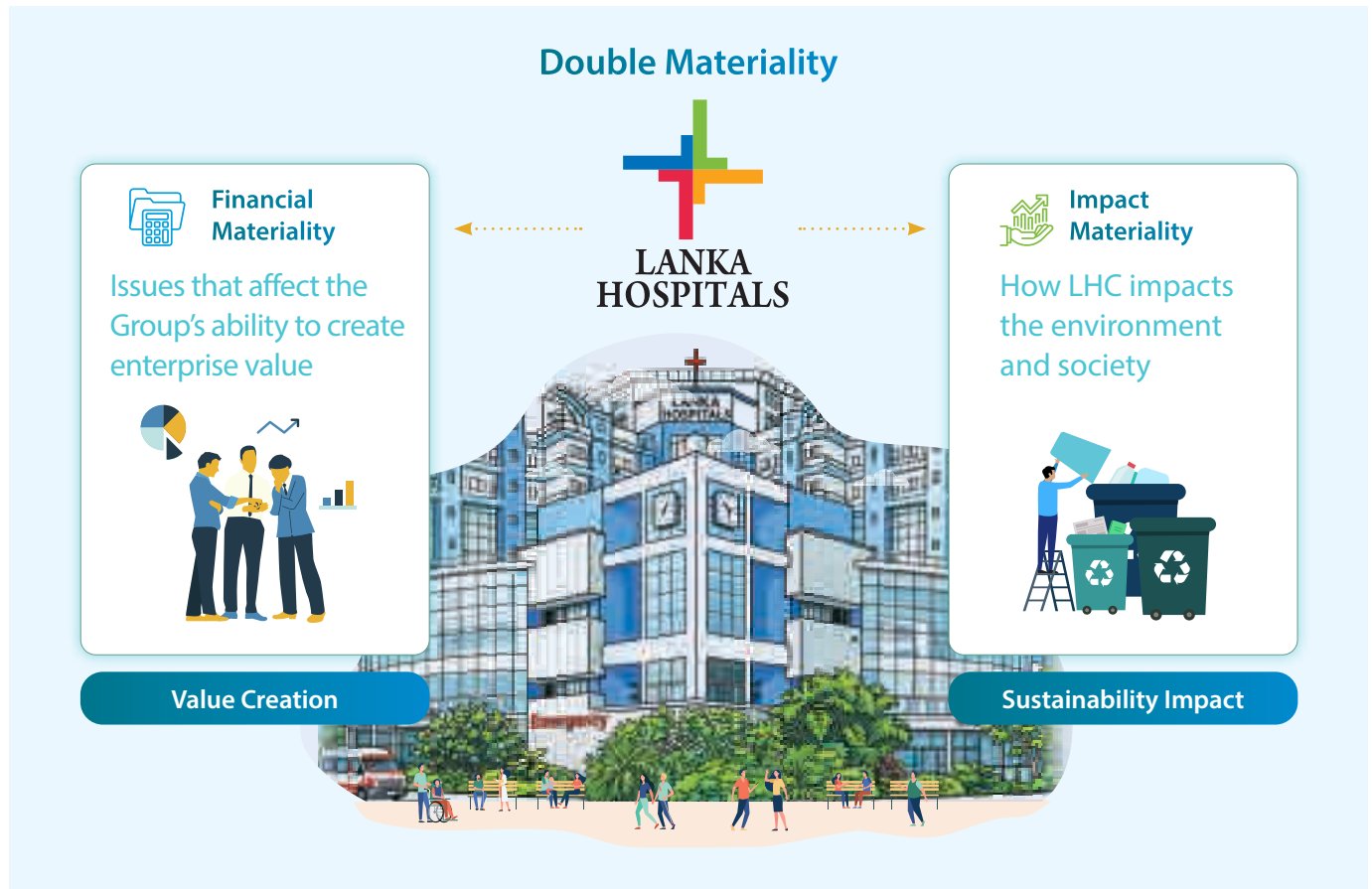
The Report covers the operations of LHC including the subsidiaries Lanka Hospital Diagnostics (Private) Ltd (collectively referred to as “the Group”). The Group’s operations are limited to Sri Lanka and its financial and non-financial reporting boundaries are consistent. There were no material changes to the Group’s organisational structure or material restatements of information during the year.



About this Report Contd.

> Materiality:

The Group's material matters (listed on page 32) inform the Group's strategy and decision-making, providing stakeholders with useful information to assess the impacts of our operations and ability to create sustainable value over time. The Group adopts a double materiality approach in determining material matters as demonstrated below:



Reporting Standards & Frameworks

Financial Statements

- Companies Act No.7 of 2007
- Sri Lanka Financial Reporting Standards
- Listing Requirements of the Colombo Stock Exchange
- Sri Lanka Accounting & Auditing Standards Act No.15 of 1995

Integrated Report

- Integrated Reporting Framework
- Guidelines for the Presentation of Annual Reports issued by CA Sri Lanka

Sustainability Reporting

- SLFRS S1 and S2 Sustainability Disclosure Standards
- GRI Standards (2021) of the Global Reporting Initiative
- Sustainability Accounting Standards Board (SASB) - Healthcare Delivery Standard
- Sustainable Development Goals (SDG)

Corporate Governance

- Listing Requirements of the Colombo Stock Exchange
- Code of Best Practice on Corporate Governance issued by CA Sri Lanka (2023)

> Assurance:

We adopt a combined assurance model to ensure the credibility of both our financial and non-financial reporting. This model includes oversight by the management and the use of internal audit and external assurance providers as set out below:

Financial, Integrated & Sustainability Reporting



Financial Information

✓ Internal Assurance

- Review, assessment and monitoring of the financial reporting processes by Executive Leadership Teams and the Internal Audit Department
- Oversight by Board of Directors and Audit and Risk Committee

✓ External Assurance

- National Audit Office (Page 160)



Integrated Report

✓ Internal Assurance

- Reviewed by the Board of Directors

✓ External Assurance

- Messrs. Ernst & Young (Page 155)



Sustainability Report

✓ Internal Assurance

- Information verified by multiple internal divisions

✓ External Assurance

- Assurance on GRI Reporting by Messrs. Ernst & Young (Page 153)

> Reporting Improvements:

This year's Integrated Annual Report features several key improvements aimed at enhancing the overall readability, relevance and alignment with international reporting frameworks as demonstrated below.



Reporting Frameworks

New frameworks/ reporting standards complied with this year are:

- SLFRS S1 & S2 Sustainability Disclosure Standards
- SASB Health Care Delivery Standard
- CA Sri Lanka's Code of Best Practice on Corporate Governance (2023)



Content Improvements

New chapters introduced:

- Clinical Governance Review
- SLFRS S1 & S2 Disclosures
- Way Forward



Presentation and Accessibility

- Improved connectivity between reporting elements
- Data visualisation through the use of infographics

About this Report Contd.



Forward-Looking Statements:

This Integrated Report may include “forward-looking statements” based on the beliefs and assumptions of LHC’s management and the information currently available to them. These statements may relate to the Company’s business prospects, future developments, trends, and anticipated conditions in the industries and markets in which it operates. By their nature, forward-looking statements involve inherent risks and uncertainties; therefore, actual results and performance may differ materially from those expressed or implied. Readers are advised not to place undue reliance on such statements. The Lanka Hospitals Corporation PLC assumes no obligation to publicly update or revise these statements after the date of this Report.

The Board of Directors of LHC acknowledges its responsibility for ensuring the completeness, accuracy and integrity of this report. The Board has collectively reviewed the contents of the report in conjunction with the assurance reports obtained from our various internal and external assurance providers, including assessments on risk and internal controls. On this basis, the Board is satisfied that the Integrated Report for FY 2025 provides an accurate assessment of the Company’s performance for the financial year ended 31st December 2025.



Assurance Providers



Internal
External



Assessments on Risk and Internal Controls

Feedback: GRI 2-3

LHC welcomes questions and suggestions to help improve the quality of its reporting process and request that all feedback be directed to:

Senior Finance Manager,
The Lanka Hospitals Corporation PLC



Navigation Icons

Capitals



Financial



Manufactured



Human



Intellectual



Social & Relationship



Natural

Strategic Priorities



Business Growth



Innovation & Excellence



Competent Team



Sustainability

Approach to SLFRS S1 & S2 Sustainability Disclosure Standards

As outlined in the Group's previous Annual Report, the SLFRS S1 and S2 Sustainability Disclosure Standards become mandatory for LHC in the current year, as the Company falls within the top 100 entities by market capitalisation on the Colombo Stock Exchange. In preparation for the adoption of the Standards, the Group established certain governance structures and processes in 2024, as illustrated below. The Group will continue to refine and strengthen its processes, including the computation of Scope 3 greenhouse gas emissions and the quantification of related impacts, as it progressively advances towards full compliance with the new Standards.

Interventions in 2025			
Governance	Strategy	Risk Management	Targets & Metrics
<ul style="list-style-type: none"> Establishment of a Board-level Sustainability Committee Formation of a Management-level Sustainability Committee and Task Force 	Identification of Sustainability-Related-Risks and Opportunities (SRROs) and Climate-Related Risks and Opportunities (CRROs)	Broaden the Group's risk management frameworks and processes to include SRROs/CRROs	<ul style="list-style-type: none"> Adoption of SASB Standards Define methodology for setting targets Formulate targets for selected metrics
Planned interventions in 2026			
Governance	Strategy	Risk Management	Targets & Metrics
Link to Executive remuneration schemes	Integration of SRRO management strategy to overall corporate strategy	Integration of SRRO/CRRO management to the Group's existing enterprise risk management framework	Widen the GHG Scope 3 emission computation

Transitional Relief

As a first-time adopter of the new Standards, the Group has availed itself of the transition relief permitted in accordance with the guidance issued by the Institute of Chartered Accountants of Sri Lanka, thereby phasing in selected requirements and disclosures. The relief adopted in this year's disclosures include the following:

- Comparative information:** Application of the transition relief permitting omission of comparative sustainability-related disclosures for the first year of adoption.
- Anticipated financial effects:** Application of relief in disclosing the quantitative financial effects of material SRRO and CRROs.
- Climate resilience:** Deferral of detailed climate-resilience disclosures, including scenario analysis.
- Scope 3 GHG emissions:** Application of relief in disclosing Scope 3 GHG emissions.

Navigating the Disclosures

Pillars of SLFRS S1 & S2 Sustainability Disclosure Standards	Location of Disclosures
Governance	Primary location: SLFRS S1 and S2 Disclosures (Page 45) Connected information: Corporate Governance (Page 100)
Strategy	Primary location: SLFRS S1 and S2 Disclosures (Page 45)
Risk Management	Primary location: SLFRS S1 and S2 Disclosures (Page 45) Connected information: Risks & Opportunities (Page 126)
Metrics and Targets	Primary location: SLFRS S1 and S2 Disclosures (Page 45) Connected information: Capital Management Reports (Page 61)

Compliance Statement

The Group's consolidated non-financial information/sustainability reporting have been prepared in line with the Sri Lanka Financial Reporting Standards as issued by CA Sri Lanka. The new sustainability reporting standards designated as SLFRS S1 and SLFRS S2 Sustainability Disclosure Standards represent localised versions of the IFRS S1 and S2 Sustainability Reporting Standards.

Financial Highlights

		2025	2024	Change (%)
Financial Performance				
Revenue	Rs. Million	14,474	13,650	6
Results from operating activities	Rs. Million	1,964	1,709	15
Profit before tax	Rs. Million	2,830	1,895	49
Profit after tax	Rs. Million	1,944	1,339	45
Profit attributable to equity holders of the Company	Rs. Million	1,944	1,339	45
Dividends	Rs. Million	783	-	100
Gross profit Margin	%	44	44	-
Operating Profit Margin	%	14	13	8
Net Profit Margin	%	13	10	30
Earnings per share (basic)	Rs.	8.69	5.99	45
Return on Assets (ROA)	%	10	7	43
Return on Capital Employed (ROCE)	%	11	11	-
Interest cover	Times	N/A	N/A	-

		2025	2024	Change (%)
Efficiency & Financial Stability Ratios				
Total Assets	Rs. Million	20,415	18,511	10
Total Debt	Rs. Million	N/A	N/A	-
Shareholder's funds	Rs. Million	15,374	14,178	8
Gearing ratio	Times	N/A	N/A	-
Debt/Equity	%	N/A	N/A	-
Asset Turnover	Times	0.7	0.7	-
Net assets per share	Rs.	68.72	63.37	8
Current ratio	Times	4.15	4.59	(10)
Quick asset ratio	Times	3.84	4.20	(9)

		2025	2024	Change (%)
Investor Information				
Market value per share	Rs.	106	79.50	33
Dividend per share	Rs.	3.50	-	100
Company market capitalization	Rs. billion	23.72	17.79	33
Price earnings ratio	Times	12.20	12.42	(2)
Dividend yield ratio	%	3	-	100
Dividend payout ratio	%	40	-	100
Dividend Cover	Times	2	-	100

		2025	2024	Change (%)
Infrastructure and Technology				
Property, plant and equipment	Rs. Million	6,615	6,583	0.5
CAPEX Additions	Rs. Million	771	1,448	(47)
No. of beds	No.	367	367	-
Laboratory collection network (COCOs)	No.	88	83	6
Pharmacy network	No.	24	25	(4)

Non-Financial Performance

Environmental Performance



Energy consumption

37,840 GJ \uparrow 2
2024 - 37,145 GJ



Water consumption

152,613,000 \uparrow 12
Litres
2024 - 135,973,000 Litres



Total waste generated

184 MT \downarrow 6
2024 - 196 MT



Waste recycled

42 MT \downarrow 3
2024 - 43 MT



Total carbon footprint

4,487 tCO₂e \downarrow 5
2024 - 4,725 tCO₂e



Scope 1 emission

534 tCO₂e \uparrow 6
2024 - 504 tCO₂e



Scope 2 emissions

3,953 tCO₂e \downarrow 6
2024 - 4,221 tCO₂e



Scope 3 emissions

NIL tCO₂e NIL
2024 - NIL tCO₂e



Energy intensity

1.44 GJ/
Inpatients \downarrow 3
2024 - 1.48 GJ/Inpatients



Emission intensity

0.17 tCO₂e/
Inpatients \downarrow 9
2024 - 0.19 tCO₂e/Inpatients



Water intensity

5,798 Litres/
Inpatients \uparrow 7
2024 - 5,418 Litres/Inpatients

Social Performance



Total employees

2,206 No. \uparrow 3
2024 - 2,146 No.



Retention rate

73% \downarrow 14
2024 - 85%



Female representation rate

62% \uparrow 0.3
2024 - 61.8%



Investment in training

Rs.9.6 Mn \uparrow 9
2024 - Rs.8.8 Mn



Training hours

24,964 Hours \downarrow 2
2024 - 25,554 Hours



Payments to suppliers

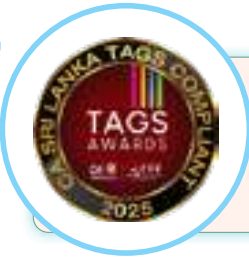
Rs.6,602 Mn \downarrow 9
2024 - Rs.7,270 Mn



Spending on local suppliers

99% \uparrow 0.5
2024 - 99%

Highlights of Awards and Accreditations

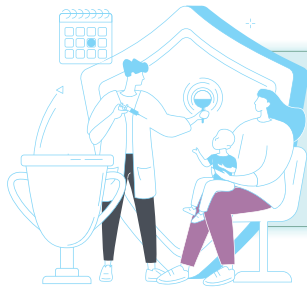
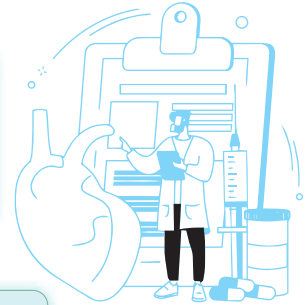


▶ Celebrated with TAGS Annual Report Awards 2025 GOLD Award for Healthcare Sector

Received the prestigious Gold Award at TAGS Annual Report Awards 2025 for outstanding achievements in the Healthcare Sector

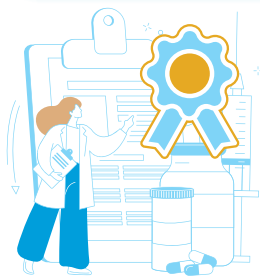
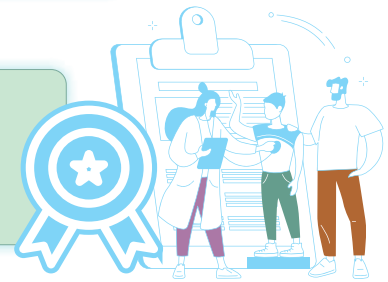
▶ Achieved CAP Re-Accreditation

Renewed our accreditation with the College of American Pathologists (CAP) by meeting rigorous standards.



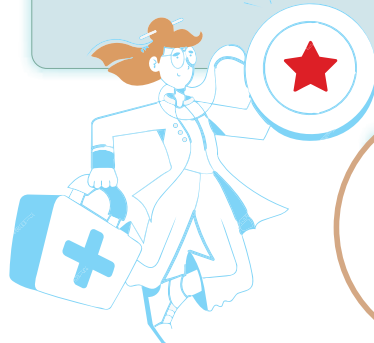
▶ Joint Commission International- Gold Seal

▶ ISO 15189:2022 Laboratory Management System - Surveillance Audit



▶ National Convention on Quality & Productivity Awards (NCQP 2025)

▶ ISO 22000:2018 Food Safety Management System (FSMS) Surveillance Audit



▶ ISO 14001:2015 Environmental Management System (EMS) Surveillance Audit

Advancing care, driving innovation and creating value for a HEALTHIER NATION



1566

Launch of LankaLifeLine and LankaCare

The Lanka Hospitals broadened its horizons beyond traditional medical care with the launch of 24/7 dedicated trauma care and home care services. LankaLifeLine offers seamless integration with emergency coordination, rapid ambulance mobilisation and swift hospital transfers while LankaCare offers a range of hospital-grade services delivered directly to patients' homes.



GovPay Integration

The Lanka Hospitals emerged as the first healthcare service provider to integrate with GovPay, Sri Lanka's Government Digital Payment Platform enabling seamless, transparent and secure cashless while also marking GovPay's 100th onboarded institution.



Named the most awarded Healthcare Institution by LMD

The Lanka Hospitals was recognised by LMD as the most awarded healthcare institution in Sri Lanka, based on an independent evaluation of awards received from multiple recognised bodies. The ranking, which assessed over 200 companies and awards from more than 50 institutions, reflects the Hospital's sustained excellence in clinical quality, patient care, and service standards.



Highest Cardiothoracic & Bariatric Surgeries

Recorded a total of 802 cardiothoracic surgeries—the highest number performed by any single private-sector hospital in Sri Lanka and Completed over 390 bariatric surgeries, the highest in the industry, with zero mortality.

About Lanka Hospitals

The Lanka Hospitals is Sri Lanka's most accredited multi-speciality tertiary care hospital, offering a comprehensive array of services spanning over 17 specialities. Established in 2002 with the vision of providing world-class healthcare services locally, the 367-bed hospital has successfully redefined industry standards in patient care, clinical excellence, technology and diagnostics consistently leading the way through the introduction of a host of advanced clinical and non-clinical solutions that have transformed the nation's healthcare landscape.

Integrated Service Offering

Medical and Surgical Services

Multi-disciplinary clinical and non-clinical care, including general surgery, heart care, kidney care, neurology, radiology, nuclear medicine, orthopedic, radiology services, urology and vascular surgery among others.

General Care

Outpatient services providing access to Sri Lanka's leading medical professionals including physicians, dentists, surgeons, physiotherapists and allied healthcare professionals among others.

Emergency and Trauma Care

Pre-hospital emergency services including,

- Nationwide ambulance pick-up service
- 24-hour on-call specialists
- Medical care for patients travelling overseas
- Fully equipped ambulance fleet

Pharmacy

Dispensing of medicine by qualified professionals through 3 pharmacies located within the hospital and a network of 21 pharmacies across the island.


Laboratory

CAP and SLAB accredited laboratory offering an array of comprehensive tests in chemical pathology, cytogenetics, hematology, microbiology and histopathology among others.

Learning Propositions

The Lanka Hospitals Learning Academy and Nursing School empowers future healthcare professionals through advanced diagnostic education that unites innovation, precision and compassion to enhance early detection, accurate diagnosis and patient care.

Our track record of achievements



Total Surgeries
170,700+



Cardiac Surgeries
12,350+



IVF Babies
1,575+



Kidney Transplants
1,290+



Inpatients in 2025
26,322



Outpatients in 2025
347,692

A strategic reset: Our pathway reimagined

The Hospital is gearing up for the next stage of its growth with a bold strategic reset. The year under review has been one of purposeful consolidation as we refined our business model, strengthening governance frameworks and reimagining our infrastructure to unlock the next phase of our transformative journey. Our aspiration is to move beyond traditional curative care, embracing a future focused on wellness, preventive care, and quality of life. Looking ahead, we aspire to embrace a holistic approach that champions wellness, prevention, and an enhanced quality of life. Guided by the pillars of governance, patient-centricity, technology, and sustainability we are redefining the future of healthcare in Sri Lanka.

What we achieved so far

Sri Lanka's most accredited private hospital offering international standards in clinical expertise, technology and care



What we are focusing on

- Strengthening corporate and clinical governance frameworks
- Patient-centricity through quality of care and innovation
- Optimising our resources and relationships
- World-class technology solutions
- Strategic integration of sustainability



What we hope to build

The region's most preferred healthcare provider, delivering technologically advanced, patient-centric care with a unique blend of public accountability and private sector agility



What Sets us Apart

QUALITY OF CARE

LHC is Sri Lanka's most accredited hospital, with a host of international certifications and accreditations, validating our commitment to the highest standards of quality, safety and patient care.



Joint Commission
International Gold Seal



CAP Accreditation
for laboratory



ISO 15189:2007
certification



GEOGRAPHICAL FOOTPRINT

Island-wide accessibility of its laboratory and pharmacy services through a widespread geographical footprint.

8
Regional
mini-labs

1000+
Third-party
collection
centres

88
Owned
collection
centres

24
Pharmacy
network



CENTRES OF EXCELLENCE

The Hospital's Centres of Excellence deliver specialised, multidisciplinary services, offering world-class care that transforms patient outcomes.

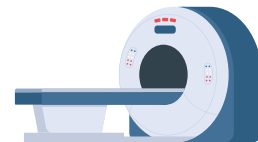
- Heart Centre
- Neuro Surgical Centre
- Obstetrics & Gynecology and IVF
- Fertility Centre
- Bariatric Centre
- Genito Urinary Centre
- Cancer Care Centre
- Orthopedic Centre
- Kidney Care Centre
- Pediatric Centre
- Cosmetic Centre



TECHNOLOGY

Advanced clinical and therapeutic technology to ensure precise detection, effective treatment, and the highest quality of patient care.

- Endoscopy System
- Laparoscopy System
- Neuro Surgical Microscope
- Gama Camera Machine
- Heart-Lung Machines
- Neuro Navigation System



FINANCIAL STABILITY

LHC's strong financial profile underscored by its debt-free status and robust cash position reflects its ability to invest in future growth and innovation while ensuring continued shareholder value creation.

Rs. 20,415 Mn

Total assets

Rs. 1,182 Mn

Cash and cash equivalents





A photograph of a medical suite. On the left, an ultrasound machine is mounted on a mobile cart. The machine has a large black monitor at the top, a control panel with many buttons below it, and a probe connected by a long white cable. The cart is on wheels. To the right, a doorway with a dark frame leads to another room, which appears to be a laboratory. The walls are a light, neutral color, and the floor is a light wood or laminate. The lighting is soft and focused on the doorway.

Precision in the Lab, Comfort in the Suite

Our commitment to precision begins in the lab and extends into every patient interaction. By combining advanced technology with a thoughtfully designed care environment, we deliver outcomes that are both reliable and reassuring.

Group Chairman's Message

GRI 2-22



Within our broader strategic plan, the Hospital remains firmly anchored on patient centricity, with quality of care and clinical outcomes forming the core of our value proposition.

It gives me great pleasure to pen this message as we reflect upon a year marked by strong operational execution, disciplined financial performance, and sustained value creation for our stakeholders. At its heart, The Lanka Hospitals has always been a family, united by a shared calling to care for those who walk through our doors, a culture rooted deeply in the legacy we have built together since 2002. During the year, the Group demonstrated resilience and strategic clarity, further strengthening its clinical excellence, service delivery standards and financial stability. We stand at an important inflection point in the Hospital's evolution as we prepare to embark on the next phase of growth, driven by capacity enhancement, technological advancement and an unwavering commitment to delivering superior healthcare outcomes.

Operating Landscape

Sri Lanka's private healthcare sector operated within a considerably more stable operating landscape during the year, following the volatility experienced in prior periods. The macroeconomic stability and a recovery in consumer confidence, supported steady demand for private healthcare services, particularly in diagnostics, specialised treatments and elective procedures. The industry also continued to benefit from long-term structural drivers, including rising health consciousness, demographic transitions and a growing preference for accessible, quality-focused private healthcare solutions. Collectively, these factors underpinned measured sectoral growth, positioning the industry favourably for medium-term advancement.

Strategy and Performance

Within our broader strategic plan, the Hospital remains firmly anchored on patient centricity, with quality of care and clinical outcomes forming the core of our value proposition. We continued to prioritise service excellence across all touchpoints, ensuring that high standards of governance, patient safety and care delivery are consistently upheld. Targeted investments in advanced medical and clinical technologies enhanced diagnostic precision and treatment capability. Recognising that our people are central to sustaining excellence, we also focused on strengthening our employee value proposition to attract, develop and



retain the industry's most capable medical and professional talent. At the same time, we remain committed to preserving the distinctive ambience of our premises, maintaining the natural greenery and open spaces that set The Lanka Hospitals apart, recognising that a calm, aesthetically pleasing environment plays a vital role in supporting patient comfort and psychological wellbeing.

Governance and Leadership

As a newly constituted Board, we are mindful of our responsibility to lay a strong foundation for the Hospital's next stage of evolution and growth. Clinical governance remains a central pillar of our oversight, with direct Board supervision of key clinical indicators and quality metrics, consistent with the requirements of our accreditations and our commitment to maintaining the highest standards of patient safety and care. On the corporate governance front, the Board prioritised the formulation of clear strategic priorities and a forward-looking five-year strategic plan. Concurrently, we are enhancing governance practices with a strengthened focus on transparency and integrity, reinforcing service excellence through robust clinical governance structures, and deepening risk management practices to ensure resilience and sustainable growth.

Stakeholder Value Creation

Value creation for our stakeholders remains central to our long-term strategy and governance philosophy. For our patients, our focus remained on ensuring quality and safety of care, timely access to services, affordability, and a consistently positive healthcare experience, resulting in improved service reliability and sustained confidence in our clinical delivery. Equally, we continued to prioritise our employees by fostering professional development, wellbeing, and a safe working environment, leading to a continuity of care supported by skilled and motivated professionals. During the year under review, the Group declared a total dividend of Rs. 783 Mn, reflecting our continued commitment to shareholder value creation.

Future Outlook

Looking ahead, we are confident in our journey towards becoming a next-generation healthcare institution that places wellness, prevention and continuity of care firmly at the heart of its value proposition. Our focus will be on elevating patient care by reimagining the end-to-end patient experience while strengthening clinical excellence through consistent, outcomes-driven practices. Central to this vision is the belief that world class healthcare must be delivered with a humane touch, where compassionate care and a calming environment come together to create an experience that feels both reassuring and restorative for patients and their families. In parallel, we aim to accelerate digital transformation initiatives to enhance access, improve precision in care delivery and drive greater integration across the Hospital's clinical and operational platforms, thereby positioning the Hospital for sustained growth and long-term impact.

Acknowledgements

I would like to place on record my sincere appreciation to the previous and current Boards of Directors for their stewardship and guidance, which have provided a strong foundation for the Hospital's continued progress. To the remarkable team at The Lanka Hospitals – our doctors, management team, nurses, paramedical staff, technical staff, administrative staff and support personnel, I convey my deepest thanks for your unwavering dedication, professionalism and compassion in delivering exceptional care. I extend our heartfelt appreciation to our patients and their families for the trust and confidence placed in us, which remains the driving force behind our pursuit of excellence. I also wish to thank our shareholders and investors for their continued confidence and support, which enable us to pursue our long-term vision and strengthen our capacity to deliver sustainable value.

Maj Gen (Dr) P A Chrisantha Fernando (Retd)
Group Chairman

31st March 2026

Group Managing Director's Review

GRI 2-22



The Lanka Hospitals is a leader in the next generation of healthcare delivery-one that extends beyond traditional curative care towards a more holistic model centred on wellness, prevention and continuity of care.

Having served on the Board of The Lanka Hospitals as a Non-Executive Director, I assumed the role of Group Managing Director in June 2025 with a clear mandate to restore stability and establish a path for strategic transformation. I am proud to report that this has been a period of purposeful transition and our efforts have yielded tangible results as we undertook a disciplined reset, strengthening leadership alignment and sharpening execution across the organisation. Building on this momentum, we have initiated the next phase of transformation, anchored by a holistic strategic plan designed to elevate The Lanka Hospitals to its next stage of growth. Against this backdrop it is my

pleasure to present to you the Annual Report and Audited Financial Statements of The Lanka Hospitals Corporation PLC for the year ending 31st December 2025.

A Defining Year

The year under review represents a defining milestone in the Group's journey, as it delivered its strongest performance to date. Operating within a unique framework that combines public sector accountability with private sector agility, we remained firmly focused on delivering outcomes that balance responsibility with performance. A relentless focus on quality of care and efficiency translated into a marked step-up in operational and financial performance, which resulted in the Group's highest-ever Revenue of Rs. 14.47 Bn, alongside strong profitability and the highest dividend in history. The Group was also honoured with multiple accolades during the year, recognised as the 'Most Awarded Healthcare Company in Sri Lanka' in LMD's Special Annual Issue 2025 and securing the Gold Award in the Healthcare Sector for the third consecutive year at the TAGS Awards 2025.

We are also proud to be recognised as the winner in the Healthcare Equipment and Services sector in the LMD Top 100 Listed Companies, reaffirming our leadership and continued excellence in the healthcare industry.



In addition to our Hospital operations, the Laboratory segment delivered a strong performance during the year, with Revenue growth of 13% driven by increased patient volumes, an expanded test portfolio and sustained demand for both routine and specialised diagnostics, while maintaining high standards of efficiency, reliability and quality. Meanwhile, performance of the Pharmacy segment remained commendable reflecting, improved drug availability, steady customer volumes and service efficiency.

Pursuing Strategic Ambitions

The year under review was one of consolidation, as we focused on laying a strong foundation to support the Group's next phase of growth. Central to this effort was a renewed emphasis on strengthening both corporate and clinical governance frameworks. We enhanced our governance structures with a sharper focus on integrity, reinforcing policies relating to anti-bribery and anti-corruption, while embedding greater professionalism and accountability across the organisation. In parallel, we strengthened our clinical governance framework, with improved oversight, structured monitoring mechanisms and direct reporting to the Board. These initiatives collectively position the Group on a more resilient and well-governed footing as we move forward.

Patient centricity and continuous innovation remained central to our strategic priorities, as we continued to broaden our service offering and strengthen our care delivery model. During the year, we introduced a home care service, addressing a growing societal need by supporting elderly patients and families where children reside overseas. In a further step towards enhancing critical care capabilities, The Lanka Hospitals became the first and only private sector institution to establish a fully-fledged trauma care facility and a specialised trauma response initiative designed to deliver timely and coordinated emergency care.

In parallel, strategic focus was placed on upgrading our infrastructure to support evolving patient expectations and clinical requirements. During the year, we initiated a phased programme to enhance our facilities, aimed at improving comfort, accessibility and the quality of care delivery. We also commenced the process of strengthening our technology backbone, with a focus on digital enablement, process efficiency and enhancing clinical and administrative systems. These efforts mark the beginning of a broader transformation journey, positioning the Group to deliver a more seamless, efficient and patient-centric healthcare experience.

Performance Overview

The Group delivered a strong financial performance during the year, reflecting the benefits of disciplined execution and sustained focus on operational excellence. Total revenue increased is driven by broad-based growth across our business lines, achieved while maintaining pricing discipline. Operating profit grew by 15%, reflecting continued optimisation of resources and improved efficiencies. Performance was further supported by finance income, contributing to overall earnings and resulting in Profit Before Tax increasing by 49% to Rs. 2.83 Bn, while Profit After Tax grew by 45% to Rs. 1.94 Bn. The Company's financial position remains robust, underpinned by a strong equity base and healthy liquidity levels, providing a solid foundation to support future growth and strategic investments.

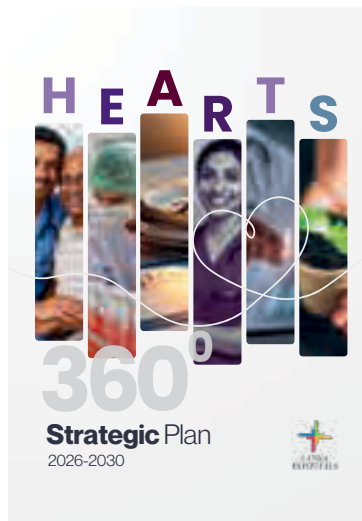
Rs. 14.47 Bn
Highest ever Revenue in history

Rs. 783 Mn
Highest ever Dividend
declared in history

802
Highest number of cardiothoracic
surgeries in the private sector

Group Managing Director’s Review Contd.

We are proud to be recognised as the winner in the Healthcare Equipment and Services sector in the LMD Top 100 Listed Companies, reaffirming our leadership and continued excellence in the healthcare industry.



As we enter this next phase based on the 'HEARTS 360' framework, we do so with a sense of clarity and optimism, confident that the foundations laid today will enable us to deliver stronger outcomes and create lasting value in the years ahead.

A Launchpad for Transformation

As the healthcare landscape continues to evolve and the Group advances along its growth journey, it is evident that gradual improvements alone will not deliver the level of transformation required for the future. Building on the consolidation achieved during the year, we have embarked on a deliberate strategic reset, underpinned by a comprehensive five-year plan that defines our direction for the next phase of growth.

At the core of this strategy is our ambition to position The Lanka Hospitals as a leader in the next generation of healthcare delivery - one that extends beyond traditional curative care towards a more holistic model centred on wellness, prevention and continuity of care. Our aspirations also centre on pursuing international business, including medical tourism thereby positioning the Hospital as a preferred healthcare institution in the global landscape. To support this transformation, we are advancing a bold and integrated strategic agenda to 2030, the 'HEARTS 360' framework, which will guide the organisation as we seek to elevate standards, expand our capabilities and deliver sustainable, patient-centric value over the long term. The framework is built around six core pillars that focus on the areas most critical to our long-term relevance, patient care, clinical excellence, digital advancement, financial agility, people and culture and sustainability. The effective delivery of this strategic agenda is supported by a well-defined governance and execution framework, which includes Board oversight, departmental alignment and regular progress monitoring, ensuring consistent and continuity in implementation.

Mainstreaming Sustainability

Sustainability remains an integral part of our long-term strategic agenda, as we recognise the role we must play in creating a more sustainable and inclusive future for the communities we serve. During the year we formally adopted the SLFRS S1 and S2 Sustainability Disclosure Standards, putting in place the necessary processes and frameworks to support their implementation. We will progressively integrate these standards into our business operations and decision-making, ensuring that sustainability considerations are embedded in a structured and meaningful manner. In parallel, we are aligning our initiatives with the United Nations Sustainable Development Goals, recognising the important role we can play in advancing accessible and inclusive healthcare. We also remain committed to reducing our environmental footprint over time, through targeted initiatives focused on resource efficiency and responsible consumption, as we transition towards a more sustainable model of healthcare delivery.

Way Forward

Notwithstanding the short-term pressures arising from ongoing global geopolitical tensions, the medium to long-term outlook for the healthcare sector remains positive, supported by evolving demographics and the rising prevalence of non-communicable diseases. The Lanka Hospitals is well positioned to capitalise on these structural trends, supported by its strategic location, strong brand equity and integrated care offering.

The 'Most Awarded Healthcare Company in Sri Lanka' by LMD

Winner in the Healthcare Equipment and Services sector by LMD

Gold Award in the Healthcare Sector at the TAGS Awards 2025

We have already commenced initiatives to upgrade our infrastructure, including the refurbishment of patient areas and enhancement of overall facilities, alongside investments in new technologies to strengthen both clinical and operational capabilities. In parallel, we will focus on optimising our workforce and improving productivity, while continuing to drive performance across key financial metrics.

As we enter this next phase based on the 'HEARTS 360' framework, we do so with a sense of clarity and optimism, confident that the foundations laid today will enable us to deliver stronger outcomes and create lasting value in the years ahead.

Acknowledgements

As we look ahead to the year before us, I would like to extend my sincere appreciation to the Board of Directors for their guidance and steadfast support, and I look forward to working closely with you as we navigate the next phase of our journey. My thanks also go to the Executive Committee and all our employees, whose commitment and dedication continue to drive the Group's progress. I am equally grateful to the Government of Sri Lanka, our regulators including the Auditor General, our valued customers, our medical professionals and our broader network of industry stakeholders for the trust they place in us and the role they play in supporting everything we do.



Chaaminda Kumarasiri
Group Managing Director

31st March 2026





Care That Feels Like Home

For our youngest patients, healing begins the moment they step into an environment shaped around warmth and familiarity. Surrounded by colour, comfort, and gentle reassurance, each child is supported in a space that feels safe and uplifting, so that even in unfamiliar circumstances, there is still room for play, imagination, and a sense of belonging, allowing children to simply be children as they heal.



Value Creation Model GRI 2-6

The Hospital's value creation model as illustrated below provides a holistic view of how it draws upon diverse resources and stakeholder relationships (defined as six capitals) to deliver healthcare excellence. It showcases how these inputs are transformed through the Hospital's strategy, governance structures and operational activities and processes to create enduring value for patients, employees, partners and the wider community, while contributing to sustainable health outcomes over the short, medium and long term.



GOVERNANCE AND OVERSIGHT

Corporate governance, risk management, ethics and patient rights, regulatory and accreditation compliance, stakeholder and partnership management.

CLINICAL GOVERNANCE, QUALITY AND SERVICE

Structured oversight frameworks, continuous quality improvement, processes & evidence based protocols



Waste Generated

184 MT

Emissions

4,487 tco₂e

HOW WE ENHANCED VALUE

Social and Relationship Capital

Ongoing stakeholder engagement

- Productive and meaningful collaborations
- Ethical business conduct

Financial Capital

- Operational efficiencies
- Effective financial management
- Prudent capital allocation

Manufactured Capital

- Investments in advanced medical technology and equipment
- Capacity and network expansions

Human Capital

- Competitive and transparent remuneration
- Ongoing investment in skill development
- Conducive organisational culture

Intellectual Capital

Systems, data and processes to ensure continuous improvement in quality of care

Natural Capital

- #### Waste recycling initiatives
- Energy efficiency drives

OUTCOMES

- Strong patient outcomes that support growth
- Mutually beneficial partnerships with highly skilled medical professionals
- Contribution to national healthcare aspirations

- Profit After Tax of Rs. 1,944 Mn
- Dividend declared of Rs. 783 Mn

- Advanced and well-maintained equipment and facilities
- Island wide coverage of pharmacies and laboratory services

- Payments to employees of Rs. 3,802 Mn
- Employment turnover of 27%
- Investment in training of Rs. 9 Mn

- Patient-centric healthcare that is aligned to international standards

- Cost saving from efficient use of natural resources

Stakeholder Engagement GRI 2-29

Mutually-beneficial stakeholder relationships are vital in ensuring that our strategic decisions and interventions create value for both the organisation and its stakeholders, by effectively addressing their expectations and interests. Relationship owners of each stakeholder category are responsible for maintaining effective, frequent, and inclusive relationships which are aligned to the Group's strategic priorities. The stakeholder groups reported in this Chapter are those who are most likely to have an impact on our ability to create value and/or are affected by the Group's activities.

Approach to Stakeholder Engagement

The Group's approach to stakeholder engagement is graphically illustrated below and involves stakeholder mapping, formulating engagement strategy, conducting the engagement and creating action plans based on feedback. The Group adopts a decentralised model for stakeholder engagement, whereby individual departments are accountable for identifying and engaging with their respective stakeholder groups. Through this process, our principal stakeholder groups have been identified as shareholders, patients, employees, clinical teams, suppliers, regulators and the wider community.

➤ Stakeholder Mapping

Identifying stakeholders based on influence and impact



➤ Formulating Engagement Strategy

Define communication frequency and engagement methods



➤ Creating Action Plans

Develop actions based on feedback and next steps



➤ Conducting Engagement

Ensure inclusive and equitable stakeholder participation



Results of the Group's stakeholder engagement during the year are set out below;

Patients

Purpose of engagement: Providing patients with access to appropriate information and tools enables informed participation in care, thereby strengthening long-term relationships and supporting the sustainability of the Hospital's value proposition and growth objectives.



Engagement mechanisms

- Patient-centric care teams (continuous)
- Patient feedback surveys (continuous)
- Complaint resolution process (continuous)
- Digital platforms including email, website and social media (continuous)

How feedback is integrated to decision-making

Results from patient satisfaction surveys are assessed on a regular basis, with progress monitored against defined outcomes. These findings are a key input in formulating strategy and enhancing the Group's care proposition and service deliver.

Resources allocated in 2025

-  : Patient engagement teams
-  : Digital platforms

Stakeholder concerns identified

- Excellent care quality and safety
- Competent and compassionate healthcare professionals
- Affordable pricing and billing transparency
- Data privacy and protection of sensitive personal data
- Access to state-of-the-art clinical and medical technology

Our response

- Ensuring immediate responses to patient concerns/grievances
- Continued commitment to international patient care and quality accreditations
- Ongoing investment in latest technology and equipment
- Safeguarding patient health and safety through comprehensive review processes

Quality of relationship: Strong

85% patient satisfaction score

Shareholders

Purpose of engagement: Effective shareholder engagement supports alignment between the Company's strategy, performance and capital allocation priorities, reinforcing confidence and long-term shareholder value.

Engagement mechanisms

- Annual General Meeting (annual)
- Integrated Annual Report
- Announcements to the CSE (when required)
- Quarterly financial statement (quarterly)
- Digital platforms including website and social media (continuous)

How feedback is integrated to decision-making

Feedback is integrated into decision-making through formal governance channels, including shareholder representation at Board level and the consideration of feedback received at Annual General Meetings.

Resources allocated in 2025

-  : Governance mechanisms
-  : Engagement through communication and media platforms

Stakeholder concerns identified

- Returns commensurate with risk undertaken
- Commitment to ethics and compliance
- Corporate reputation
- Effective risk management
- Commitment to sustainable business

Our response

- Transparent and regular updates on the Group's financial and operational performance
- Commitment to sound corporate governance practices
- Established processes for identification and mitigation of risks
- Integration of sustainability across decision-making

Quality of relationship: Strong

Earnings per share Rs. 8.69

Stakeholder Engagement Contd.

Employees

Purpose of engagement: Employee engagement is a priority in achieving anticipated outcomes in employee performance, retention and motivation. Effective engagement also encourages innovation, continuous development and wellbeing, which translates to improved patient outcomes.

Engagement mechanisms	How feedback is integrated into decision-making
<ul style="list-style-type: none"> Employee satisfaction surveys (as required) Performance management procedures (annual) Training and development initiatives (continuous) Employee relations framework (continuous) Employee grievance mechanisms (continuous) Wellbeing programmes (as required) Strategy session updates (as required) 	<p>Employee feedback informs decision-making through employee contributions in strategy development sessions, which supports improvements in workforce policies, operational practices and organisational culture.</p>

Resources allocated in 2025

-  : Employee grievance mechanisms
-  : Investment in training, development and wellbeing

Stakeholder concerns identified	Our response
<ul style="list-style-type: none"> Attractive and equitable remuneration structures Credible, supportive leadership team Access to career and skill development Fair and transparent labour practices Mental and physical wellbeing Respectful, inclusive and enabling work culture 	<ul style="list-style-type: none"> Strategic focus on building a conducive, compassionate and safe work place Commitment to diversity and inclusion Offering competitive remuneration and performance-based incentives Continuous opportunities for training

Quality of relationship: Strong

Training hours per Employee 11.3hrs

Regulators

Purpose of engagement: Engagement with policymakers supports regulatory compliance, licence maintenance and effective collaboration on healthcare policy matters, while enabling the Hospital to contribute towards achieving the country's national health aspirations.

Engagement mechanisms	How feedback is integrated to decision-making
<ul style="list-style-type: none"> Direct engagement with regulatory bodies (continuous) Regulatory reporting (continuous) Participation in national health initiatives (as required) 	<p>Regulatory feedback is incorporated into decision-making through formal compliance reviews, management oversight processes and Board-level reporting, informing operational and strategic actions.</p>

Resources allocated in 2025

-  : Interventions of compliance teams

Stakeholder concerns identified	Our response
<ul style="list-style-type: none"> Compliance to all relevant regulatory requirements Fair and ethical business practices Transparency and integrity of communications Contribution towards national health agenda 	<ul style="list-style-type: none"> Stringent mechanisms in place to ensure compliance to regulations Transparent communications on all material developments Commitment to ethical and sustainable business

Suppliers

Purpose of engagement: Engagement with suppliers supports the reliable and ethical sourcing of goods and services, ensuring continuity of care, quality standards and value for money.

Engagement mechanisms

- Direct engagement through procurement teams (continuous)
- Supplier screening and onboarding (as required)
- Supplier due diligence (continuous)

How feedback is integrated to decision-making

Supplier feedback is considered through structured procurement and inform sourcing and operational decisions.

Resources allocated in 2025

 : Payments to suppliers

Stakeholder concerns identified

- Timely payment
- Ease of transactions
- Secure and consistent demand
- Ethical business practices

Our response

- Supplier selection based on clear and transparent criteria
- Conflict of interest declaration to prevent potential misconducts
- Supplier development programmes when required

Community

Purpose of engagement: The Hospital is committed to supporting inclusive healthcare outcomes by engaging with government and community stakeholders to improve access to quality health services while safeguarding its social licence to operate.


Engagement mechanisms

- Community engagement programmes (continuous)
- Digital platforms such as website and social media (continuous)
- Press releases (as required)

How feedback is integrated to decision-making

Feedback from communities is integrated into decision-making through structured engagement initiatives, stakeholder consultations and management reviews.

Resources allocated in 2025

 : Investment in CSR activities

Stakeholder concerns identified

- Affordable and accessible healthcare services
- Responsible business practices including environmental preservation
- Meaningful and impactful CSR interventions

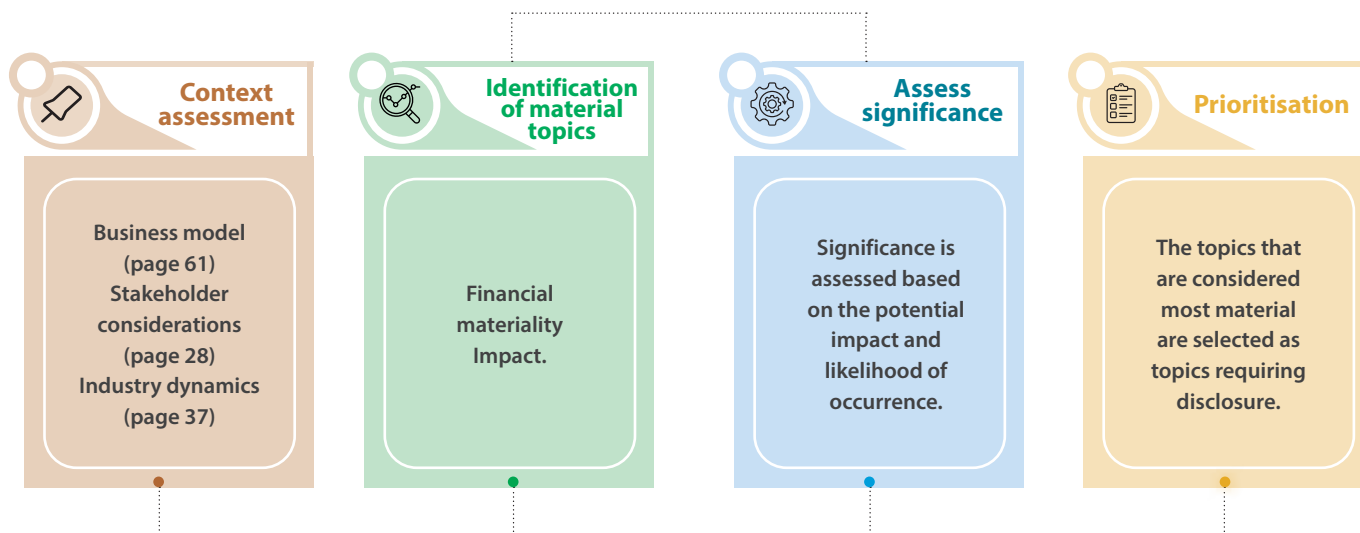
Our response

- Initiatives to raise health awareness in wider community
- Environmental and social considerations integrated across decision-making

Materiality

GRI 3-1, 3-2, 3-3

The Group’s material matters are the issues that are most likely to impact our ability to create value in the short, medium and long-term. Our approach to determining material topics is grounded in a structured assessment of both financial materiality and impact materiality, reflecting the evolving expectations of stakeholders and the broader operating context in which we function. This double materiality lens considers risks and opportunities in the operating landscape, stakeholder considerations, business model and strategy and significant environmental, social and governance impacts. The process adopted for determining materiality is set out below:



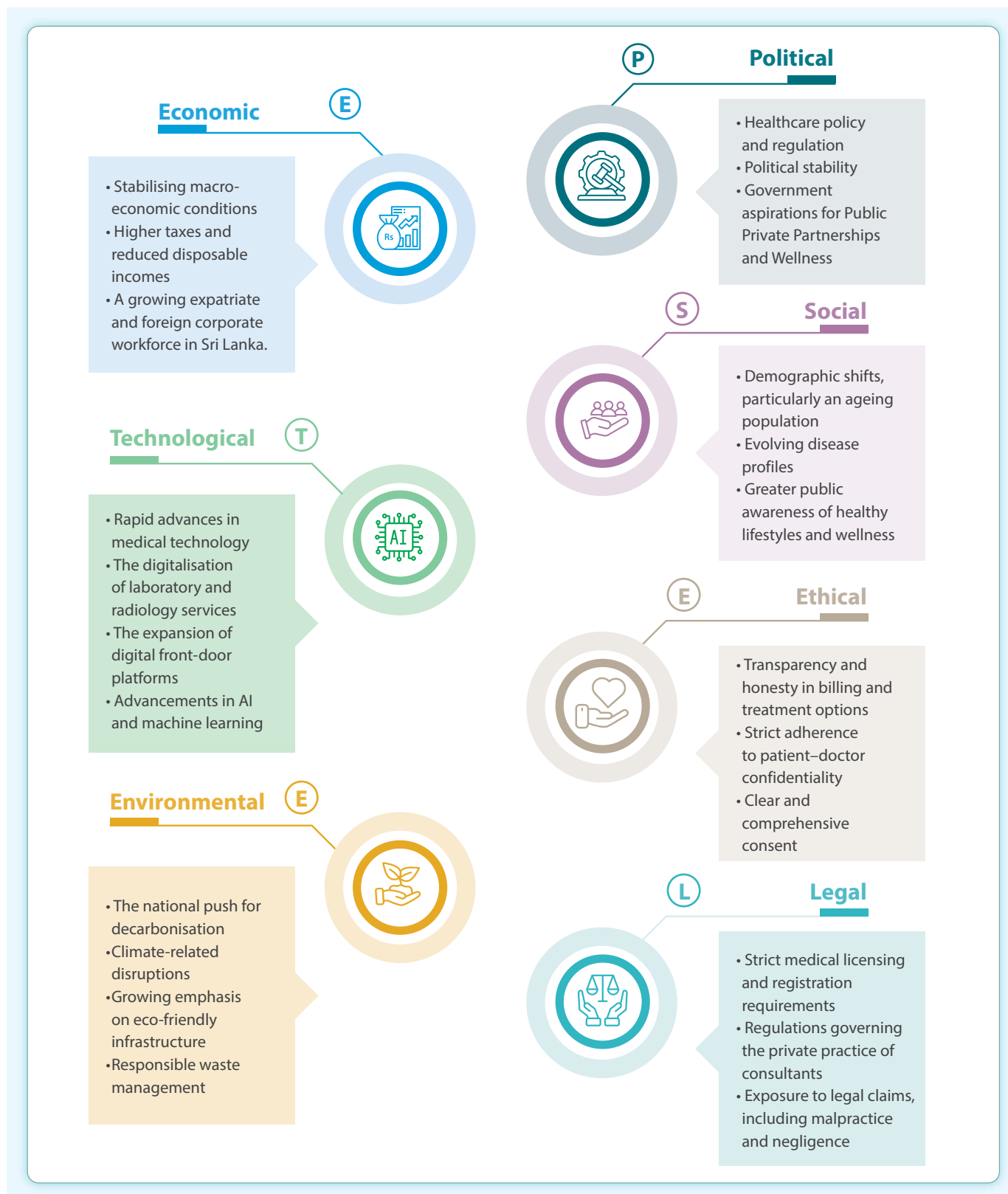
Material topic and why it is material	Boundary	Connectivity to GRI/SASB topic and page ref.
<p>1. Quality of care and patient satisfaction Directly influences clinical outcomes, patient safety and reputation while also shaping regulatory compliance.</p>	Applicable across all services offered by the Hospital and its diagnostics and pharmacy arms	GRI 416 SASB: HC-DY-250a,2,3,6 Page 40
<p>2. Occupational health and safety Occupational health and safety underpin the wellbeing and productivity of healthcare professionals, directly affecting the patient experience.</p>	Applicable across all operations and employees in the Hospital and its diagnostics and pharmacy arms	GRI 403 SASB: HC-DY-320a.1 Page 41
<p>3. Infrastructure development Enables the delivery of safe, efficient and high-quality healthcare through adequate capacity which supports clinical effectiveness.</p>	Applicable to the Hospital and its diagnostics and pharmacy arms	Page 39
<p>4. Clinical governance Effective clinical governance safeguards patient safety, ensuring ethical care, and sustaining trust among patients, regulators and the wider health system.</p>	Applicable across all operations in the Hospital and its diagnostics and pharmacy arms	Page 40
<p>5. Employee recruitment, development and retention A skilled, motivated and adequately resourced workforce is fundamental to delivering safe, high-quality patient care.</p>	Applicable across all operations and employees in the Hospital and its diagnostics and pharmacy arms	GRI 401, GRI 402, GRI 404, GRI 405, GRI 407, GRI 408, GRI 409 SASB: HC-DY-330a.1,2 Page 41

Material topic and why it is material	Boundary	Connectivity to GRI/SASB topic and page ref.
6. Technology integration Enhances clinical accuracy, operational efficiency and patient safety through digital health systems, advanced diagnostics and data-driven decision-making.	Applicable across all operations in the Hospital and its diagnostics and pharmacy arms	Page 40
7. Operational efficiency Operational efficiency is material to a hospital as it directly impacts the timely delivery of care, optimal use of clinical and financial resources, cost containment and service quality.	Applicable across all operations in the Hospital and its diagnostics and pharmacy arms	Page 39
8. Energy management Underpins the reliability of critical clinical operations, cost efficiency and environmental responsibility, while ensuring uninterrupted patient care.	Applicable across all operations in the Hospital and its diagnostics and pharmacy arms	SASB: HC-DY-130a.1 GRI 302, GRI 303, GRI 306 Page 41
9. Patient privacy and electronic health records The protection of sensitive health information is fundamental to patient trust, ethical care delivery and legal compliance.	Applicable across all operations in the Hospital and its diagnostics and pharmacy arms	GRI 417, GRI 418 SASB: HC-DY-230a.2,3,4 Page 40
10. Climate change impacts on human health and infrastructure Escalating climate-related risks intensify disease burdens, disrupt critical facilities and supply chains, and increase operational vulnerabilities.	Applicable across all operations in the Hospital and its diagnostics and pharmacy arms	SASB: HC-DY-450a.1 GRI 305 Page 41
11. Community engagement Strong relationships with the communities we serve enhance access to care, while fostering trust and preserving the social licence to operate.	Applicable across all operations in the Hospital and its diagnostics and pharmacy arms	GRI 413 Page 41



Operating Environment

The Group's operating landscape is shaped by both external and internal influences which represent both traditional and emerging risks. The PESTEEL analysis below illustrates the external factors shaping the Group's operating environment during the year. These developments are monitored on an ongoing basis and serve as a critical input in to strategy formulation, ensuring that decision-making is grounded in an understanding of our operating realities.

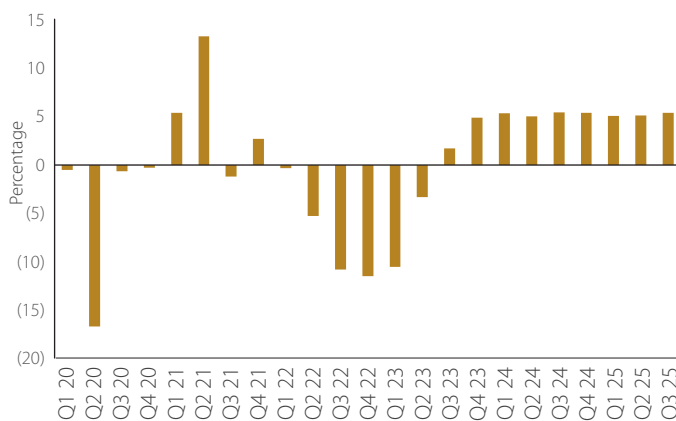


Political

- Healthcare policy and regulation:** The Ministry of Health and the Private Health Service Regulatory Council (PHSRC) regulate private providers through licensing, diagnostic and quality-assurance frameworks that shape operational expectations across the sector. Meanwhile, national policy priorities around universal health coverage, preventive care and NCD management influence how private institutions align their service offerings with broader system needs.
- Political stability:** While challenges remain and reforms continue to demand resolve, Sri Lanka has begun to achieve a measure of relative political stability. This has enabled a shift from crisis management towards medium term planning, strengthening the conditions necessary for fiscal consolidation, structural reform and sustainable growth
- Government aspirations for Public Private Partnerships and Wellness:** The Government's focus on expanding PPPs and positioning Sri Lanka as a wellness and medical tourism destination creates strategic opportunities for private providers to invest in specialised, internationally aligned services.

Economic

GDP Growth (%)



Source: Central Bank of Sri Lanka

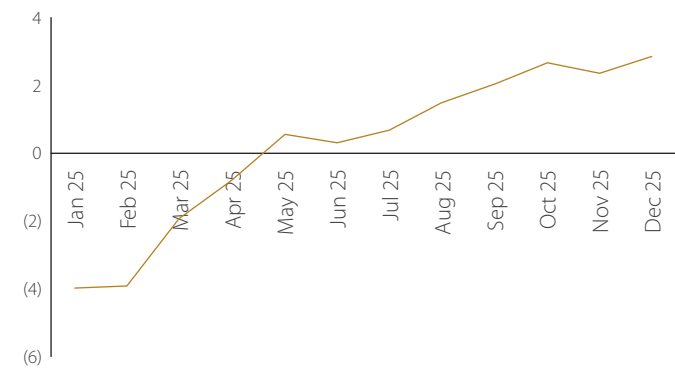
GDP Growth: Sri Lanka's economy showed clear signs of entering a cyclical recovery phase, underpinned by improved policy stability and a gradual restoration of investor and consumer confidence. The country's GDP grew by 5% in the first nine months year, supported by broad-based growth across all sectors of the economy, namely industrial (+8%), services (+3.4%) and agriculture (1.6%) sectors. Macroeconomic growth was supported by the expansion in domestic credit supply, increased tourist arrivals as well as lower-cost imports of intermediate goods which supported the country's manufacturing and construction activities. Meanwhile, per capita income (in USD terms) increased by 9% to USD 5,006 during 2025, signalling sustained economic recovery.

Interest rates: In 2025, the Central Bank of Sri Lanka's (CBSL) monetary policy was designed to achieve a balance between supporting economic recovery and steering inflation toward its statutory target of 5 per cent, resulting in the Overnight Policy Rate (OPR) being maintained at 7.75

per cent through successive policy reviews. This stance reflected modest inflationary pressures, strengthening domestic demand and the continued growth momentum in the economy, underpinned by broad-based private sector credit expansion and macroeconomic stabilisation efforts. Looking ahead into 2026, the CBSL's policy agenda suggests a steady interest rate environment, with the potential for adjustments only if inflation deviates significantly from the path toward the 5% target by mid-year.

Inflation: Meanwhile, the country's inflation environment transitioned from a prolonged phase of deflation experienced earlier in the year to a sustained period of modest positive inflation. Headline inflation, as measured by the Colombo Consumer Price Index (CCPI), returned to positive territory by mid-year and reached approximately 2.1 per cent by December 2025, reflecting the normalisation of price pressures across key categories such as food and non-food items. Similarly, inflation based on the National Consumer Price Index (NCPI) climbed to around 2.4 per cent in November 2025, with core inflation trends supporting broader price stability. Meanwhile, the Health sub-index of the NCPI appreciated by 5.4% during the year, indicating an increase in healthcare sector price levels.

Trends in inflation (Y-O-Y change %)



Source: Central Bank of Sri Lanka

External Sector: The Sri Lankan rupee experienced moderate depreciation against the US dollar during the year under a flexible exchange rate regime averaging around USD/LKR 300 for the year. External sector performance was upheld by robust export performance, stronger worker remittances and a series of current account surpluses for much of the year. Gross official reserves also strengthened during the year, remaining in the range of US\$6.0–6.8 Bn, and providing import cover equivalent to roughly 3.3 months of goods imports by November.

Fiscal position: In 2025, Sri Lanka's government finances showed notable signs of fiscal consolidation, marked by a significant reduction in the budget deficit and improved revenue performance. Tax revenues expanded sharply, with collections rising materially throughout the year, contributing to a narrowing of the overall budget deficit supported by disciplined expenditure management and stronger revenue inflows. Meanwhile, government debt as a share of GDP continued to adjust from elevated post-crisis levels, with public indebtedness trending toward the high-90s per cent of GDP by late 2025. These developments reflect ongoing fiscal discipline amid broader macroeconomic stabilisation efforts.

Operating Environment Contd.

Social

- **A widening middle class:** Contributing to rising expectations of service quality, convenience and access within the private healthcare sector.
- **Demographic shifts, particularly an ageing population:** Driving increased demand for chronic care, specialised services and long-term clinical support.
- **Evolving disease profiles:** The rise of chronic childhood conditions and higher cancer incidence are reshaping service needs and expanding demand for advanced diagnostics and specialised treatment.
- **Greater public awareness of healthy lifestyles and wellness:** Accelerating interest in preventive care, health screening and integrated wellbeing services.

Technological

- **Rapid advances in medical technology:** Expanding the range of specialised procedures and enhancing clinical precision across private healthcare.
- **The digitalisation of laboratory and radiology services:** Improving turnaround times, accuracy and integration across diagnostic workflows.
- **The expansion of digital front-door platforms:** Transforming patient interactions through telemedicine, WhatsApp-based patient support and chatbot triage.
- **Advancements in AI and machine learning:** Strengthening diagnostic capabilities, particularly in imaging, pattern recognition and predictive analytics.
- **Rising risks associated with social media:** Misinformation and reputational exposure, require stronger digital governance and communication controls.

Ethical

- **Transparency and honesty in billing and treatment options:** Essential to upholding patient trust and supporting informed decision-making.
- **Strict adherence to patient–doctor confidentiality:** Reinforcing professional integrity and safeguards sensitive health information.
- **Clear and comprehensive consent processes:** Ensuring patients understand the nature, risks and implications of proposed treatments, strengthening ethical standards of care.
- **Ensuring fair access to care for low-income families:** An ethical consideration within a predominantly fee-based private healthcare model.

Environmental

- **The national push for decarbonisation:** Encouraging hospitals to adopt energy-efficient technologies.
- **Climate-related disruptions:** Extreme weather events (such as cyclone Ditwah) and supply-chain interruptions are increasingly affecting service continuity and operational resilience in private healthcare.
- **Growing emphasis on eco-friendly infrastructure:** Green building design and energy-efficient facilities, supports long-term sustainability and reduces operating costs.
- **Responsible waste management:** Particularly for clinical and laboratory waste, remains a critical expectation, requiring robust systems to ensure environmental safety and regulatory compliance.

Legal

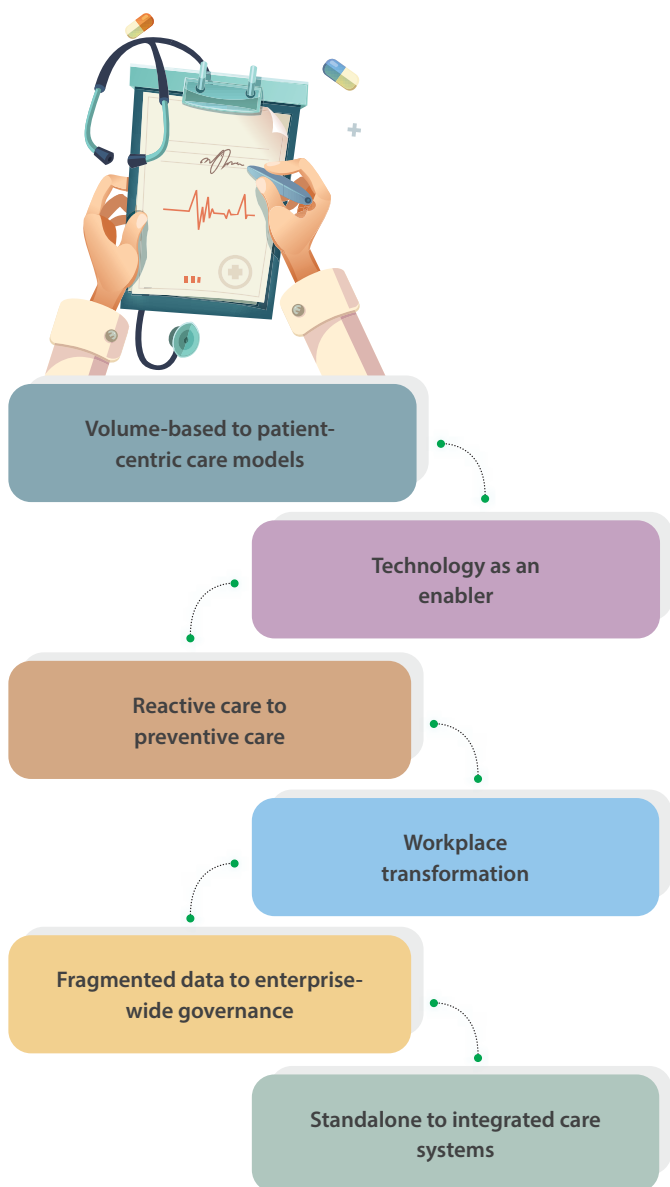
- **Strict medical licensing and registration requirements.**
- **Legal obligations relating to data protection and patient rights:** This requires hospitals to implement robust systems for safeguarding personal health information.
- **Regulations governing the private practice of consultants:** Implications on availability, scheduling and the structuring of specialist services.
- **Exposure to legal claims, including malpractice and negligence:** Underscores the need for strong clinical governance and comprehensive risk-management frameworks.



Future of Healthcare


The global healthcare landscape is undergoing a profound transformation driven by shifts in patient expectations, technology, data maturity, workforce evolution and a renewed emphasis on health outcomes. While traditional healthcare models centred on reactive, volume-driven care, global operators are now transitioning to systems that prioritise value, prevention and personalised experiences, supported by data and digitalisation. For healthcare providers, including those operating in emerging markets such as Sri Lanka, these shifts present both opportunity and imperative: to enhance quality, leverage technology and to deliver sustainable, patient-centred care in the face of escalating competition rising costs and evolving stakeholder expectations. This chapter outlines the key thematic shifts reshaping healthcare delivery globally, highlighting the transition in care models, data practices, technology adoption and workforce dynamics.

Thematic shifts in healthcare delivery




Volume-based to patient-centric care


Healthcare systems around the world are progressively adopting value-based care models, where success is measured not by the volume of services delivered but by outcomes that reflect improved health, safety, patient experience and cost effectiveness. Recent global analyses indicate that healthcare systems embracing these models are better positioned to control costs while improving quality, with some value-based arrangements reporting up to 15-20% reductions in avoidable hospitalisations and improvements in chronic disease control, compared to traditional payment models. This shift demands robust care coordination, shared accountability and outcome measurement frameworks in healthcare delivery. For providers in Sri Lanka, the move toward value-orientation signals a future where patient outcomes and experience are core strategic priorities, shaping service design and investment decisions.

- 

➤ **Early Risk Assessments**

 - Risk identification
 - Early diagnosis
- 

➤ **Lifestyle Intervention Programmes**

 - Nutrition guidance
 - Fitness & activity plans
- 

➤ **Population Health Analytics**

 - Data-driven insights
 - Trend monitoring

Reactive care to preventive care

Traditionally, much of healthcare investment and capacity has been allocated to reactive treatment after the onset of disease. However, a growing body of evidence shows that preventive and proactive care improves health indicators while also reducing long-term system costs. For example, lifestyle factors such as diet and inactivity are linked to an estimated 75% of global healthcare costs associated with noncommunicable diseases, highlighting the significant impact of prevention-oriented policies. This shift to preventive care requires new competencies, partnerships with community organisations, and the application of predictive analytics to identify and intervene before acute demand escalates.

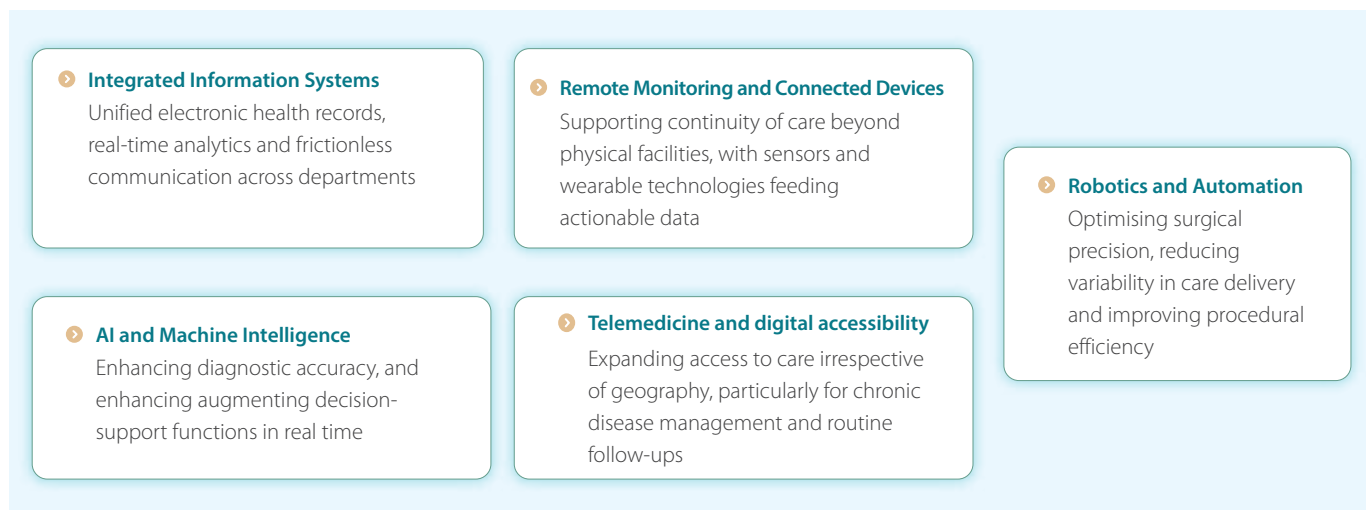
Fragmented data to enterprise-wide governance

One of the most consequential enablers in healthcare transformation is data - and specifically, the governance of that data across the enterprise. In many systems, clinical, administrative and operational data exists in silos, limiting insight, slowing decision-making and impeding integrated care delivery. The future of healthcare will be driven on robust data governance frameworks that ensure interoperability, security, quality and ethical use of information. Enterprise-wide data governance supports comprehensive patient records, real-time analytics, performance benchmarking and informed leadership decision-making.

Future of Healthcare Contd.

Technology as an enabler

Technology and digital platforms are redefining the contours of health systems globally, enabling higher precision, broader access and more responsive care pathways. Key advancements shaping the future include:



Workforce Transformation: Talent, Retention and Reinvention

The future of healthcare is inextricably linked to its people. A highly skilled, motivated and adaptable workforce is essential to realise the potential of new models of care. At the same time, health systems worldwide are grappling with workforce shortages, attrition and evolving expectations of clinicians and allied health professionals. This transformation requires a leadership commitment to learning cultures, career mobility and workforce planning that anticipates future needs rather than reacting to current shortages. To address this, future-oriented organisations are investing in:

- Continuous professional development and digital literacy
- Employee wellbeing, engagement and retention strategies
- Role, redesign and skill reinvention

From Standalone Institutions to Integrated Care Ecosystems

Healthcare is shifting away from hospitals operating as isolated providers toward integrated ecosystems of care that span prevention, diagnosis, treatment, rehabilitation and long-term management. In this model, hospitals collaborate more closely with primary care providers, diagnostic partners, insurers, technology firms, public health agencies and community organisations to deliver coordinated, end-to-end care. For hospitals, success increasingly depends on their ability to function as a connected hub within a broader healthcare network rather than as a standalone centre of care.

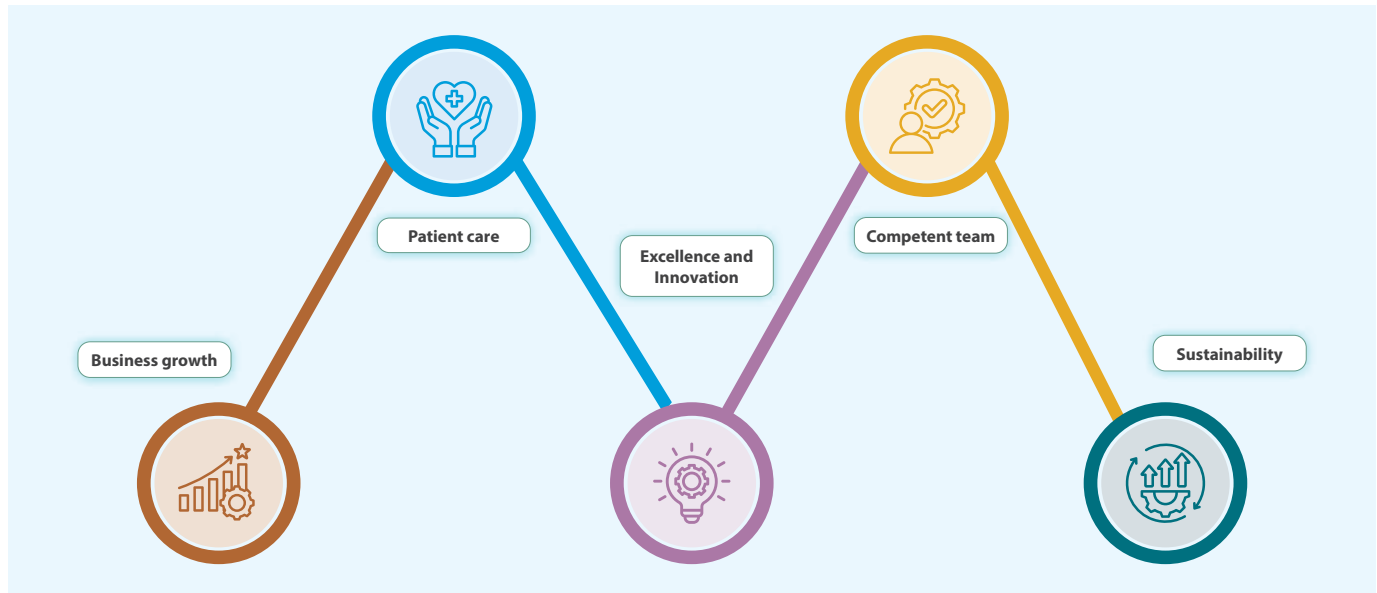
Implications on LHC

The structural shifts reshaping global healthcare have direct and material implications for The Lanka Hospitals’ strategic direction, reinforcing the need for a balanced approach that combines clinical excellence with adaptability and innovation.

Trend	Alignment with LHC Strategy
From Volume-Based to Patient-Centric, Value-Based Care	Strategic emphasis on strengthening clinical governance, patient-centricity, specialised services and outcome-focused care pathways, ensuring patient safety, quality and experience.
Reactive Treatment to Preventive and Proactive Care	Growing emphasis on diagnostics, screening and preventive health services, leveraging clinical expertise and advanced diagnostics to support early intervention and long-term patient wellbeing.
Fragmented Data to Enterprise-Wide Data Governance	Strengthening enterprise-wide data governance and digital systems to enable integrated clinical records and data-driven decision-making.
Technology as a Core Enabler	Strategic investments in advanced medical technology, digital platforms and future-ready solutions are supporting improved clinical outcomes.
Workforce Transformation and Talent Reinvention	The Hospital prioritises workforce development, engagement and retention through structured performance management, continuous learning and leadership development.
From Standalone Providers to Integrated Care Ecosystems	LHC continues to build partnerships locally and internationally, strengthening clinical capability, expanding specialised services and enhancing continuity of care.

Strategy and Resource Allocation

The Group's strategic agenda for 2025 was consistent with our priorities for 2024 as we set the groundwork for transitioning to the next phase of growth. We are now well-placed to drive our ambitions towards evolving into a next-generation healthcare institution that places customer-centricity, wellness and prevention at the core of our value proposition. The Group's strategic agenda for the year is graphically illustrated below and described in further detail.



Progress delivered against the strategic priorities in 2025 are summarised below:

Priority 1: Business growth

Strategic actions in 2025

- Strategic focus on expanding international business
- Revenue diversification through pursuing growth in new specialities
- Integrated marketing campaigns combining traditional media with digital platforms
- Integrated with the Government's LankaPay platform, providing a single, secure platform for customer payments

Key outcomes

- Revenue growth of 6% to Rs. 14.4 Bn
- PBT growth of 49% to Rs. 2.8 Bn
- 2% increase in outpatients and 5% increase in inpatients respectively

Strategic trade-offs

Financial capital reallocated towards infrastructure expansion moderating short-term returns in favour of long-term growth. Manufactured capital enhanced through new facilities and equipment, increasing fixed costs while strengthening service capacity.

Connectivity of strategy

Capital allocation

- Capital expenditure: Rs. 771 Mn
- Recruits: 649

Material matters

- Infrastructure development
- Operational efficiency

Key risks

- Competition
- Macroeconomic risk
- Regulatory risk

Way forward for 2026

- Regional expansion of medical and laboratory services
- Drive increased contributions from premium, value-added services
- Enhance brand visibility through strategic marketing and branding campaigns

Strategy and Resource Allocation Contd.

Priority 2: Patient care

Strategic actions in 2025

- Emphasis on patient-centered care, ensuring active patient participation in care planning and decision-making
- Strengthened patient feedback mechanisms with insights embedded into clinical governance and decision-making processes
- Enhanced the Hospital's value-added, premium offerings

Key outcomes


- 85% patient satisfaction score (2024: 82%)
- Infection control parameters below international average

Strategic trade-offs

Social and relationship capital preserved by maintaining care quality, patient access and trust during periods of transition. Long-term value creation prioritised over immediate cost optimisation, reinforcing sustainable improvements in clinical excellence and service delivery.

Connectivity of strategy

Capital allocation

 : Investment in patient care related training
Rs. 2.2 Mn

Material matters

Quality of care and patient satisfaction
Clinical governance
Patient privacy
Electronic health records

Key risks

Competition
Patient safety
Reputation risk
Infection control
Regulatory risk

Way forward for 2026

- Develop measurable patient-experience indicators for each touchpoint of the care journey
- Connected care delivery including telemedicine, virtual consultations and remote patient monitoring

Priority 3: Excellence & Innovation

Strategic actions in 2025

- Strengthened clinical governance through enhancing capabilities and process improvements
- Launched of dedicated trauma care service (LankaLifeLine) and home care service specialising in elderly and mobility support (LankaCare)
- Maintained compliance to local and international certifications
- Ongoing investments in best-in-class medical and clinical technology

Key outcomes



- 35% increase in cardiac surgeries
- 13% increase in laboratory revenue

Strategic trade-offs

Investment in innovation requires sustained capital allocation into advanced technologies and research-driven clinical practices, with benefits realised over a longer time horizon.

Connectivity of strategy

Capital allocation

 : Infrastructure and technology
 : Rs. 25.9 Mn investments in technology

Material matters

Infrastructure development
Technology integration

Key risks

Technology and cybersecurity risk

Way forward for 2026

- Evolve from traditional care to patient-centered, preventive care
- Establish a dedicated robotic surgery unit
- Strengthen clinical risk assessment frameworks
- Initiate laboratory automation

Priority 4: Competent team

Strategic actions in 2025

- Strengthening the Group's Human Resource Information System, thereby streamlining key HR processes
- Ongoing investments in employee training and development
- Numerous engagement initiatives, including a year-round event calendar

Key outcomes

- 73% employee retention rate
- 11.3 hours average training hours per employee

Strategic trade-offs

Ongoing investments in training and development increased short-term operating expenditure but over the long-term it can enhance capability, productivity and leadership depth.

Connectivity of strategy

Capital allocation

- : Rs. 9.6 Mn investment in training
- : Rs. 3,801 Mn total payments to employees

Material matters

- Occupational health and safety
- Employee recruitment, development and retention

Key risks

- Availability and quality of skills

Way forward for 2026

- Strengthening leadership capacity through development interventions
- Nurturing a performance-driven culture which rewards excellence
- Enhancing employee engagement
- Achieving HR operational excellence through process optimisation

Priority 5: Sustainability

Strategic actions in 2025

- Strengthened sustainability governance and risk management through establishing governance, reporting and monitoring mechanisms
- Ongoing investment in corporate philanthropy and community engagement initiatives
- Investments in numerous health awareness programmes

Key outcomes

- 9% reduction in emission intensity

Strategic trade-offs

Investment in community engagement involves the allocation of financial resources with limited immediate financial returns, balanced against long-term social capital, stakeholder trust and reputational strength.

Connectivity of strategy

Capital allocation

- : Relationships across communities in which we operate
- : Rs. 10.7 Mn investment in CSR

Material matters

- Energy management
- Climate change impacts on human health and infrastructure
- Community engagement

Key risks

- Climate change impacts on human health and infrastructure
- Regulatory risk

Way forward for 2026

- Strengthen staff engagement and awareness on sustainability
- Enhance energy efficiency of operations through investments in energy-efficient equipment
- Enhance credibility and transparency of sustainability disclosures

Lanka Hospitals Wins Three Consecutive Golds at TAGS Awards



TAGS Awards 2025



TAGS Awards
2023



TAGS Awards
2024

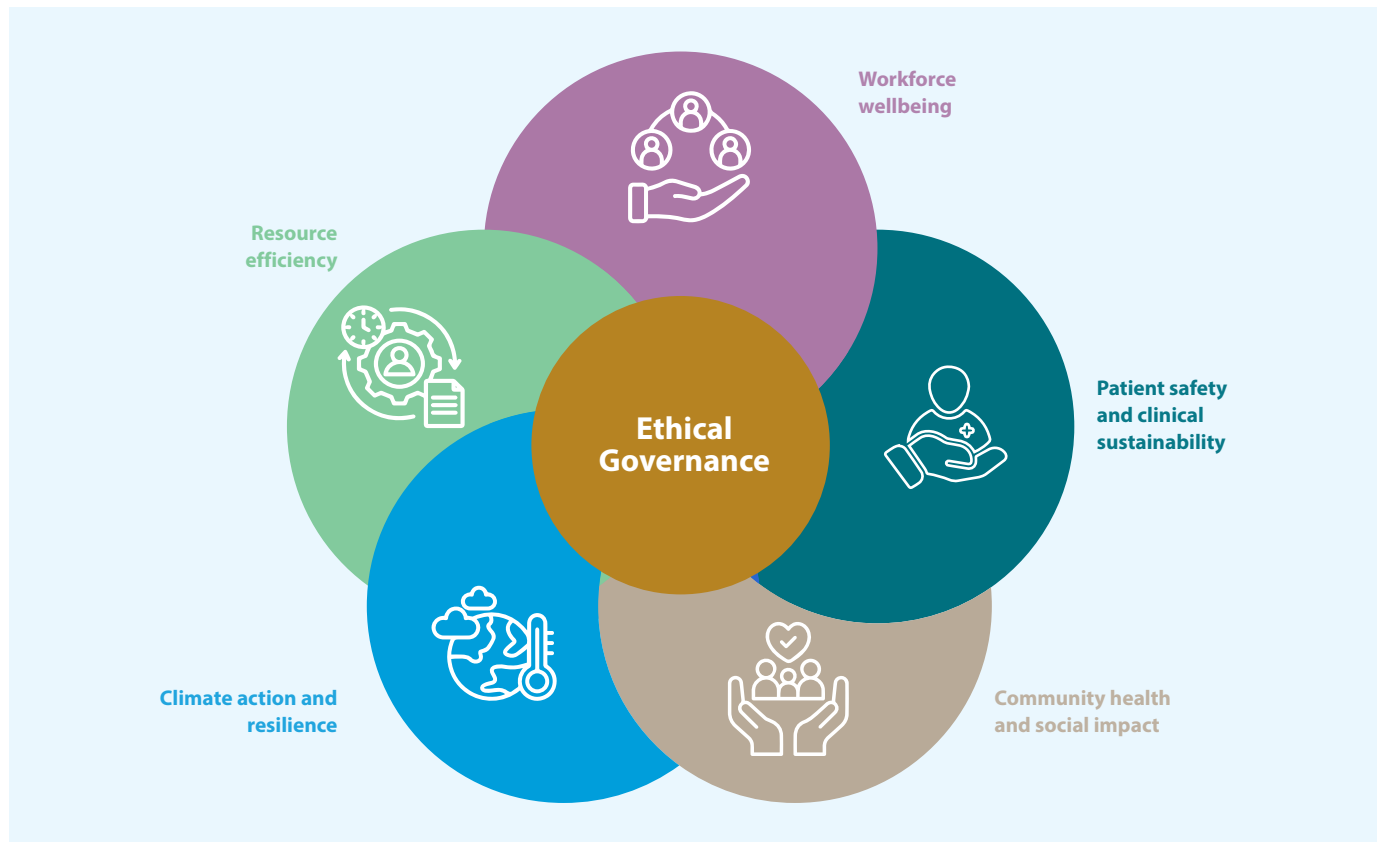


TAGS Awards
2025

Sustainability Integration

While sustainability has long been embedded within the Group's ethos and operational philosophy, we are now taking deliberate steps to systematically integrate sustainability into our core business and decision-making. In alignment with the requirements of SLFRS S1 and S2, we have established the necessary governance structures and internal controls which will serve as the foundation upon which sustainability considerations will be integrated into the business (refer to page 45 for further information).

The Group's sustainability agenda is centered on the following material areas of focus:



Resource efficiency: This priority will centre on optimising the use of energy, water and materials to deliver quality care with minimal environmental impact. This includes enhancing energy and water efficiency, ensuring safe and compliant waste management and promoting responsible resource use across clinical and operational processes to support long-term sustainability.

Climate action and resilience: This involves a dual focus on reducing the sector's environmental footprint while strengthening its capacity to withstand climate-related disruptions. This includes initiatives to lower greenhouse gas emissions through energy efficiency and cleaner energy sources, alongside building resilient infrastructure, systems and supply chains that ensure continuity of care in the face of extreme weather events and evolving climate risks.

Workforce wellbeing: This entails fostering a safe and supportive work environment, investing in continuous training and development and promoting physical and mental health, particularly in high-pressure clinical settings.

Patient safety and clinical sustainability: This involves upholding rigorous clinical standards, strengthening infection prevention and control protocols and ensuring the safe, effective use of medical technologies and treatments.

Community health and social impact: This priority reflects our commitment to advancing inclusive healthcare by extending quality, affordable services to all segments of society. This includes strengthening access to care for underserved communities, promoting preventive health and awareness initiatives, and fostering partnerships that address broader public health challenges.

Ethical governance: Underpinning these priorities is a strong foundation of ethical governance, which guides the organisation's commitment to integrity, accountability and transparency. This encompasses robust oversight structures, adherence to regulatory requirements, ethical clinical and operational practices, and responsible decision-making across all levels.

SLFRS S1 & S2 Disclosures

Overview

Introduction

This Chapter presents LHC's sustainability-related financial disclosures, prepared in accordance with the SLFRS S1 and S2 Sustainability Disclosure Standards. As outlined in the previous Annual Report, the Group has established a structured roadmap to facilitate a seamless transition to these new Standards, which become mandatory in 2025. During the year, LHC continued to strengthen its internal processes, governance mechanisms and control systems to ensure full compliance and readiness for adoption.

As a first-time adopter of the new Standards, the Group has availed itself of transition reliefs permitted in accordance with the guidance issued by the Institute of Chartered Accountants of Sri Lanka, thereby phasing in selected requirements and disclosures. The relief adopted in this year's disclosures include the following:

- **Comparative information:** Application of the transition relief permitting omission of comparative sustainability-related disclosures for the first year of adoption.
- **Anticipated financial effects:** Application of relief in disclosing the quantitative financial effects of material SRROs and CRROs.
- **Climate resilience:** Deferral of detailed climate-resilience disclosures, including scenario analysis.
- **Scope 3 GHG emissions:** Application of relief in disclosing Scope 3 GHG emissions.

Time Horizons

Short-term: Less than 1 year

Medium-term: 1-5 years

Long-term: Above 5 years

These definitions are aligned with the organisation's time horizons for strategic decision making.

Connected Information

Financial Statements

Operational Reviews

Capital Management

Scope and Boundary of Reporting

The sustainability-related financial disclosures presented herein cover the operations of The Lanka Hospitals Corporation PLC and its subsidiaries (collectively referred to as "the Group"). The reporting boundary and presentation currency for these disclosures are consistent with that of the Group's Audited Financial Statements. The reporting period corresponds to the financial year ended 31 December 2025, with relevant post-balance sheet events considered up to the date of Board approval.

Reporting methodology

The data and assumptions used in preparing the sustainability-related financial disclosures are consistent with the data and assumptions used in preparing the related financial statements under the Sri Lanka Financial Reporting Standards. In identifying the disclosure requirements under SLFRS S1 Sustainability Disclosure Standards, the Group has applied the disclosure topics and metrics of the Health Care Delivery Standard of SASB.

Definition of materiality

Sustainability-related financial disclosures are considered material if omitting this information could reasonably be expected to influence decisions of primary users of financial reports. This threshold is defined as 5% of PBT.

Significant judgements

The Group has made the following judgements considering its operational context, stakeholder expectations, availability of data and materiality to investors in the process of preparing its sustainability-related financial disclosures;

- Judgement was exercised in determining the most material SRROs to the Group as (1) quality of care and patient satisfaction (2) climate change impacts on human health and infrastructure (3) employee recruitment, development and retention.
- Judgement was applied in defining the boundary of reporting to include hospital facilities and pharmacy and laboratory centres within the Group's operational control.
- Judgement was applied in selecting the appropriate guidance to measure and disclose Scope 1, 2, and 3 greenhouse gas emissions.

Measurement uncertainty

Measurement uncertainty in selected sustainability-related metrics arises primarily from limitations in data availability and timing. While The Lanka Hospitals Corporation PLC maintains structured processes for capturing operational and environmental data, indicators such as energy use across shared clinical areas, waste volumes from high-acuity units, or emissions linked to patient activity may be influenced by variability in clinical caseloads and treatment complexity. These dynamics can lead to minor estimation requirements, particularly where manual logs, aggregated departmental data or industry-standard conversion factors are used. The Lanka Hospitals Corporation PLC mitigates these uncertainties through regular calibration of equipment, cross-functional validation of data and reconciliation procedures overseen by the Board Sustainability and ESG Committee.

Governance

In preparation for the adoption of the SLFRS Sustainability Disclosure Standards, the Group enhanced its governance framework and strengthened processes in 2025 to ensure comprehensive oversight of sustainability-related matters, including SRROs and CRROs. The governance mechanisms ensure that the Board maintains clear line-of-sight over the Group's overall sustainability agenda and its alignment with long-term value creation objectives.

Oversight structure

A Board-level Sustainability Committee was established in 2025 comprising 02 Independent Non-Executive Directors and 01 Non-Independent Executive Director with the objective of providing strategic direction and oversight of the Group's sustainability agenda. The Committee serves as the focal point for the Board's oversight of SRROs and CRROs, ensuring that the Group's practices remain aligned with regulatory expectations, stakeholder priorities and reporting standards such as the SLFRS Sustainability Disclosure Standards. Through periodic reporting, the Committee provides the Board with clear visibility into progress, performance and key challenges relating to the Group's sustainability objectives.

SLFRS S1 & S2 Disclosures Contd.

Sustainability Governance Structure



Board Sustainability and ESG Committee

The Terms of Reference of the Board Sustainability and ESG Committee are set out below;

- Formulate, review and recommend for Board approval the Group’s ESG and sustainability policy framework, including principles, commitments and strategic priorities.
- Oversee the integration of ESG considerations into corporate strategy, capital allocation and financial planning and operational planning across all business sectors.
- Review and monitor the identification, assessment, prioritisation and management of SRROs and CRROs.
- Review Group-level sustainability targets, performance metrics and progress against established objectives.
- Evaluate emerging ESG trends, regulatory developments and stakeholder expectations relevant to the Group’s operating environment and assess potential impacts.
- Ensure alignment of the Group’s sustainability initiatives with national and international frameworks, including the UN Sustainable Development Goals and applicable industry standards.
- Oversee external assurance processes on sustainability and ESG disclosures, including the integrity of underlying data and systems.
- Report to the full Board on key ESG matters, providing recommendations for action where required.

Board Sustainability and ESG Committee convenes on a quarterly basis; SRROs are presented to the Committee by the Senior Manager Risk and Process Management, using a standardised SRRO reporting template that outlines the prioritised risks and opportunities, their potential financial and operational impacts, and the corresponding mitigation or response strategies.

The **Management-Level Sustainability Committee** is responsible for acting on the Board Sustainability and ESG Committee agenda and comprises the Group Managing Director-Chairman, Group Director Medical Services, Head of Laboratories, Group Chief Financial Officer, Group Chief Marketing Officer, Group Chief Information Officer, Group Chief Human Resources Officer, Senior Manager-Finance, Senior Manager-Legal and Compliance and Senior Manager-Risk and Process Management (Temporary Basis).

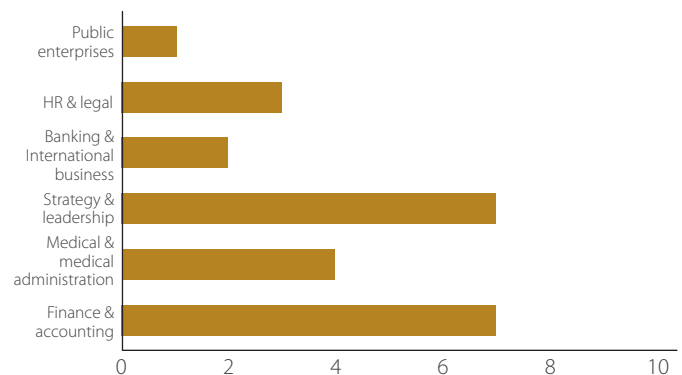
Target setting: The Group is currently in the process of defining and formalising its sustainability targets across key environmental, social and governance dimensions. This exercise is being led by the Group Chief Financial Officer, under the guidance and oversight of the Board Sustainability and ESG Committee and the Board of Directors. Once established, performance against these targets will be closely monitored and evaluated, with progress reports submitted to the Board on a quarterly basis.

Sustainability skills and expertise

When appointing Directors, the Board undertakes a thorough evaluation of each candidate’s expertise, professional background, industry knowledge and core competencies to ensure alignment with the Group’s long-term vision, strategic priorities, and evolving risk and opportunity landscape. Where necessary, the Board also seeks guidance from internal or external specialists to obtain insights on emerging sustainability trends and developments that may inform its oversight and decision-making.

The Board’s and Management team’s skill profile is set out below:

Skill Profile



Management responsibility

As illustrated above, a Management-Level Sustainability Committee has also been established to operationalise the Group's strategic sustainability aspirations. The overarching responsibilities of this committee and the role of other key management personnel in the management of SRROs is set out below:

Sustainability Management Committee	Provides strategic direction and oversight for identifying, prioritising and managing sustainability-related risks and opportunities across clinical and non-clinical operations.
Group Managing Director	Leads implementation of the Hospital's sustainability strategy, ensuring SRROs and CRROs are integrated into planning and Board directives.
Group Chief Financial Officer	Evaluates and monitors the financial implications of SRROs and integrates these considerations into the financial planning process.
Group Director Medical Services	<p>Clinical Operations Ensures that clinical operations consider sustainability principles, including patient safety and the management of clinical risks linked to environmental and social factors.</p> <p>Quality Ensures that patient care standards, accreditation processes, and continuous improvement supports long-term resilience and responsible resource use.</p> <p>Infection Control Oversees policies and practices that minimise infection-related risks and promote a safe, resilient healthcare environment.</p>
Group Chief Human Resources Officer	Integrates sustainability into HR policies, staff wellbeing, training, and organizational culture.
Group Chief Information Officer	Oversees data governance and digital systems, ensuring the protection of clinical data, privacy, cybersecurity and business continuity.
Group Chief Marketing Officer	Promotes sustainability initiatives externally and ensures communication aligns with hospital's sustainability and climate commitments.
Legal and Compliance Manager	Ensures compliance with regulatory, legal, and sustainability reporting requirements.

Strategic integration

The Group has commenced the process of integrating SRROs and CRROs into its core strategic and operational decision-making; this includes initial efforts towards embedding these risks within the existing risk management structure through formal reporting to the Board and Audit Committee, ensuring these factors are considered alongside traditional risk indicators. Defined procedures and controls in place for managing clinical risks are deployed to effectively manage sustainability-related risks relating to quality of care and patient satisfaction.

Strategy and financial planning: The Group is working towards incorporating ESG-related priorities into financial planning by including relevant initiatives and expenditures within the annual budgeting process as well as decisions on major transactions. The integration of SRROs and CRROs into corporate strategy formulation is underway, with ongoing efforts to ensure that long-term strategic objectives reflect the material sustainability themes most relevant to the Group's operating environment and stakeholder expectations. Patient care (which represents a key SRRP of the Group) is a key pillar of the Group's strategy and progress against strategy is monitored through relevant metrics and indicators. When formulating strategy, the Group evaluates inherent trade-offs between the risks and opportunities presented by sustainability, particularly on employee and patient-related matters.

Major transactions: The Group integrates sustainability considerations when evaluating major capital expenditures and significant transactions. Such decisions are assessed not only on financial and operational merits but also on their broader environmental and social implications, including energy efficiency, impacts on patients and customers, employee wellbeing and potential effects on the wider community and natural environment. In doing so, the Group also considers the potential trade-offs associated with these decisions, balancing financial performance with longer-term sustainability outcomes.

Setting targets: The Group is currently in the process of establishing a set of sustainability-related targets aligned to the requirements of SLFRS S1 and S2. This process is being undertaken through the Board Sustainability and ESG Committee, which is responsible for evaluating relevant priorities, metrics and performance indicators across the Group's operations. Upon completion of this process, the proposed targets will be presented to the Board of Directors for review and approval, thereby ensuring appropriate oversight and alignment with the Group's broader strategic and governance framework.

Remuneration practices: Metrics relating to quality of care and patient satisfaction as well employee retention and training have been integrated to the Group's performance management process. This includes KPIs on clinical safety, incident management, employee retention and employee productivity which are linked to the performance appraisal frameworks of staff in the relevant divisions. Environmental and climate-related KPIs are yet to be integrated into the Group's performance systems.

SLFRS S1 & S2 Disclosures Contd.

Strategy

Sustainability context in the healthcare industry

The healthcare sector operates at the intersection of human wellbeing and environmental responsibility, positioning sustainability as both a strategic priority and an essential operational imperative. As resource-intensive institutions, hospitals have a significant environmental footprint, ranging from energy consumption and waste generation to greenhouse gas emissions and water use. As the effects of climate change increasingly threaten public health, healthcare operators have a pivotal role to play in driving meaningful action. By reducing greenhouse gas emissions and embracing low-carbon, climate-resilient models of care, hospitals can directly contribute to national and global decarbonisation goals. On the other hand, hospitals can amplify their positive social contribution by promoting equitable access to healthcare and enhancing overall quality of life.

Sustainability issues in the healthcare industry



Sri Lankan context: Guided by the principle of “leaving no one behind,” the country has made steady progress toward universal health coverage (UHC), achieving a service coverage index of 67% in 2021, well above the WHO South-East Asia regional average. This progress is reflected in the successful elimination of multiple infectious diseases and the maintenance of low maternal, neonatal and under-five mortality rates. However, the sector now faces evolving sustainability challenges arising from climate change and environmental pressures. Increasing frequency of floods, droughts and landslides poses direct risks to public health and service delivery, while Sri Lanka’s medium epidemic risk rating underscores the need for strengthened health security and resilience. Sustaining these achievements will require continued investment in climate adaptation, resilient healthcare infrastructure such as facilities and systems designed to withstand extreme weather events, pandemics and system shocks as well as integrated approaches that align health outcomes with broader environmental and social sustainability goals.

Sustainability and Climate-Related Risks and Opportunities

The Group has identified the following SRROs/CRROs as reasonably expected to affect the organisation's prospects;

SRRO 1: Quality of care and patient satisfaction

Quality of care and patient satisfaction represent a material risk for LDS as they directly influence clinical outcomes, reputation and long-term financial performance. Any decline in service quality can erode trust, attract regulatory scrutiny and impact hospital accreditation and patient retention. Infection control is a critical element of the quality of care, which is essential for safeguarding patients as well as enhancing operational efficiency and reinforcing stakeholder confidence.

Point of occurrence: Arises in the Group's hospital premises covering all inpatient and outpatient services as well in its laboratories and pharmacies.

Time horizon: Short, medium and long-term.

Sources of guidance: SASB Standard-Health Care Delivery.

CRRO 1: Physical-related climate change implications on human health and infrastructure

Climate change presents a growing set of challenges for Sri Lanka's healthcare sector, both in terms of human health impacts and physical infrastructure risks. Increasing frequency of extreme weather events such as floods and droughts may disrupt hospital operations and damage facilities while also contributing to higher morbidity and mortality rates.

Point of occurrence: Relates to the Group's main hospital facility, island-wide infrastructure of pharmacies, laboratories and collection centers.

Time horizon: Medium and long-term.

Source of guidance: SLFRS S2- Climate related disclosures- Industry based disclosure requirements and SASB Standard-Health Care Delivery.

SRRO 2: Employee recruitment, development and retention

Given the persistent shortage of healthcare professionals in the country, the ability to recruit, develop and retain skilled healthcare practitioners is critical for achieving the Group's growth aspirations. Availability of a skilled and high-performing team is a prerequisite in delivering high standards of care and patient satisfaction.

Point of occurrence: Relevant to the Group's hospital facility as well as its island-wide network of pharmacies and laboratories.

Time horizon: Short to medium-term.

Source of guidance: SASB Standard-Health Care Delivery.

SLFRS S1 & S2 Disclosures Contd.

Impacts of SRROs

The following section discusses the current and anticipated effects of the two SRROs and one CRRO on the Group's business model, value chain, strategy and decision-making.

SRROs/CRROs	Business model impacts		Value chain impacts		Strategy and decision-making
	Current effects	Anticipated effects	Current effects	Anticipated effects	
Quality of care and patient satisfaction	<ul style="list-style-type: none"> Improved efficiency of processes, including and avoidance of costs associated with litigation. Successful maintenance of accreditations in line with national and international bodies. Effective management of antimicrobial resistance. 	<ul style="list-style-type: none"> With the Group's strategic emphasis on quality of care, positive patient experience is expected to translate to repeat visits, acquisition of new patients and a shift to value-based care. Improvements in market competitiveness . 	<ul style="list-style-type: none"> Improved patient satisfaction scores. Increase in both inpatient and outpatient volumes. 	<ul style="list-style-type: none"> Quality culture is expected to strengthen the clinical governance processes, leading to increased patient satisfaction, which in turn increases hospital revenue in the long term. 	<ul style="list-style-type: none"> Patient care is a key pillar of the Group's strategy for 2026 and beyond, as it strives to transition from curative to wellness/preventive care. This is also a critical pillar in the Group's international expansion plans, as it seeks to drive increased contributions from international patients.
Climate change implications on human health and physical infrastructure	<ul style="list-style-type: none"> In the current financial year, there were no impacts stemming from climate-related physical risks on infrastructure. Increased patient volumes from air-borne respiratory diseases such as influenza and asthma. 	<ul style="list-style-type: none"> Given the anticipated rise in climate-sensitive health conditions in Sri Lanka, respiratory illness and vector-borne diseases are expected to increase, leading to shifts in long-term disease patterns and patient mix. Increasingly erratic weather patterns could lead to physical infrastructure damage. 	<ul style="list-style-type: none"> There was no major impact on the value chain in the current financial year. 	<ul style="list-style-type: none"> Extreme weather events can disrupt the supply of medicines and interrupt logistics, storage and transport of laboratory samples. Potential impact on healthcare workers including absenteeism and reduced productivity. 	<ul style="list-style-type: none"> Reducing the Group's environmental impacts, including energy consumption, waste management and water efficiency, are vital parts of the Group's overall sustainability agenda as set out in its strategic plan. Current mitigation and adaptation efforts include improving energy efficiency and strengthening clinical waste management practices while anticipated efforts include incorporating climate-resilient features in infrastructure upgrades. Indirect efforts include obtaining insurance covers against natural disasters and strengthening emergency response and continuity planning frameworks.

SRROs/CRROs	Business model impacts		Value chain impacts		Strategy and decision-making
	Current effects	Anticipated effects	Current effects	Anticipated effects	
Employee recruitment, development and retention	<ul style="list-style-type: none"> Industrywide shortage of medical and nursing professionals has led to persistent challenges in attracting and retaining employees, as was evident during the financial year under review. 	<ul style="list-style-type: none"> Potentially adverse implications on productivity, innovation and service excellence. Implications on institutional knowledge building and organisational culture. 	<ul style="list-style-type: none"> Shortages were effectively managed through ongoing skill development and employee engagement activities as well as the Group's access to staff through the Lanka Hospitals Learning Academy and University outreach. The prevalent skill shortage had no material impact on the Group's value chain during the year. 	<ul style="list-style-type: none"> Continued shortage and turnover of medical and nursing staff can lead to reduced patient satisfaction levels and overall impact on quality of care. Potential impact on operational continuity and efficiencies. 	The Group's HR strategy centers on creating a balanced and engaged workforce with ongoing investments in skill development, refining remuneration schemes and creating a conducive and performance-driven work environment. The Lanka Hospitals Learning Academy is also a driving force in enhancing the country's nursing capacity and skills.

Trade-offs

In delivering the Group's strategy, the following trade-offs were considered between the key SRROs for the period;

- Financial resources deployed for ongoing investments in enhancing employee skills, culture-building and engagement activities, with the long-term objective of improving employee satisfaction and retention.
- Ensuring patient satisfaction and higher quality of care requires higher staffing ratios and investments in advanced technology.
- Investing in climate resilient health systems and infrastructure requires significant upfront capital which can constrain short-term profitability.

Financial effects

In line with the transitional relief offered for first-time adopters, the Group has sought to disclose the qualitative financial effects of its SRROs and CRROs in this year's reporting cycle. As part of our medium-term roadmap for full alignment with the SLFRS Sustainability Disclosure Standards, we are developing the internal processes and data systems required to quantify these impacts. The following tables summarise the qualitative financial effects of SRROs/CRROs.

SRROs/CRROs	Current reporting period	Short-term	Medium-term	Long-term
Quality of care and patient satisfaction	<p>Cash flows: Investments in enhancing the physical infrastructure and improvements to technology. Cost of certifications.</p> <p>Financial performance: Improved inpatient and outpatient volumes supported revenue growth during the year.</p> <p>Financial position: Utilisation of existing liquidity reserves to drive investments.</p> <p>Risk of material adjustment: None.</p>	<p>Cash flows: Planned investments in enhancing patient care, technology, certifications and wellness services in line with strategic plan.</p> <p>Financial performance: Short-term impact on profitability stemming from higher operational costs and staffing ratios.</p> <p>Financial position: Given the Group's healthy cash reserves, existing funds will be utilised for new investments.</p> <p>Cost of capital: No major impact.</p> <p>Access to finance: No major impact.</p>	<p>Cash flows: Planned investments in enhancing patient care, technology, certifications and wellness services in line with strategic plan.</p> <p>Financial performance: No major impact.</p> <p>Financial position: Given the Group's healthy cash reserves, existing funds will be utilised for new investments.</p> <p>Cost of capital: No major impact.</p> <p>Access to finance: No major impact.</p>	<p>Cash flows: Planned investments in enhancing patient care, technology, certifications and wellness services in line with strategic plan.</p> <p>Financial performance: No major impact.</p> <p>Financial position: The Group may be required to increase its debt exposures over the long-term, to fund its investment profile.</p> <p>Cost of capital: No major impact.</p> <p>Access to finance: No major impact.</p>

SLFRS S1 & S2 Disclosures Contd.

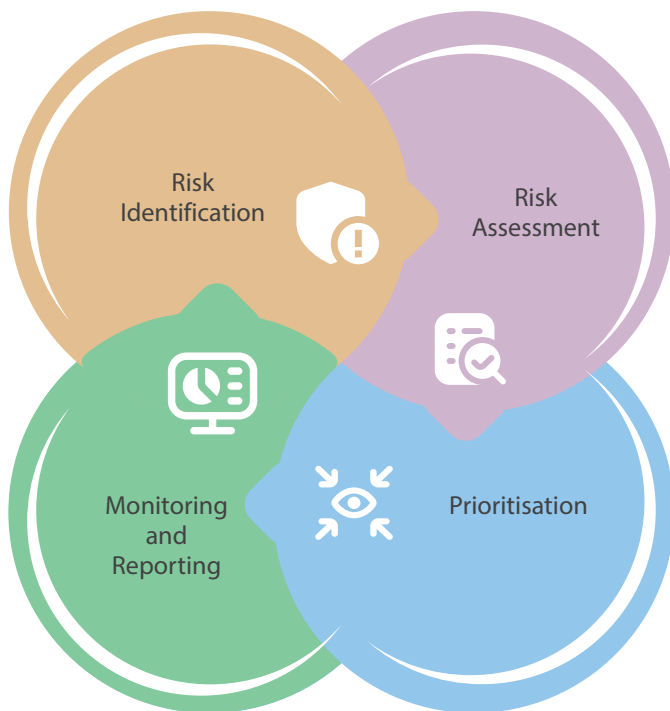
SRROs/CRROs	Current reporting period	Short-term	Medium-term	Long-term
Climate change implications on human health and physical infrastructure	<p>Cash flows: Cash inflows from climate-related health issues.</p> <p>Financial performance: Cost implications from the infrastructure damage to 2 laboratories and 2 pharmacy outlets from Cyclone Ditwah. Revenue associated with respiratory and heat-related illnesses.</p> <p>Financial position: No major impact.</p> <p>Risk of material adjustment: None.</p>	<p>Cash flows: Cash inflows from climate-related health issues.</p> <p>Financial performance: Potential impact on profitability margins due to escalating energy costs and insurance premiums.</p> <p>Financial position: Potential asset impairment risks from escalating climate impacts.</p> <p>Cost of capital: No major impact.</p> <p>Access to finance: No major impact.</p>	<p>Cash flows: Increased operating costs from higher energy consumption (cooling, ventilation, emergency power) and facility maintenance. Cash inflows from climate-related health issues.</p> <p>Financial performance: Unplanned expenditure on disaster recovery or infrastructure repairs after extreme events. Higher patient inflows due to climate-related health issues (respiratory, vector-borne, or heat-related illnesses) may temporarily increase revenue streams.</p> <p>Financial position: Potential asset impairment risks from escalating climate impacts.</p> <p>Cost of capital: Access to concessionary funding.</p> <p>Access to finance: Access to green financing or adaptation grants for energy-efficient infrastructure and decarbonisation.</p>	<p>Cash flows: Increased operating costs from higher energy consumption (cooling, ventilation, emergency power) and facility maintenance.</p> <p>Financial performance: Unplanned expenditure on disaster recovery or infrastructure repairs after extreme events.</p> <p>Financial position: CAPEX for retrofitting, relocating, or climate-proofing facilities, affecting leverage ratios.</p> <p>Cost of capital: Access to concessionary funding.</p> <p>Access to finance: Access to green financing or adaptation grants for energy-efficient infrastructure and decarbonisation.</p>
Employee recruitment, development and retention	<p>Cash flows: Investments in employee development and attraction.</p> <p>Financial performance: Increased staff costs due to competition for specialised talent.</p> <p>Financial position: No major impact.</p> <p>Risk of material adjustment: None.</p>	<p>Cash flows: Potential impacts on continuity during transition periods or vacancy gaps affecting revenue inflows.</p> <p>Financial performance: Increased staff costs due to competition for specialised talent.</p> <p>Financial position: Increased liabilities arising from employee benefit obligations.</p> <p>Cost of capital: No major impact.</p> <p>Access to finance: No major impact.</p>	<p>Cash flows: Potential impacts on continuity during transition periods or vacancy gaps affecting revenue inflows.</p> <p>Financial performance: Improved service quality translating to revenue growth.</p> <p>Financial position: Increased liabilities arising from employee benefit obligations.</p> <p>Cost of capital: No major impact.</p> <p>Access to finance: No major impact.</p>	<p>Cash flows: Sustained investment in people delivers long-term positive cash flows through stability, efficiency, revenue growth, lower turnover, and durable financial performance.</p> <p>Financial performance: Improved service quality translating to revenue growth.</p> <p>Financial position: No major impact.</p> <p>Cost of capital: No major impact.</p> <p>Access to finance: Improved access to ESG-linked capital.</p>

Risk Management

The Group's approach to enterprise risk management (as set out in detail on page 126 of this Report) is governed by the ISO 31000 Risk Management-Principles and Guidelines, which serves as the overarching framework for the Policy on Risk Management and Internal Controls. In preparation for the adoption of the new standards, the Group initiated measures to integrate the management of SRROs to the Group's overall enterprise risk management work in order to effectively integrate the consideration of sustainability factors into strategic decision-making.

Risk governance: As described on page 126 of this Report, the Board and Risk Committee provides independent oversight on the integrity and effectiveness of the organisation's systems for monitoring both financial and sustainability-related risks and opportunities. In the context of the Group's progressive alignment with SLFRS S1 and S2 Sustainability Disclosure Standards, the Committee's responsibilities have evolved to ensure that emerging environmental and social risks are addressed with the same rigour as traditional financial and operational risks.

The Group's process for managing SRROs/CRROs is summarised below:



1. **Risk identification:** Risks are identified by functional heads of both clinical and non-clinical areas who function as risk owners. Inputs in the risk identification process include continuous environmental scanning, clinical governance reviews and stakeholder engagement, which ensure that both internal and external factors with potential to affect patient care, staff wellbeing or financial sustainability are recognised early.

2. **Risk assessment:** Once identified, risks are assessed using a multi-dimensional lens considering likelihood and potential impact across multiple areas including financial, human, intellectual and social. The assessment process incorporates both quantitative data (where available) and qualitative insights, recognising that certain SRROs may not yet lend themselves to precise financial quantification. The assessment is facilitated by the Senior Manager Risk and Process Management who collaborate with medical, operational, and financial teams.
3. **Prioritisation:** Risks are prioritised based on their potential to affect patient safety, business continuity and the hospital's strategic objectives. Risks are prioritised as low, medium or high, enabling management to allocate resources efficiently, balancing the hospital's short-term operational imperatives with its medium- and long-term sustainability goals.
4. **Monitoring and Reporting:** Key risks and emerging trends are reviewed quarterly by the Audit and Risk Committee and communicated to the Board. Internal audits are used to validate the adequacy of controls and to recalibrate mitigation strategies when necessary. This regular monitoring process ensures that risk management supports informed decision-making and the hospital's overarching commitment to safeguarding patient trust and institutional resilience.

Targets and Metrics

The metrics and targets presented in this section reflect the Group's progress in managing most of its material sustainability and climate-related risks and opportunities in accordance with SLFRS S1 and S2. They encompass both quantitative and qualitative measures spanning our clinical, operational and environmental footprint. Data compilation and validation processes are overseen by the Board Sustainability and ESG Committee, ensuring consistency with information reported under SLFRS S1 and S2, GRI Standards and SASB's Healthcare Delivery standard.

Climate Related Metrics and Targets

Cross industry metrics

Computation methodology: The Group measures its greenhouse gas (GHG) emissions based on the GHG Protocol-Corporate Accounting and Reporting Standard (2004). Furthermore, in line with the transitional relief provisions available to first-time adopters of SLFRS S2, the Group has, for the current reporting period, limited its GHG emissions disclosures to Scope 1 and Scope 2 categories, with a structured roadmap in place to progressively expand Scope 3 coverage over the medium term.

Organisational boundary: The Group adopts the control approach, applying the operational control method to define the organisational boundary for greenhouse gas (GHG) accounting in accordance with the GHG Protocol Corporate Standard. Under this approach, the Group reports 100% of the emissions from operations over which it exercises full authority to introduce and implement operating policies, regardless of equity ownership.

SLFRS S1 & S2 Disclosures Contd.

Inputs and Assumptions

GHG emission source	Coverage and methodology	Source of emission factor
Scope 1	Emissions from diesel consumed in generators and boilers	Based on Sri Lanka Sustainable Energy Authority grid emission factor data
Diesel	Total - 199,286 litres	2.680 kg CO2e/l
Scope 2	Emissions from electricity used in offices, facilities and operations	Based on Sri Lanka Sustainable Energy Authority grid emission factor data
Grid electricity	Total - 8,518,198 kWh	0.464 kg CO2e/unit

Scope 1 and 2 Disclosures

Description	Greenhouse gas emissions (MT CO2e)		
	Scope 1	Scope 2	Total
Consolidated accounting group	534	3926	4460
Other investee (investment in associate)	-	27	27
Total	534	3953	4487

The Group does not currently use carbon pricing in decision-making. Climate-related considerations are not yet integrated into the Group's executive remuneration framework; however, work is currently underway to incorporate relevant sustainability and climate-linked metrics into future incentive structures.

Exposure to Climate Related Risks

Assets vulnerable to:	Amount (Rs. Mn)	%
Climate-related transition risk	N/A	N/A
Climate-related physical risk	N/A	N/A
Climate-related opportunities	N/A	N/A
Capital deployment	N/A	N/A

Industry-based metrics

This section outlines the industry-based climate-related metrics relevant to the Group, in relation to specific industry dynamics and the healthcare business model. The industry-based disclosures are derived from the Healthcare Delivery Standard of the SASB Standards.

Energy Management

Effective energy management is a critical operational priority for the Hospital, given its continuous, high-intensity demand for reliable power across clinical, diagnostic and life-support functions. With electricity

and diesel serving as the primary energy sources, disciplined oversight of energy consumption also supports broader risk management by reducing exposure to price volatility, improving operational resilience during grid instability and strengthening progress toward decarbonisation targets. The metrics disclosed below are absolute quantitative measures.

Metric	2025
Total energy consumed (GJ)	37,840
Grid electricity (%)	100%
Renewable (%)	0

Assumptions and Method of Computation

Key inputs to the computation are quantity of diesel (litres) and units of electricity (kWh) consumed during the reporting period. In converting diesel and electricity consumption into energy values, the Group applies standard emission and energy factors consistent with the GHG Protocol and Intergovernmental Panel on Climate Change (IPCC) guidelines. Electricity purchased from the national grid is converted using the published grid emission factors. Diesel usage is converted to energy by applying its net calorific value, with volumes verified against procurement and generator-use records. All conversions are based on actual quantities consumed during the reporting period, with no estimations applied unless meter data is unavailable.

Waste Management

Effective waste management is a material operational priority for the Group, given the continuous generation of both medical and non-medical waste across clinical, diagnostic and support services. Medical waste, which includes infectious and sharp waste, pharmaceutical and radioactive waste carries heightened regulatory, environmental and safety risks, requiring rigorous segregation, tracking and specialised disposal. Non-medical waste arising from administrative, food service and facility operations is managed with an emphasis on reduction, recycling and responsible treatment. The metrics disclosed below are absolute, quantitative measures.

Metric	2025	%
Medical waste		
(a) Incinerated (MT and %)	105.85	57.43%
(b) Recycled/ treated (MT and %)	Nil	Nil
(c) Landfilled (MT and %)	Nil	Nil
Hazardous pharmaceutical waste		
(a) Incinerated (MT and %)	2.6	1.41%
(b) Recycled/ treated (MT and %)	Nil	Nil
(c) Landfilled (MT and %)	Nil	Nil
Non-hazardous pharmaceutical waste		
(a) Incinerated (MT and %)	Nil	Nil
(b) Recycled/ treated (MT and %)	Nil	Nil
(c) Landfilled (MT and %)	Nil	Nil

Assumptions and method of computation

The hospital quantifies all medical and non-medical waste at the point of disposal, using calibrated weighing scales located at designated collection areas. Measurements are recorded in Metric Tons as the primary unit, and medical waste categories such as infectious, pathological, pharmaceutical and sharps are weighed after segregation and prior to transfer to licensed disposal providers. Non-medical waste is measured following standard segregation protocols covering recyclables, organic waste and general refuse.

Climate-related targets

Process for setting and reviewing targets

The Board-Level Sustainability and ESG Committee holds primary responsibility for evaluating climate risks and opportunities and for setting proposed targets, which are then submitted to the full Board for approval. Target formulation is supported by a cross-functional working group comprising representatives from engineering, risk management, clinical operations, finance and sustainability, enabling a holistic assessment of operational realities, resource needs and long-term environmental goals. These targets are periodically reviewed against performance trends, emerging standards and sector benchmarks, with adjustments recommended by the Committee to maintain relevance and ambition.

Disclosures relating to climate-related targets

As an initial step in formalising its climate ambitions, the Group has implemented a set of foundational targets focused on improving energy efficiency and reducing its carbon emissions and improving waste management practices. Over time, and informed by improved measurement capabilities and sector benchmarks, the scope of these targets will be broadened to address a wider range of climate-related risks and opportunities, enabling a more comprehensive transition pathway in the years ahead.

	Target 1	Target 2	Target 3
Description	Emission intensity reduction	Energy efficiency	Medical waste intensity
Definition of target	10% reduction of Scope 1 & 2 GHG emission intensity	10% reduction of energy intensity	1% reduction of medical waste intensity
Objective of target	Climate mitigation	Climate mitigation	Climate mitigation
Metric used to monitor target	Scope 1 & 2 GHG emissions (tCO ₂ e)/ Total Revenue (Rs. Mn)	Total energy consumption (GJ) / Total Revenue (Rs. Mn)	Total medical waste (MT)/ Total Revenue (Rs. Mn)
Source of metric	SLFRS S2 Standard	SASB Healthcare Delivery	SASB Healthcare Delivery
Quantitative/qualitative	Quantitative	Quantitative	Quantitative
Baseline year	2024	2024	2024
Deadline to reach target	2030	2030	2030
Interim target	2% annual reduction	2% annual reduction	1 % annual reduction

GHG emission-related targets: The Group's emission reduction target covers gross Scope 1 and 2 GHG emissions and does not currently include plans to use carbon credit offsets.

Performance against targets

Target	Actual achievement	Description
1. Emission intensity reduction	6.52%	Target reduction by 10%
2. Energy intensity reduction	1.89%	Target reduction by 10%
3. Medical waste intensity reduction	1%	Target reduction by 10%

SLFRS S1 & S2 Disclosures Contd.

Metrics and targets of other SRROs

The targets related to the Group's other SRRO (Quality of care and Patient satisfaction and employee recruitment, development and retention) are set out below.

	Metric 1	Metric 2	Metric 3
Relevant SRRO	Quality of care and patient satisfaction	Employee recruitment, development and retention	Employee recruitment, development and retention
Definition of metric	Customer satisfaction rate (%)	Voluntary turnover rate (%)	Average training hours/ employee per annum
Source of metric	Internally developed	Derived from SASB Healthcare Delivery Standard	GRI Standards
Inputs to computation	Aggregated and averaged patient satisfaction scores obtained from feedback forms administered to all in-patients	Number of voluntary exits/ Average headcount	Total training hours of employees/ Average headcount
Target	85%	2%	9.4%
Third-party validation	No	No	No
Period for which target applies	2026	2026	2026
Base period	Not applicable	Not applicable	Not applicable
Interim targets	Not defined yet	Not defined yet	Not defined yet
Performance in 2025	85%	2%	9.4%

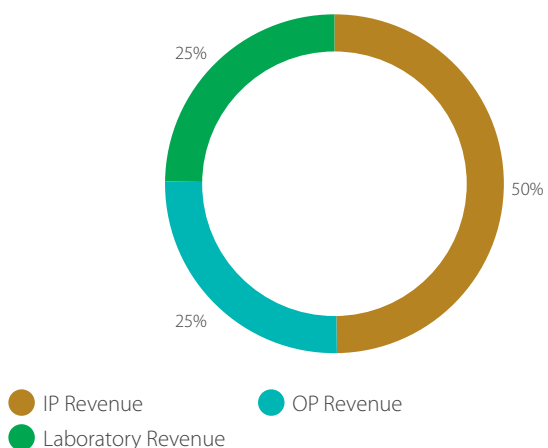
Business line Reviews

GRI 2-6

Hospital Operations

The Hospital maintains its position as a leading private healthcare provider in Colombo, supported by its strategically located facility that offers convenient access to a broad patient base. Renowned for its commitment to clinical quality, patient safety and service excellence, the Hospital continues to attract strong and consistent patient footfall across a wide spectrum of specialties. Its reputation for delivering high-quality healthcare services, combined with continuous investments in medical and clinical technology has enabled it to maintain a trusted position within Sri Lanka's private healthcare sector.

Hospital Revenue (%)



Highlights of 2025

- Strategic emphasis on clinical governance and patient care
- Ongoing investment in medical and clinical technology
- Strong performance in surgical care

Financial and Operational Performance

	Y-O-Y change
Revenue	6%
Inpatient volumes	5%
Outpatient volumes	2%

Operating environment: The operating environment of the private healthcare sector demonstrated a gradual recovery during the year, supported by improving macroeconomic fundamentals, easing inflationary pressures and a pickup in disposable incomes, all of which contributed to stronger demand for healthcare services. At the same time, the sector continues to evolve within a dynamic external landscape shaped by regulatory developments, increasing emphasis on quality and compliance, rising health awareness among the population and ongoing advancements in medical technology. While cost pressures linked to imports and operational inputs persist, these factors collectively continue to drive a more structured, competitive and quality-oriented healthcare industry.

Performance overview: The Hospital delivered a commendable performance during the year, successfully navigating a challenging cost environment while maintaining its commitment to patient affordability. Revenue recorded an increase of 6%, primarily driven by higher patient volumes, improved utilization of hospital facilities and the expansion of key service lines. Additionally, enhanced operational efficiencies and a stronger focus on specialized treatments contributed to the overall growth in revenue.

Strategic focus: The Hospital recorded a strong performance within its surgical segment, further elevating its capabilities to reinforce its position as a leader in advanced medical procedures. This momentum was driven by growing demand for major surgeries, supported by the Hospital's clinical expertise and advanced infrastructure. During the year, it maintained its leadership in cardiothoracic procedures, recording one of the highest volumes in the industry, while also delivering robust growth in bariatric surgeries following the successful launch of the programme in the previous year. As the only hospital in Sri Lanka offering this level of capability in bariatric surgery, the Hospital strengthened its position in this emerging segment completing 86 surgeries during the year.

The Hospital continued to invest in strengthening its clinical capabilities through targeted enhancements to its technology and infrastructure. During the year, this included the introduction of its 3rd Cardiothoracic Operating Theater (CTOT), further advancing its capacity to perform complex cardiac procedures with greater precision and efficiency. In parallel, the development of a dedicated trauma unit has enhanced the Hospital's ability to respond to critical and emergency care needs, reinforcing its position as a comprehensive tertiary care provider.

The Hospital maintained a strong focus on clinical care and excellence during the year, with the current administration placing quality of care at the forefront of all operational priorities. Strengthened clinical governance frameworks, supported by expert input across key specialties, have enhanced decision-making processes, enabling more structured and responsive clinical interventions. Concurrently, care delivery processes were refined and realigned to better prioritise patient needs, ensuring consistency in treatment standards.

Way forward: Looking ahead, the year under review marked a period of laying a strong foundation for future growth, with a clear focus on optimising resources, rightsizing the organisation and strengthening operational efficiencies. Strategic investments were directed towards enhancing human capital, upgrading technology and refining care delivery processes, positioning the Hospital for improved performance. Building on these initiatives, the Hospital is well positioned to capitalise on emerging opportunities, with expectations of strong growth in both top-line revenue and bottom-line profitability in the year ahead.

Business line Reviews Contd.

Diagnostics

The Lanka Hospitals Diagnostics remains a leading player in Sri Lanka's diagnostic services landscape, supported by an island-wide network of regional laboratories and collection centres. This reach is complemented by a comprehensive test menu spanning routine to specialised diagnostics, enabling the segment to meet diverse clinical needs. Its competitive edge is anchored in quality, credibility and adherence to international standards, underscored by its distinction as the only CAP-accredited laboratory in Sri Lanka.

Highlights of 2025

- Re-accreditation of CAP
- Expansion of geographical reach with the addition of 6 Sample Collection Centres

Financial and Operational Performance

	Y-O-Y change
Revenue	13%
No. of tests	8%

Operating environment: The operating environment for laboratory services during the year reflected a phase of moderate growth, supported by sustained demand for diagnostic testing and a gradual normalisation of healthcare utilisation patterns. The sector continues to evolve with an increasing emphasis on compliance with international quality standards, alongside a growing number of laboratories pursuing formal accreditations to enhance credibility and patient trust. In parallel, government-led efforts to promote quality and standardisation in diagnostic services are further reinforcing this shift towards improved clinical governance.

Performance: The laboratory segment delivered a strong performance during the year, with revenue increasing by 13%, driven by higher patient footfall, the expansion of its test menu, and its established reputation for credibility and trust. This growth was further supported by consistent demand across both routine and specialised diagnostics. Operational indicators also reflected positive momentum during the period, underscoring the segment's ability to maintain efficiency, service reliability and quality standards while scaling its operations.

Strategic focus: The segment's commitment to quality remained a defining pillar of its operations, with LHD continuing to maintain strict compliance with ISO 15189 accreditation across its network. During the year, a surveillance assessment conducted by the Sri Lanka Accreditation Board in December 2025, spanning multiple review sessions and involving a panel of nine assessors, reaffirmed adherence to the required standards. The laboratory further reinforced its global quality credentials during the year, with the successful completion of its fourth CAP inspection resulting in the renewal of CAP accreditation through April 2027, affirming continued compliance with stringent international standards and sustaining its position as the only CAP-accredited laboratory in Sri Lanka.

In fostering value creation across its network of business partners and stakeholders, LHD continued to prioritise knowledge sharing and capability building. During the year, the segment conducted a series of training programmes on the "Preanalytical Phase in Medical Laboratory Testing" for third-party clients, aimed at enhancing standards and consistency in sample handling and processing. Four sessions held in May 2025 engaged approximately 375 staff members from partner institutions, followed by a further programme conducted in Kandy in November 2025, which reached around 100 participants from the regional lab's catchment area.

The segment's extensive geographical footprint continues to serve as a key enabler of accessibility and growth, supported by a well-integrated network of 8 regional and mini laboratories, over 80 company-owned collection centres and more than 1,000 third-party collection points across the island. During the year, the network was expanded with the addition of 6 new company-owned collection centres, reinforcing the segment's commitment to enhancing reach and service availability.

Way forward: Looking ahead, The Lanka Hospitals Diagnostics remains optimistic about its growth trajectory, underpinned by its strong market position and commitment to clinical excellence. The segment will continue to focus on expanding its geographical reach, enhancing accessibility across underserved regions, while strengthening its presence in key catchment areas. In parallel, efforts will be directed towards broadening the test menu into more advanced and specialised areas of diagnostics, supported by investments in technology and expertise.

Pharmacy

Our pharmacy solutions encompass three in-hospital pharmacies and a growing network of 21 retail outlets across the island, delivering reliable access to an array of critical pharmaceutical needs and strengthening the national healthcare ecosystem through accessibility, trust, and clinical excellence.

Highlights of 2025

- Winner of the Gold Award for Quality at the NCQP Awards 2025
- Strategic focus on quality and service efficiency
- Stronger controls in aligning with regulatory requirements

Financial and Operational Performance

	Y-O-Y change
Revenue	(4%)
Waiting time	(10%)
Medication delivery time	(8%)

**Information relates to Retail Pharmacy Network only*

Operating environment: Sri Lanka's pharmaceutical market is valued at approximately USD 750 million to USD 833 million as of 2025, with a projected compound annual growth rate (CAGR) of around 4%. The market is heavily reliant on imports, which account for about 85% of the total supply, while local manufacturing contributes the remaining 15%. Meanwhile, regulatory oversight by the National Medicines Regulatory Authority (NMRA) has intensified, with stricter requirements for pharmacy registration, pharmacist presence and controlled dispensing shaping a more accountable and professionally governed industry landscape. Key challenges during the year included the persistent shortage of qualified pharmacists and assistant pharmacists, supply chain delays, and periodic stock-outs.

Performance: Performance across the pharmacy network remained stable during the year, although retail revenue recorded a marginal decline of 4%, mainly attributable to price controls imposed by the regulator. Despite this impact, the network demonstrated resilience through consistent drug availability, steady customer volumes and efficient service delivery, including short waiting and medication dispensing times.

Strategic focus: Within the Hospital, efforts centred on increasing conversion rates of patients utilising in-house pharmacies, which averaged around 60% relatively higher than the industry. Tele-pharmacy services were also enhanced, enabling outstation patients to check product availability prior to their visit, while emphasis was also placed on maintaining strict adherence to service quality standards and clinical requirements under JCI accreditation. Through targeted process engineering measures, which included layout changes and improved communication platforms, the in-house pharmacies achieved a near 30% increase in throughput capacity during the year.

In the retail network, strategic focus was placed on enhancing service levels across supermarket and corporate outlets, widening the product mix to include vitamins, nutraceuticals, cosmetics and ensuring full compliance with the evolving regulatory framework of the NMRA. Robust storage capacity and longstanding supplier relationships ensured consistent availability of medicines with minimal risk of shortages.

Commitment to quality and responsibility: The pharmacy operations remain anchored in a strong commitment to quality, safety and responsible practice. Comprehensive internal controls are maintained through a dual verification system for arranging and dispensing medications while stringent supply chain and cold chain protocols preserve product integrity. In addressing the global and national challenge of antimicrobial resistance, the Hospital exercised rigorous stewardship, ensuring adherence to WHO's Defined Daily Dose (DDD) criteria. The Hospital also maintains strict price transparency, with the price clearly labelled on each box and it is one of the few hospitals that applies no additional mark-up on inpatient drugs.

Way forward

The outlook for the pharmacy segment remains positive. Over the short-to-medium term, the Hospital intends to widen its own retail footprint through flagship outlets in key urban areas across Colombo and its suburbs. A key initiative will be the launch of our new medical centre and pharmacy at Cinnamon Life. As the only healthcare provider within the complex, this centre will serve both residents and casino patrons under exclusive partnerships. Focus will also be placed on scaling up the retail model from small outlets to larger, full-service pharmacies offering a wider product range and cross-selling opportunities, including hospital-linked services.

Business line Reviews Contd.

Learning Academy

The Lanka Hospitals Academy plays a pivotal role in strengthening healthcare capabilities through a comprehensive portfolio of education and training programmes in diagnostic healthcare. Designed to equip healthcare professionals with the competencies required to address diverse medical needs, the Academy integrates advanced diagnostic tools and methodologies into its curriculum, enabling a strong focus on early detection and accurate clinical decision-making.

Operational Performance

	2025
Students enrolled	260
Graduated students	160
Pass rate	61.54%
No. of courses offered	12

Operating environment: The domestic healthcare sector continues to face a growing skills gap, driven in part by the migration of trained medical professionals in recent years. This has placed increasing pressure on service delivery and highlighted the need for sustained investment in capacity building. In this context, The Lanka Hospitals Academy plays a vital role in supporting the development of a skilled healthcare workforce, through targeted education and training initiatives. By equipping both emerging and existing professionals with relevant clinical and diagnostic competencies, the Academy contributes to strengthening local expertise and enhancing the overall quality and continuity of care within the healthcare system.

Extensive course offering: The Academy offers a diverse portfolio of programmes ranging from certificate-level courses to diploma and specialised training programmes, catering to varying levels of professional development within the healthcare sector. These programmes are designed to combine theoretical knowledge with practical application, ensuring participants are equipped with relevant, industry-aligned competencies. Complementing this offering, The Lanka Hospitals School of Nursing provides structured and rigorous education, with a strong emphasis on hands-on clinical training. The Academy also promotes accessibility and inclusive education by extending financial support to students alongside guaranteed employment opportunities, thereby contributing to the development of a skilled and sustainable healthcare workforce.

Digital learning platforms: In line with its commitment to modernising healthcare education, The Lanka Hospitals Academy continued to invest in digital learning capabilities during the year. The rollout of a digital learning platform, including the integration of a new Learning Management System (LMS) for online certification programmes, reflects the growing shift towards technology-driven education. This platform enhances accessibility and flexibility for students, enabling learning beyond traditional classroom settings. Through features such as virtual simulations, structured e-learning modules and interactive case studies, the Academy is able to deliver a more engaging and immersive learning experiences.

Strategic partnerships: The Lanka Hospitals Academy strengthened its academic and professional network during the year through strategic partnerships with both local and international institutions. Collaborations with over 15 educational partners have enabled students to gain hands-on clinical exposure within the Hospital's advanced care environment, enhancing the practical relevance of their training. These partnerships, supported by engagement with global experts and professional networks, play a key role in bridging the gap between theoretical learning and real-world application, while ensuring that programmes remain aligned with evolving industry standards and best practices.

Way forward: Looking ahead, The Lanka Hospitals Academy remains well positioned to build on the strong foundation established during the year, marked by the launch of its state-of-the-art training facility. This new facility stands as a testament to the Academy's commitment to advancing healthcare education in Sri Lanka, providing an enhanced environment for both academic and practical learning. Building on this platform, the Academy will focus on broadening its course offerings, introducing more specialised and industry-relevant programmes, while continuously updating curricula to reflect the latest advancements in medical knowledge and practice. These efforts are expected to further strengthen its role in developing a future-ready healthcare workforce.

Financial Capital - Group Chief Financial Officer's Review



Key Areas of Financial Focus

- Revenue Growth and Service Efficiency Improvements
- Resource optimisation and operational efficiencies
- Balancing stakeholder interests including commitments to patient affordability, employee well-being and long-term value creation.
- Governance focus including reinforcing oversight and strengthening internal controls



Key Achievements

Highest-ever revenue

Effective margin management

Highest dividend



Drivers of Financial Performance

- Revenue growth
- Effective cost management
- Working capital management
- Investment management
- Management of financial risks
- Use of Technology and Automations



The Group's financial strategy is firmly aligned with the Group's operational priorities, ensuring that capital allocation and resource deployment are directed towards achieving the Group's strategic aspirations. In executing this mandate, the finance function plays a pivotal role in balancing growth with discipline, guided by a strong commitment to ethical conduct and robust governance. This extends to all aspects of financial decision-making, including pricing strategies, which considers the interests of patients, shareholders and wider stakeholders. Equally, we prioritise and empower our professionals, recognising that sound financial stewardship is driven by competent and accountable teams operating within well-defined governance frameworks. The strength of this model is reflected in our consistent recognition at the CA Sri Lanka TAGS Awards, in which we

Financial Capital - Group Chief Financial Officer's Review Contd.

secured the Gold Award for the Healthcare Sector consecutively on three occasions, underscoring our standing as a benchmark for transparency, accountability, governance and sustainability and positioning the Group as a role model for state-owned enterprises.

External drivers affecting performance in 2025

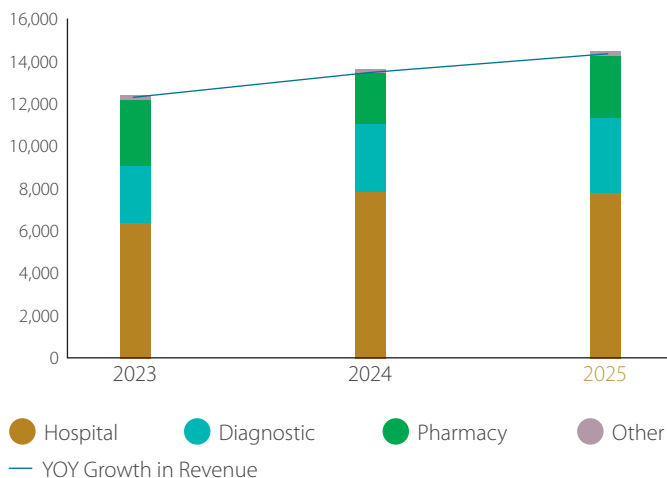
Performance during the year was shaped by a combination of improving macroeconomic conditions and evolving industry dynamics. A gradual recovery in disposable incomes and a more stable policy environment supported demand for healthcare services, while the Group continued to benefit from its strong market positioning. At the same time, the operating landscape remained competitive, with intensifying pressures across both service delivery and talent retention. This was further compounded by escalating cost structures and a growing demand for more sophisticated and specialised healthcare offerings. Against this backdrop, the Group maintained a measured approach, balancing growth opportunities with cost discipline and service quality.

Performance overview

Revenue

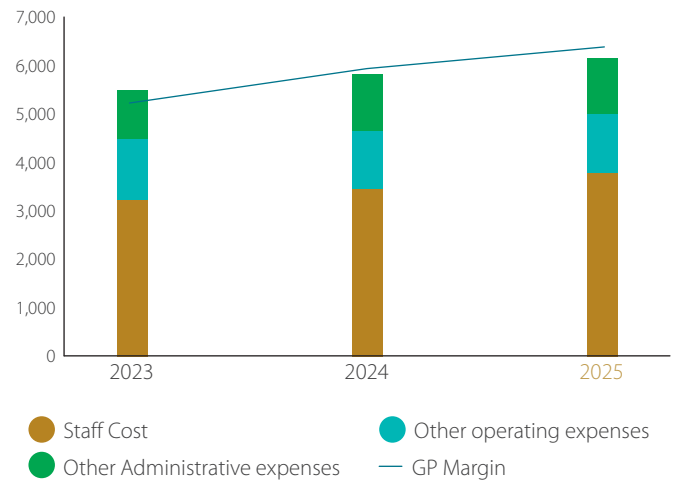
The Group delivered a commendable top line growth of 6% to reach the highest-ever revenue of Rs. 14.47 Bn during the year, supported by broad based improvements across its core segments. Hospital operations contributed 63% (or Rs. 9.19 Bn) to Consolidated Revenue; The Hospital's revenue increased by 5% during the year driven by respective growth of 5% and 2% in inpatient and outpatient volumes. Meanwhile, Revenue from the diagnostics arm, increased by 13% to Rs. 3.59 Bn as it leveraged on the wider test menu and its established reputation for credibility to drive higher patient footfall. Performance across the pharmacy network remained stable, with revenue decreasing by 4%.

Revenue Growth (Rs. Mn)



Cost management

Overhead Expenses (Rs. Mn)



The Group's gross profit increased by 8% to Rs.6.41 Bn despite escalating cost pressures as the Group placed strategic emphasis on cost optimisation and process efficiencies. Resultantly, the Group's Gross Profit margin remained unchanged at 44% compared to the previous year. The increase in Total Expenses was contained to 1%; Administrative expenses increased by 7% primarily in view of upward revisions to staff remuneration while the other operating expenses increased by just 1% during the year, reflecting the Group's continued emphasis on efficiencies, digitalisation and productivity improvements.

Profitability

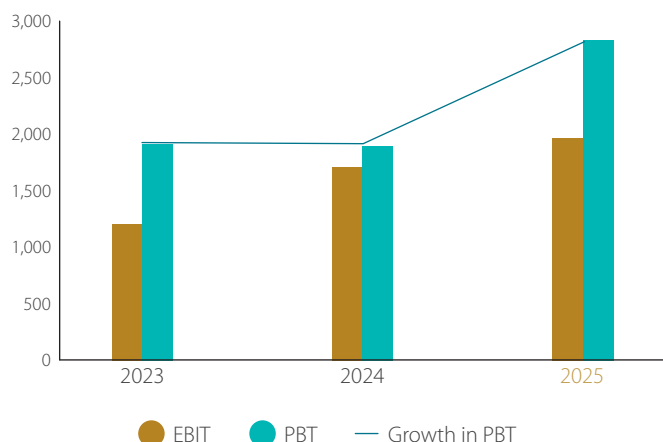
Other income comprises rent income, gains on asset disposals and sundry income, among others. Other Income amounted to Rs. 74.30 Mn during the year, compared to Rs.50.97 Mn in 2024, mainly due to a normalisation of a Rs.28.84 Mn losses stemming from disposal of ROU assets in 2024.

The Group's net finance income increased over 3-fold to Rs. 865.83 Mn compared to the previous year, led primarily by finance income which increased to Rs.920.37 Mn (2024: Rs.244.16 Mn). The increase in finance income represents a gain on forex translation of Rs. 274.75 Mn compared to a loss of Rs.433.88 Mn the previous year reflecting exchange rate dynamics. Finance costs declined marginally by 6% to Rs.54.54 Mn reflecting the sustained decline in market interest rates.

The improvement in the Group's core performance coupled with stronger Finance Income resulted in the Group's profit before tax recording a sharp increase of 49% to Rs.2.83 Bn. Income tax expenses increased by 59% to Rs. 885.55 Mn representing an effective tax rate of 30%.

Overall, the Group's profit after tax increased by 45% to Rs. 1.94 Bn, compared to profits of Rs. 1.34 Bn recorded in 2024.

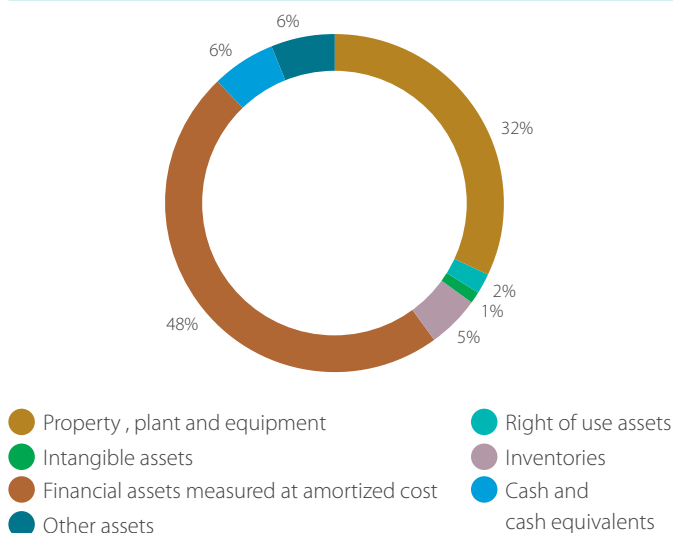
EBIT and PBT (Rs. Mn)



Financial position

The Group's financial position remains robust, underpinned by a zero-leverage structure, strong liquidity buffers and sustained asset expansion. During the year, total assets grew by 10% to Rs. 20.41 Bn, supported by a 1% increase in non-current assets and a notable 16% growth in current assets, reflecting continued strength in operational capacity and balance sheet resilience. Current assets accounted for 64% of total assets, mainly reflecting fixed deposit investments. Inventories increased by 6% to Rs. 990.75 Mn due to higher operational activity during the year.

Asset Composition (%)



Funding and liquidity

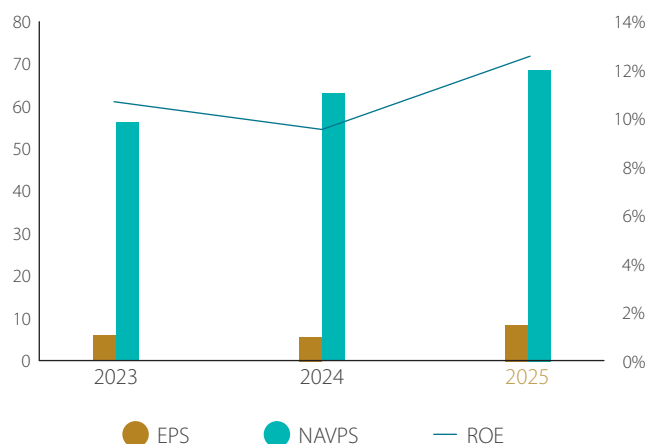
The Group's financial position is further reinforced by its strong equity base, which accounted for 75% of total assets, reflecting a well-capitalised and stable balance sheet complemented by a zero-debt structure. During the year, total equity increased by 8% to Rs. 15.37 Bn, supported by improved profitability. This solid capital foundation enhances financial resilience and positions the Group to pursue future growth opportunities enabling reinvestment and strategic expansion, while maintaining long-term value creation.

Cashflow

The Group maintained a strong liquidity and cash flow position during the year, ensuring adequate funding to support operations and sustain future growth initiatives. Net cash inflow from operating activities increased by 21% to Rs. 2.47 Bn during the period supported by operational performance and effective working capital management. Net cash outflow from investing activities amounted to Rs. 1.90 Bn, reflecting investments in upgrading physical infrastructure and medical technology. Net cash outflow from financing activities amounted to Rs. 454.90 Mn, primarily representing dividend payments. Overall, the Group generated a net cash increase of Rs. 121.04 Mn during the year under review.

Shareholder value creation

EPS-NAVPS and ROE (Rs.)



All key shareholder return indicators demonstrated an upward trajectory during the year, with improvements recorded across Earnings per Share (EPS), Net Asset Value per Share (NAVPS) and Return on Equity (ROE). This performance was achieved while maintaining a strong focus on patient affordability and care, reflecting the Group's ability to balance broader stakeholder value creation with sustained shareholder returns.

Way forward

Looking ahead, plans are underway to transition towards a fully paperless environment, with feasibility already established and execution expected within the next few months. This shift will enable more streamlined, integrated and data-driven operations. In parallel, the Group has committed to its highest capital expenditure programme to date, encompassing facility upgrades, structural enhancements and the expansion of capacity, including the addition of 20 channelling rooms. As the current year is centred on building this foundation, the Group is well positioned to leverage these enhancements in the following year, with a greater focus on attracting foreign patients and strengthening its presence in higher-value segments.

Manufactured Capital

GRI 2-6

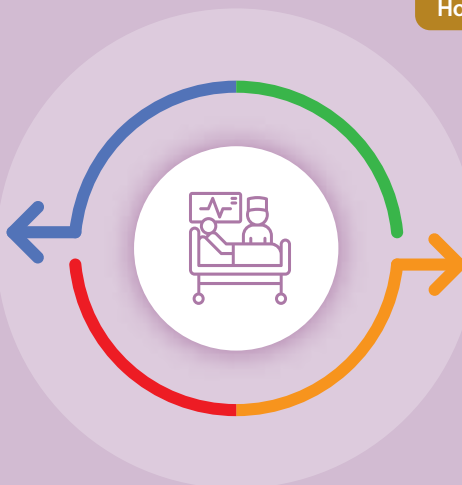
Manufactured capital is fundamental to the delivery of quality healthcare, encompassing the infrastructure and systems that support patient care. At Lanka Hospitals, our facilities and clinical environments are designed to enable safe, efficient, and effective care delivery. This is complemented by continued investment in medical technology, which enhances diagnostic accuracy, treatment outcomes, and the overall patient experience.



Value we receive



- Supports improved patient outcomes
- Enables the delivery of safe, high-quality clinical care
- Enhances operational efficiency and workflow effectiveness
- Facilitates integration of advanced medical technologies



How we nurture Manufactured Capital



- Continuous upgrading and modernisation of facilities
- Optimisation of space utilisation
- Refurbishment and maintenance

Manufactured Capital Scorecard



Rs.6.61 Bn

Property, plant and equipment



Rs.771.42 Mn

Capital expenditure



Rs.530.24 Mn

Investment in medical technology



Physical Infrastructure

At the core of our manufactured capital is our main hospital facility in Colombo, which is strategically located to offer convenient access to patients across the city and beyond. Beyond its accessibility, the Hospital is set within a calm and well-designed environment that supports patient comfort, recovery and overall well-being. This is complemented by a range of supporting facilities that enable the delivery of integrated and high-quality care, ensuring that patients benefit from both clinical capability and a conducive healing environment.



During the year under review, we continued to invest in upgrading our physical infrastructure, with a focus on enhancing the overall patient environment and care delivery experience. This year also marked a period of consolidation, as we laid the groundwork for a more comprehensive transformation programme in 2026, including planned refurbishments, facility upgrades and a broader facelift across key areas of the Hospital. Importantly, the Group remains on a strong financial footing to support these initiatives, providing the confidence and capacity to execute these enhancements in a structured and sustainable manner.

Re-opening of High Dependency Unit

During the year, we also marked the reopening of our Medical High Dependency Unit (HDU) which serves as a critical bridge between intensive care and general ward settings, catering to patients who require closer monitoring and more focused medical attention in the recovery phase.

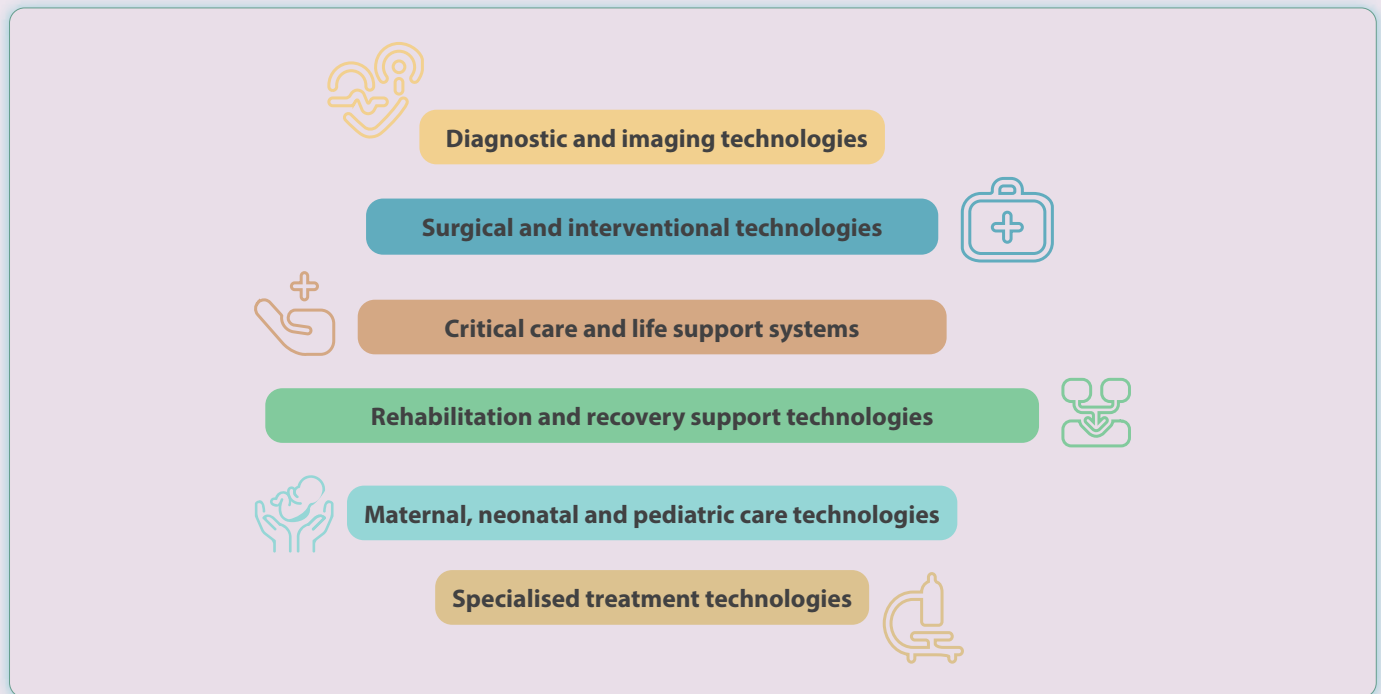
Supported by dedicated nursing care and structured clinical oversight, the unit enables timely intervention and enhanced patient observation, ensuring both safety and continuity of care.



Manufactured Capital Contd.

Medical technology

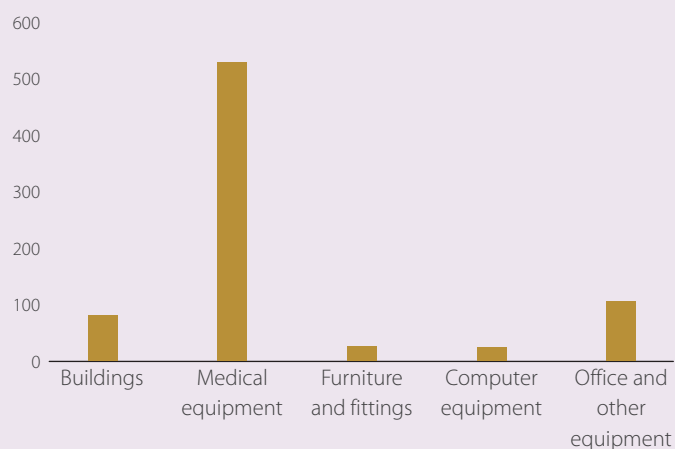
Advanced medical and clinical technology is a critical enabler of high-quality healthcare, directly influencing diagnostic accuracy, treatment outcomes and overall patient experience. At The Lanka Hospitals, continued investment in technology remains closely aligned with our strategic objectives of delivering clinical excellence and enhancing patient care. It also serves as a key source of competitive advantage, enabling us to offer differentiated services and maintain high standards of care.



Capital Expenditure

During the year under review, the Group invested Rs. 771.42 Mn in capital expenditure, with a primary focus on strengthening medical technology capabilities, complemented by targeted facility upgrades and refurbishment initiatives. Key investment categories are given below:

CAPEX (Rs.Mn)



Way Forward

Having established a strong foundation during the year, we are now well positioned to advance the next phase of our infrastructure development. Plans are in place to further upgrade and optimise our facilities, with a focus on maximising the utilisation of existing space while enhancing the overall patient environment. In parallel, we will continue to invest in advanced medical technologies, including the introduction of robotic-assisted systems. These technologies are expected to enhance surgical precision, minimise tissue impact and support faster recovery times, ultimately reducing hospital stays and delivering long-term benefits for both patients and the organisation.

Human Capital

Our people, and the collective depth of their skills, values and experience, are central to delivering optimal care outcomes for our patients and to the realisation of our strategic priorities. Equally, we recognise that the care and support we extend to our teams is fundamental to their wellbeing and engagement, directly shaping their satisfaction and quality of the work they deliver.



Value we receive



- Enhanced patient outcomes and quality of care through a skilled and motivated workforce
- Enhanced capacity for innovation and service excellence
- Return on our human capital through learning and development
- Strong clinical governance and risk management



How we nurture Human Capital



- People first culture that enables a happy and engaged workforce
- Attractive and fair remuneration practices
- Inclusive and respectful workplace culture
- Employment stability and long-term employability

Human Capital Scorecard



2,206

Total Employees



73%

Employee Retention



3,800 Mn

Payments to Employees



9.6 Mn

Investment in Training



24,900+ hrs

Training hours



Human Capital Contd.

People Strategy

The Group's people strategy aims to nurture a committed and capable workforce whose expertise and empathy underpin the delivery of exceptional patient care and long-term organisational performance. Key people-related priorities for the year under review are illustrated below:



HR Governance and Management Approach

The Lanka Hospitals Group operates a centralised HR division, led by the Group Chief Human Resources Officer who is responsible for driving the Group's people agenda. The HR Division is structured around the four pillars of HR operations, development, engagement and employee relations. Clearly defined policies and procedures facilitate a transparent and equitable approach to managing talent, which complies with both regulatory requirements (such as the Shop and Office Employees Act, No. 19 of 1954 and the Wages Boards Ordinance, No. 27 of 1941) and voluntary global benchmarks such as the UN Global Compact Principles 1 to 6 and the ILO Declaration.

Team Profile GRI 2-7, 405-1

The Lanka Hospitals team comprises 2,206 diverse and highly skilled employees whose capabilities, commitment and alignment with our values underpin the execution of our strategy and the delivery of quality care.

Team Profile

By Gender	Permanent	Contract	Total
Male	827	15	842
Female	1,358	6	1,364

By Region	Permanent	Contract	Total
Central	255	1	256
Eastern	26	-	26
North Central	68	-	68
North Western	82	1	83
Northern	10	-	10
Sabaragamuwa	162	-	162
Southern	296	1	297
Uva	156	-	156
Western	1,130	18	1,148

Employees by Category GRI 2-8

Full-time	Part-time LOCUM	3rd party manpower*
2,206	221	11

*3rd party manpower provides manpower for security, housekeeping, wheel chair operation and garden maintenance.

Attracting and Retaining Employees GRI 401-1

Sri Lanka's healthcare sector continues to face a structural shortage of skilled medical and allied health professionals. Against this backdrop, the Hospital remained focused on strengthening its talent pipeline, successfully attracting and retaining high-calibre professionals, supported by the strength of our employer brand. Recruitment practices are governed by a robust and transparent framework which complies with all applicable labour laws and regulations, including minimum age requirements. Comprehensive background and credential verification processes are undertaken to confirm candidates' eligibility while selection is conducted on a merit-based approach through a structured and rigorous interview process.

New Recruits/Turnover by gender and age

By Gender	No	%	By Age	No	%
New recruits					
Male	257	40	18-30 years	453	70
Female	392	60	31-55 years	170	26
			>56 years	26	4
Turnover					
Male	228	39	18-30 years	376	64
Female	355	61	31-55 years	174	30
			>56 years	33	6

New Recruits/Turnover by region

By Gender	No	By Age	No
New recruits		Turnover	
Central	64	Central	52
Eastern	18	Eastern	10
North Central	31	North Central	15
North Western	41	North Western	23
Northern	10	Northern	03
Sabaragamuwa	64	Sabaragamuwa	45
Southern	73	Southern	55
Uva	43	Uva	23
Western	305	Western	357

Employee Engagement GRI 2-25, 2-26, 2-30, 402-1

Employee engagement comprises a mix of formal and informal mechanisms, designed to foster a motivated, connected and committed workforce. Formal engagement channels include structured grievance handling processes, ensuring that employee concerns are heard and addressed in an equitable and timely manner. Complementing these are year-round informal engagement initiatives driven through an active calendar of cultural, religious and sporting activities, which strengthen camaraderie and inclusivity.



Human Capital Contd.

Labour relations: The strength of employee engagement at The Lanka Hospitals is further reflected in an open and transparent culture that has eliminated the need for collective agreements. Regular, direct engagement between managers and an open-door policy provides employees with unhindered access to senior management at any time, encouraging open dialogue and mutual respect. As a policy, operational changes are communicated formally to employees via email, at least three weeks prior to implementation.

Wellbeing and Safety GRI 403-1,403-2, 403-5,403-6,403-7,403-8

We recognised that a resilient and compassionate workforce is essential to delivering quality patient care. Accordingly, we have implemented comprehensive measures to support both the physical and emotional wellbeing of our employees, fostering a safe and enabling work environment where our people can thrive.

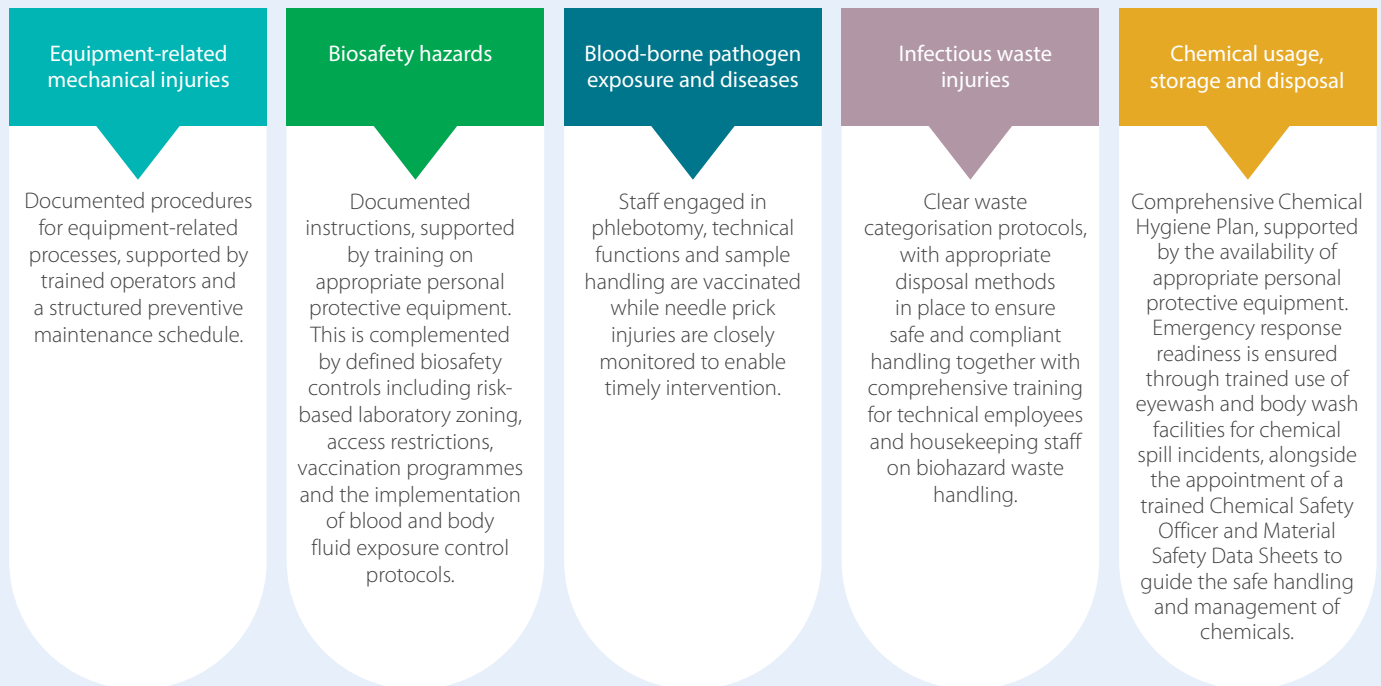
GRI 403-4

Governance of safety: Safety systems at the Hospital are firmly anchored in internationally recognised frameworks, including the ISO 45001 Occupational Health and Safety Standard and Joint Commission International (JCI) accreditation, and are further reinforced through full compliance with applicable statutory and regulatory guidelines. Our safety management framework falls under the purview of the Patient Safety Committee, which is responsible for overseeing the implementation of safety protocols across the organisation. Key responsibilities include the following:

- Monitoring and identification of safety risks
- Collaborating with department-level quality circles to identify potential vulnerabilities
- Incident monitoring and corrective actions

(Refer to page 121 for further information)

Key hazards identified and measures taken to mitigate these risks are presented below:

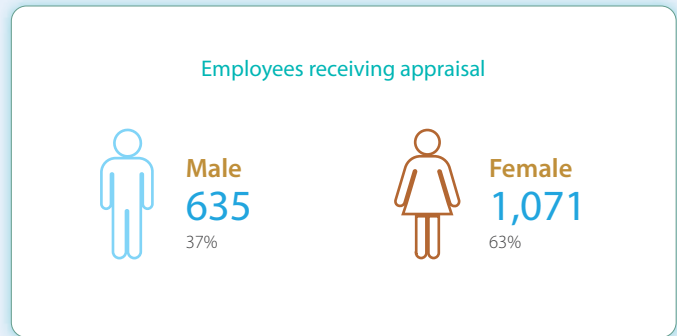


Injury record in 2025 GRI 403-9

	No.	Rate
Fatalities (work-related)	-	-
High consequence work related injury	3	50%
Recordable work-related injury	3	50%

Performance Management and Remuneration GRI 401-2, 404-3

The Group's comprehensive performance management framework enables it to take a holistic view on performance that aligns individual objectives with the Hospital's short- and long-term strategic priorities, reinforcing shared accountability for outcomes. In line with the Group's efforts to digitalise its HR processes, the HRIS now plays a critical role in enhancing transparency, inclusivity and data-driven decision-making in performance management. The system also enables structured feedback and development conversations, providing employees with regular opportunities to discuss performance, career aspirations and development plans with their supervisors. The Group's performance management framework is graphically illustrated below:



Remuneration: The Group offers competitive compensation packages that are aligned with prevailing industry benchmarks and applicable statutory labour requirements. Beyond a market-aligned base salary, employees of The Lanka Hospitals are offered a comprehensive suite of benefits designed to enhance overall wellbeing and job satisfaction, including accident and death cover, medical insurance, critical illness protection and subsidised meals.

Training and Development GRI 404-1, 404-2, 404-3

The Group's training agenda is guided by a structured needs assessment process that draws from organisational strategy, departmental objectives, individual development plans, and insights arising from customer feedback. A blended learning approach is adopted, combining traditional face-to-face programmes with digital learning platforms to deliver flexible, relevant and effective learning experiences. The Group's key training interventions during the year are as follows:



Human Capital Contd.

Training interventions in 2025

Executive Management

Leadership development and visionary skills for executives

Executive staff

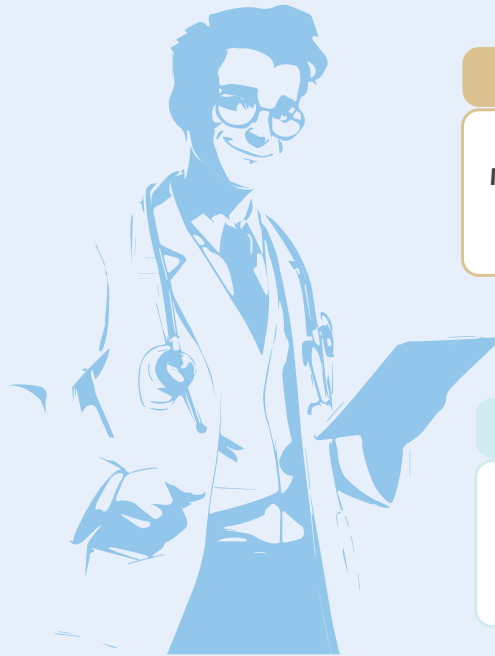
Mid-level capabilities for execution and excellence

Middle Manager Development

Operational leadership and team management capabilities

Frontline staff

Practical, service-oriented training for customer facing employees



Average training hours

Executive



Male
3,621



Female
4,951

Non-Executive



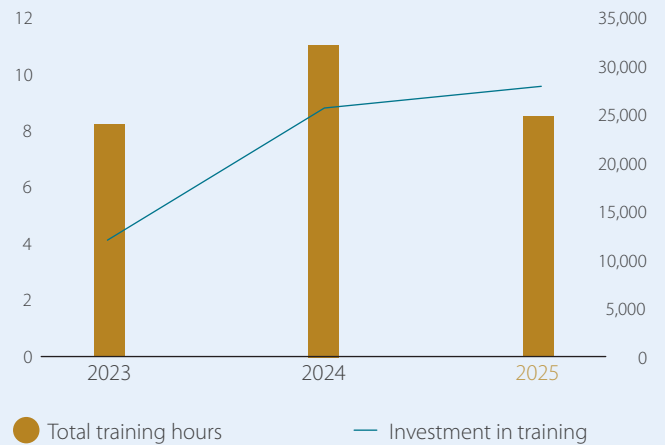
Male
4,880



Female
11,512

Training record (Rs. Mn)

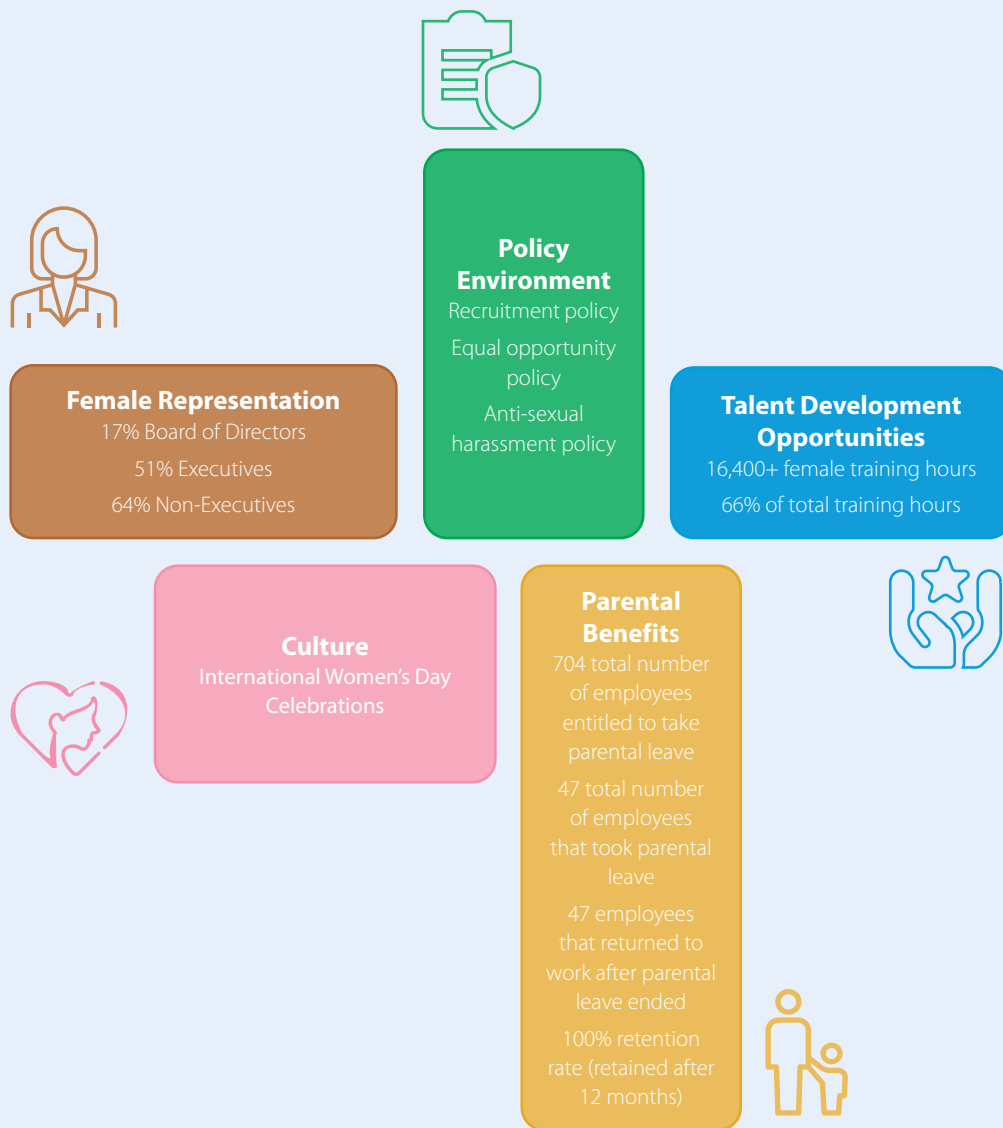
(Hrs.)



Diversity, Equity and Inclusion

Diversity and inclusion are integral to our organisational culture, underpinning our commitment to fairness and respect. The Hospital maintains clear equal opportunity policies that guide recruitment, development and advancement, ensuring decisions are based on merit and capability while providing equitable access to training and professional growth opportunities. Supportive practices such as parental leave and flexible arrangements further enable employees to balance personal and professional responsibilities.





Preserving Human Rights GRI 405-2, 408-1

We are committed to preserving and upholding human rights across all aspects of operations by fostering a fair, ethical and inclusive workplace. Employment within the organisation is strictly voluntary and in line with the country's labour laws, the use of child labour is unequivocally prohibited, ensuring that only individuals of legal working age are engaged. The Hospital promotes equal opportunity throughout the employment life cycle, maintaining equitable practices in recruitment, remuneration, development and advancement. The Group also upholds gender pay parity ensuring 1:1 pay ratio for men and women in comparable roles. During the year under review, there were no incidents of discrimination reported and there were no operations or suppliers identified for significant risk of forced or child labour.

Way Forward

The Group's people-related priorities for 2026 centre on the following areas:

- **Talent management:** Increased focus on building leadership capabilities across all levels to future-proof our workforce.
- **Performance driven culture:** Inculcating a performance-driven culture and accountability, embedding metrics that reward excellence and drive results.
- **Engagement:** Fostering a culture of engagement through communication, with the aim of nurturing a happy and motivated team.
- **HR operational excellence:** HR process efficiency for superior service delivery and process optimisation.

Intellectual Capital

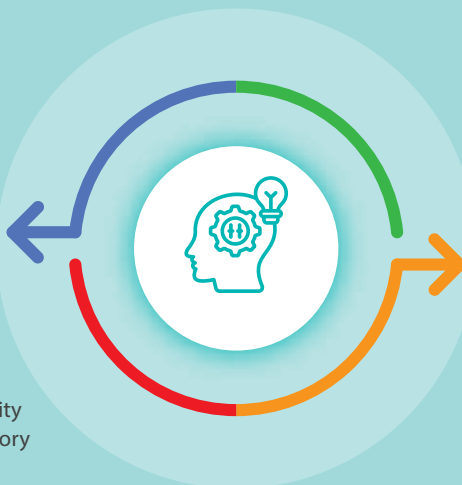
The Group's intellectual capital is built on the strength of our clinical excellence, robust clinical governance frameworks, well-defined systems and standards and growing digital capabilities that collectively underpin the quality and consistency of the care we deliver. Continued investments in augmenting our intellectual capital have strengthened our ability to respond to the evolving healthcare needs, while reinforcing Lanka Hospitals' position as a trusted leader in the healthcare sector.



Value we receive



- Standardised protocols and best practices
- Operational efficiencies and cost optimisation
- Enhanced reputation and credibility
- Stronger compliance with regulatory and clinical standards
- Organisational learning and knowledge sharing



How we nurture Intellectual Capital



- Investment in research and innovation
- Development and standardisation of clinical protocols and guidelines
- Structured knowledge-sharing platforms
- Leadership development and succession planning

Intellectual Capital Scorecard

6



No of accreditations and certifications

25.94 Mn



Investment in digital capabilities

34.64 Mn



Investment in standards and certifications



First Hospital

To be integrated to the GovPay platform



Clinical Governance

Clinical governance forms a core pillar of LHC's intellectual capital, embedding knowledge and discipline into the delivery of clinical care. The Hospital's clinical governance framework is structured around clearly defined roles and responsibilities and full compliance with regulatory requirements. With oversight extending from the Board through to clinical leadership, this framework enables the consistent application of clinical standards, effective management of clinical risk and the safeguarding of patient and stakeholder interests. Please refer to the Clinical Governance Review on page 121 for further information.



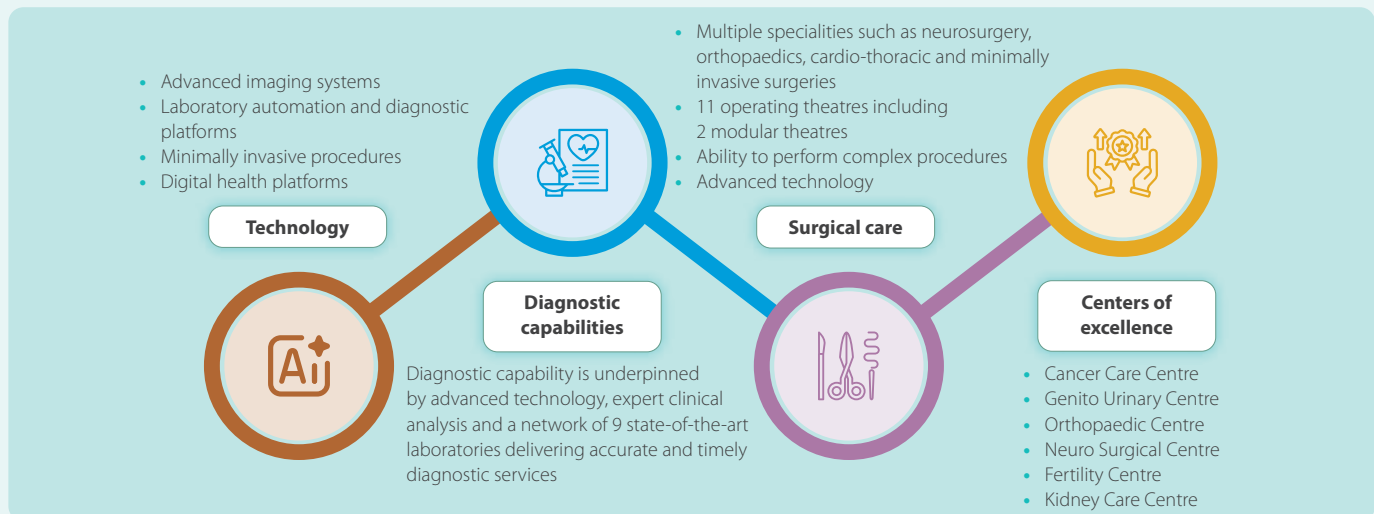
Standards and Certifications GRI 2-28

Certifications play a critical role in a hospital environment, serving as formal assurance of clinical quality and adherence to internationally recognised standards. At LHC, a host of national and international certifications are embedded into institutional knowledge systems, processes and culture. Through sustained investment in accredited standards across clinical, operational and safety domains, the Hospital has established itself as one of the most comprehensively certified healthcare institutions in Sri Lanka, strengthening our capability to deliver consistent, high-quality care.

JCI Accreditation	We are the only tertiary care hospital to be accredited for the latest JCIA 8th edition. JCI is widely recognised as the gold-standard in healthcare quality and patient safety, through establishing rigorous standards of care, comprehensive management systems and requirements for continuous improvement.
CAP Accreditation	The CAP accreditation underscores the quality and reliability of our laboratory services, confirming alignment with internationally recognised standards for diagnostic accuracy, patient safety and quality management.
ISO 14001: 2015 Environmental Management Systems	Demonstrates commitment to regulatory compliance, resource efficiency and pollution prevention, helping reduce environmental risks, costs and inefficiencies.
ISO 22000:2018 Food Safety Management Systems	Ensures that food preparation, handling and delivery processes are systematically managed to safeguard patient health and wellbeing.
5 crowns hygiene:	Signifies full compliance with stringent health regulations, covering areas such as food handling, storage, cleanliness of premises, staff hygiene practices and overall safety management systems.
ISO 15189:2022 Laboratory Management System	This standard specifies the requirements for quality management systems and technical competence in medical laboratories.

Brand Strength

As one of the strongest brands in Sri Lanka's healthcare landscape, The Lanka Hospitals leverages its longstanding reputation for bringing international-quality healthcare to Sri Lanka, setting benchmarks in clinical excellence and patient care. The brand strength is defined by its delivery of high-quality, technology-enabled medical care through a patient-centred approach that prioritises safety and clinical outcomes, reinforcing its position as a trusted and respected leader in modern healthcare.



Intellectual Capital Contd.

Digital Capabilities

Technology plays a pivotal role at The Lanka Hospitals, enabling safe, efficient and patient-centred care by strengthening clinical decision-making, enhancing operational efficiency and supporting the delivery of high-quality healthcare across the organisation. Key elements of the Group's digital infrastructure include the following:

Service/ process element	Role of technology
Clinical systems and patient care	Use of electronic medical records, clinical decision support systems, digital imaging and diagnostic platforms that improve accuracy and clinical outcomes
Analytics, decision-making and reporting	Use of dashboards and reporting tools to support clinical governance, performance monitoring and evidence-based decision-making
Patient engagement and access	Digital appointment systems, patient portals, telemedicine and communication tools that enhance accessibility
Operational efficiency	Information systems that integrate clinical, administrative and financial processes, improving workflow efficiency and resource utilisation
Cybersecurity and data privacy	Safeguarding patient information while ensuring regulatory compliance and trust in increasingly digital healthcare environments

Integration with GovPay

LHC emerged as the first healthcare provider and 100th institution to onboard GovPay, Sri Lanka's Government Digital Payment Platform. The payment gateway provides a single, secure platform for customers to make payments via internet, mobile banking and popular fintech wallets. Through this, the Hospital facilitates secure, cashless and seamless transactions, improving accessibility for a wider segment of the population while aligning with national digitalisation initiatives

During the year under review, LHC invested in Rs. 530.24 Mn on medical technology which comprised the following upgrades/enhancements;

Way Forward

- Re-certification under the updated Joint Commission International (JCI) standards
- Investments in advanced robotic technologies to enhance surgical precision and clinical outcomes
- Investments in advanced medical equipment
- Brand refresh centering on LHC's transition from traditional curative care to preventive care and wellness



Social & Relationship Capital

As a healthcare operator, Social and Relationship Capital is fundamental to sustaining trust and credibility in a deeply human-centered service. In addition to clinical outcomes, reputation is shaped by the quality of patient interactions, transparency and ethical conduct. Strong stakeholder relationships reinforce the hospital's social license to operate, ensuring continued confidence from patients, regulators and the community.



Value we receive

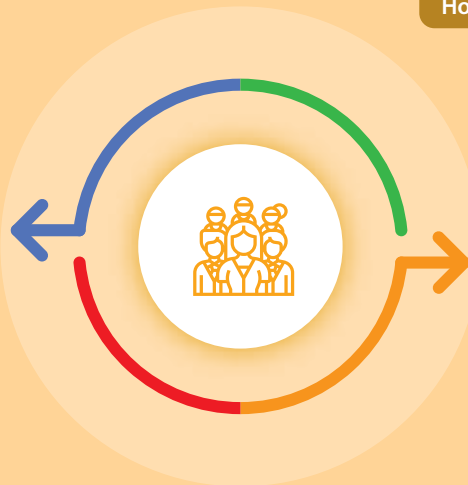


- Sustained patient volumes and revenue growth
- Enhanced clinical outcomes and patient safety
- Resilient and responsive value chain
- Access to specialised expertise supporting expansion

How we nurture Social & Relationship Capital



- Enhancing patient engagement through structured feedback mechanisms
- Conducting ongoing health awareness and community outreach programmes
- Building long-term, transparent partnerships with suppliers
- Fostering a culture of collaboration, trust, and shared value creation



Social and Relationship Capital Scorecard

85%



Patient satisfaction score

2%



Increase in patient volumes

6,602 Mn



Payments to suppliers

10 Mn

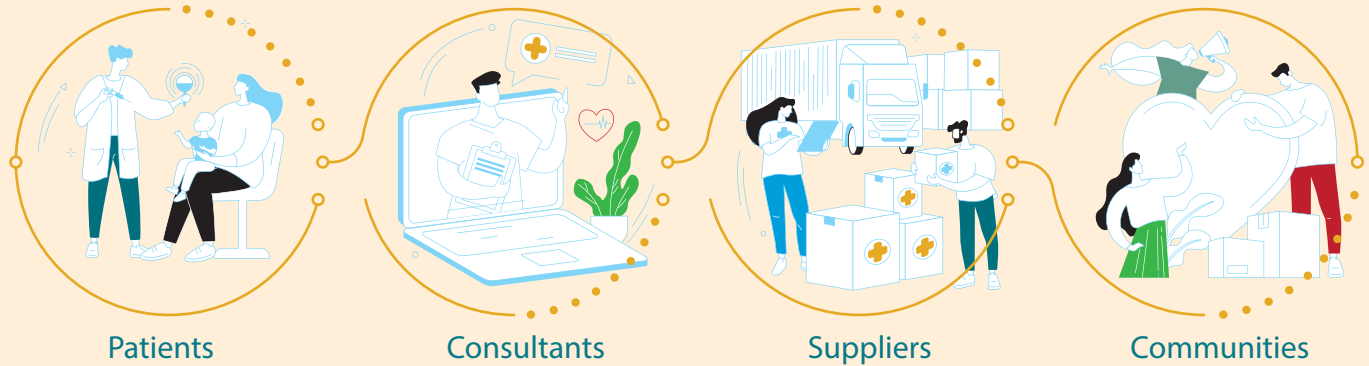


Investment in community engagement



Social & Relationship Capital Contd.

Management Approach



The management of social and relationship capital is embedded as an organisation-wide discipline, with oversight shared across multiple functions to ensure consistency and responsiveness in stakeholder engagement. Our primary stakeholders include patients, consultants, suppliers and the communities we serve, each of whom plays a vital role in sustaining our service delivery and long-term relevance. Guided by clearly defined governance structures, policies and standardised engagement mechanisms, we actively manage these relationships ensuring alignment between stakeholder expectations and our strategic aspirations.

Patients

Demographics	Age and gender
Healthcare needs	Routine, emergency, specialised and chronic care
Payment/insurance status	Self-paying, insurance-covered, government-insured and corporate/employer sponsored
Frequency of visits	Occasional, regular and high-utilisation patients
Stage of patient journey	New, returning, inactive, high-risk patients
Type of care	Outpatient, inpatient, surgical and therapeutic care
Behaviour habits	Traditional and tech-savvy patients

Long-term patient relationships remain central to our value creation philosophy, reflecting the trust placed in us at critical moments of care. Patient centricity is a key pillar of our long-term strategic agenda, guiding how we design services, allocate resources and continuously enhance the patient experience. As set out alongside to support these aspirations we adopt a structured patient segmentation approach, enabling us to deliver more personalised and context-specific care.

The Group's value proposition to patients is illustrated below:

Patient Care and Safety

Prioritize patient wellbeing and safety, ensuring high standards of medical care



Innovation

Utilize the latest medical technologies and methods to improve patient outcomes



Responsible Communications

Maintain clear, honest and empathetic communication with patients



Accessibility of Services

Ensure easy access to healthcare services for all patients



Patient Care and Safety GRI 416-1, 416-2

As outlined in the Strategy and Resource Allocation (Page 39) and Clinical Governance (Page 121) sections, patient safety and quality of care remain fundamental to our operating model. This commitment is reinforced through robust governance structures, including the Hospital's Quality and Patient Safety Committee, supported by clearly defined clinical indicators that are regularly reviewed and reported to the Board of Directors. Complementing this, the Group's Incident Management System facilitates the proactive reporting and monitoring of incidents and potential risks across both clinical and operational domains, enabling timely interventions and continuous improvement in care delivery.

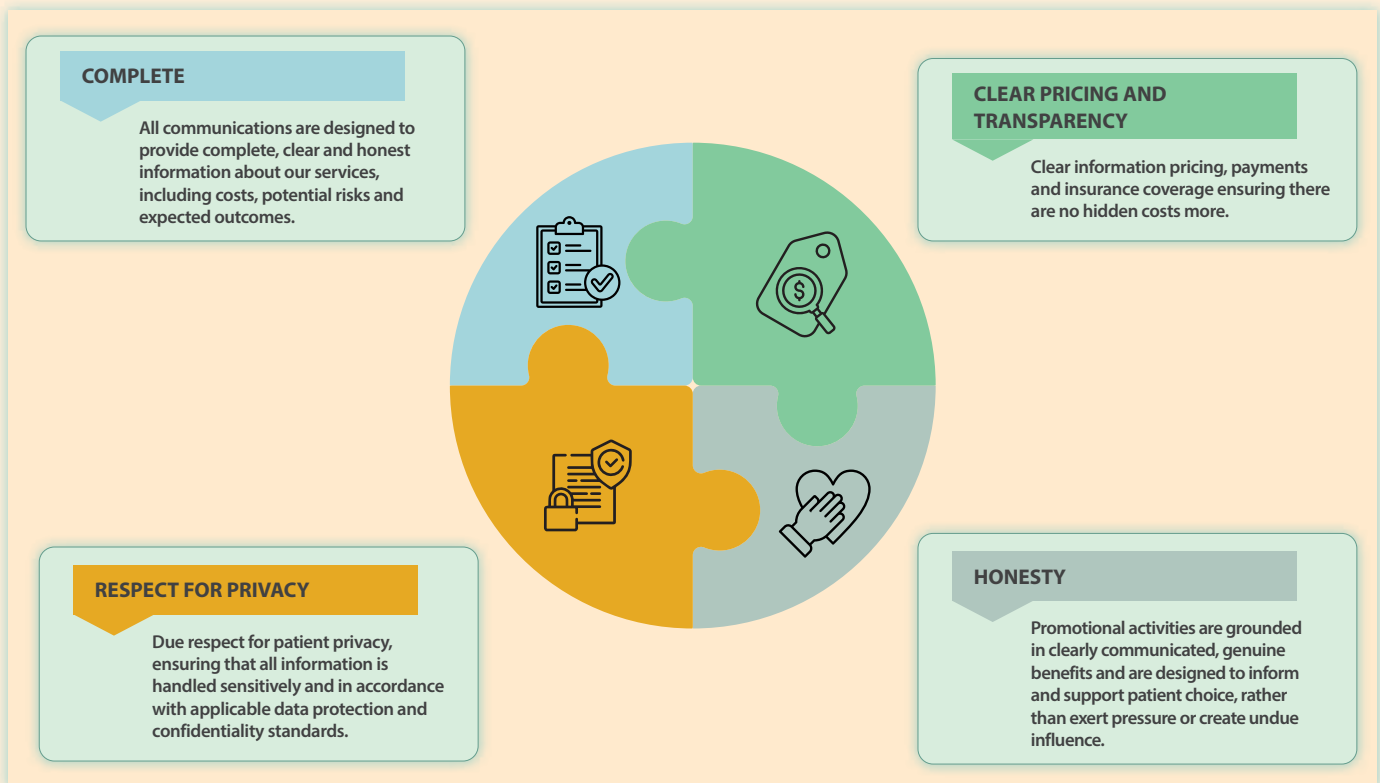
Innovation

The Hospital remains committed to a culture of continuous innovation, consistently enhancing its service offering to meet evolving patient needs and clinical advancements. Through the introduction of new specialties, advanced procedures and improved operational processes, we strive to elevate the quality and efficiency of care delivery. Key developments during the year included the following:

- Lanka LifeLine:** Dedicated trauma care service
- Lanka Care:** Hospital-grade home care services
- Launch of Platinum Circle :** Privilege programme targeting the consultant community and identified elite groups
- New molecular diagnostics capabilities
- Launch of 3rd Cardiothoracic Operating Theater (CTOT)

Responsible communications GRI 417-1, 417-2, 417-3

As a provider of critical services, responsible marketing communication is essential in preserving trust and all our communication material is guided in accuracy and sensitivity. We ensure that information shared with patients is clear, balanced and not misleading. Guided by the principles of accountability and integrity, we adopt a disciplined approach to marketing that prioritises patient wellbeing over promotion.



Social & Relationship Capital Contd.

We adhere to stringent guidelines aligned with global best practices in the development of marketing material aimed at raising awareness of LHC’s services, with all communications subject to formal approval by the Managing Director prior to publication. Meanwhile, all medical products and services include detailed labelling, which undergoes a rigorous review process to ensure critical information is clearly presented in line with manufacturer recommendations and applicable regulatory requirements. During the year under review there were no incidents of non-compliance relating to product and service information, labelling or marketing communications.

Key areas of marketing communication focus in 2025/26

- Patient experience enhancement campaigns
- Health awareness drives
- Loyalty programmes for diagnostic patients

GRI 418-1

Confidentiality and data privacy: At LHC, we are committed to upholding the highest standards of data security, ensuring that all patient information is handled in strict compliance with applicable laws, including the Personal Data Protection Act (PDPA), and in line with patient consent. Robust policies, standard operating procedures and access controls are in place to ensure that data is only available to authorised personnel for legitimate medical or administrative purposes. These are supported by secure systems and encryption technologies, alongside ongoing staff training to reinforce adherence to privacy and confidentiality standards.

During the year under review, there were no incidents of data privacy breaches or losses of customer data.

Accessibility of services

We recognise that access to quality healthcare remains a challenge, particularly within the private sector where cost can often be a barrier. In response, we continue to implement targeted initiatives aimed at improving affordability and inclusivity. During the year, we strengthened our commitment to community wellbeing by introducing a 5% discount on pharmacy drugs for senior citizens, placing us among a select group of providers offering such benefits. Furthermore, we extended our support to members of the clergy by providing free pharmacy drugs up to a value of Rs. 2,500. Notably, during the year we maintained price stability despite prevailing cost pressures.

Listening to our customers

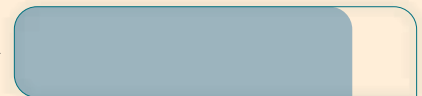
We adopt a structured and multi-channel approach to measuring patient satisfaction, enabling us to better understand expectations and continuously enhance the patient experience. Feedback is gathered through digital surveys, patient satisfaction forms, social media listening tools and Net Promoter Score (NPS) metrics, complemented by focus group discussions with doctors and patient interviews. This combination of quantitative and qualitative insights allows us to proactively address concerns and refine our services in line with evolving patient needs.



85%
Patient satisfaction rate



84%
Net Promoter Score



Suppliers GRI 2-6, 204-1,414-1,414-2

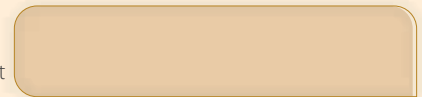
The Group relies on a well-established network of suppliers across its value chain, whose role is integral to maintaining service quality and ensuring uninterrupted service delivery. Our supply chain management processes are governed by a comprehensive Procurement Manual and a robust framework of Standard Operating Procedures (SOPs), which ensure a disciplined and transparent approach to supplier selection, prioritising quality, reliability and cost competitiveness. Key aspects of the Group’s supplier management are set out below:



756
Suppliers



99%
Local Procurement





Key Aspects of the Group's Supplier Management



Supplier Screening and OnBoarding

The procedure manual sets the criteria for supplier selection, including considerations on:

- ✓ Quality
- ✓ Cost
- ✓ Diversity of suppliers and risk profile



Due Diligence Process

- ✓ Assess compliance to regulatory requirements
- ✓ 100% of new suppliers are subject to verification
- ✓ Regular supplier audits and visits

Environmental and Social Screening

All suppliers are screened on environmental and social compliance, including:

- ✓ Labour rights
- ✓ Health and safety
- ✓ Environmental laws

No negative impacts were identified in the supply chain during the year

Doctors

Given the inherently doctor-centric nature of Sri Lanka's healthcare landscape, medical professionals represent a vital component of the Group's social and relationship capital. They play a key role in patient acquisition and revenue generation, while also directly influencing clinical outcomes, patient experience and cost of care. Specialist consultants further support the Group's growth by enabling expansion into high-demand disciplines.

The Group places strong emphasis on nurturing the quality of its relationships with doctors through consistent engagement and meaningful support. Regular initiatives such as consultant forums and direct engagement channels with management foster open dialogue and collaboration. These are complemented by access to continuous professional development opportunities, alongside the provision of clinically advanced medical equipment, high-quality consumables, and pharmaceuticals.

Country & Community

LHC continues to make a meaningful contribution to national healthcare outcomes and community wellbeing. The Group plays an active role in developing clinical and non-clinical skills through the The Lanka Hospitals Learning Academy, while ongoing health awareness and education programmes extend its impact by promoting preventive care and improving public understanding of key health issues. Meanwhile the Group engages in strategic CSR initiatives that are designed to address priority health needs within communities.

Key health awareness sessions conducted during the year include the following:



Ergonomics lecture series and online sessions conducted by the Physiotherapy Department



Physiotherapy Day celebrations at Havelock City Mall parallel to World Physiotherapy Day



Workshops with NMRA officers in view of World Pharmacists' Day

Social & Relationship Capital Contd.



Women's Wellness session conducted by the Women Wellness Centre



"Can-Sur-Vive" Cancer Survivors' Workshop



Breast Cancer Health Clinic

Facilitating inclusive healthcare education

The Lanka Hospitals Learning Academy plays a pivotal role in advancing inclusive education within the healthcare sector, expanding access to structured learning opportunities for aspiring professionals, including those from underserved communities. During the year, internship opportunities were extended to over 20 students from the University of Jaffna, providing hands-on experience and enhancing employability. Through these initiatives, the Academy supports broader national skill development efforts, while fostering a more inclusive and sustainable healthcare workforce.

Way Forward

With the strategic emphasis on patient care, ongoing efforts will be directed towards more structured mapping of customer journeys to better understand and enhance the end-to-end patient experience. At the same time, the Group will continue to deepen engagement with doctors and consultants through more responsive and collaborative platforms. In parallel, supplier relationships will be strengthened through the progressive automation of procurement processes, with a move towards a fully integrated system encompassing supplier registration, bidding and evaluation, thereby enhancing transparency, efficiency and consistency across the value chain.



Natural Capital

Natural capital is integral to the continuity of the Group's operations with the responsible stewardship of water, energy and waste underpinning both patient safety and uninterrupted clinical operations. Effective management of these resources safeguards environmental compliance and ensures that healthcare delivery is sustained in a manner that is both efficient and accountable.



Value we receive



- Access to key inputs such as water and energy
- Land and physical space
- Stability of the climate
- Ecosystem services such as environmental regulation and stability



How we nurture Natural Capital



- Systematic tracking and monitoring of environmental impacts
- Ensure adverse environmental impacts of our operations are minimised

Natural Capital Scorecard

37,840 GJ



Energy consumption

100%



Waste responsibly disposed

4,487 tCO₂e



Emissions

-10%



Emission intensity



Natural Capital Contd.

Management Approach

At LHC, the management of environmental aspects is founded on a structured framework aligned with applicable statutory and regulatory requirements, the Hospital's environmental policy and internationally recognised ISO certifications, ensuring consistent compliance, accountability and continual improvement across all operations.

Regulatory compliance

- National Environmental Act
- Environmental Protection License (EPL)
- Hazardous Waste Management Permits
- Water Discharge Permits

Environmental policy

Provides a guiding framework for decision-making and operational conduct relating to environmental aspects across the organisation

Environmental certifications

Comprehensive Environmental Management System aligned to the ISO 14001 Environmental Management Standard

Environmental Impacts and Dependencies



Energy usage



Water usage



Waste discharge



Emissions

Energy GRI 302-1, 302-3, 302-4

The Group's energy requirements are fulfilled primarily through grid electricity and diesel consumption. LHC has established a structured Energy Management Plan to drive a disciplined approach to managing energy consumption, aligned with global best practices. The Engineering and Facilities Department is central to its execution, with responsibility for the continuous collection and analysis of energy consumption data against defined benchmarks and reduction targets across all operational areas, enabling the identification of trends, efficiencies and improvement opportunities. Key insights and recommendations are consolidated and reported to senior management on a quarterly basis, supporting informed decision-making and timely strategic interventions.

During the year the Group engaged in the following initiatives aimed at optimising its energy consumption.

- Energy audits to identify opportunities for energy conservation and efficiency improvements
- Investment in energy-efficient lighting, cooling technology and machinery.
- Kaizen Projects - Implementation of continuous improvement (Kaizen) projects
- Energy-efficient building designs
- Training and awareness on energy conservation

The Group's energy consumption for the year is set out below:

	Units	2025	2024	% change
Grid electricity	kWh	8,518,198	8,343,179	2%
Diesel	Litres	199,286	187,090	7%
Energy consumption	GJ	37,840	37,145	2%
Energy intensity	GJ/in patients	1.44	1.48	(3%)

Emissions GRI 305-1, 305-2, 305-4, 305-5

The Group computes its Scope 1 & 2 GHG emissions inline with the guidance issued by the GHG Protocol: Corporate Accounting and Reporting Standard. The energy data which is computed on a monthly basis is consolidated into the quantification of the total emissions. In line with the requirements SLFRS S1 and S2 Sustainability Disclosure Standards the Group intends to gradually widen measurement of its Scope 3 GHG emissions.

The Group's GHG emissions for the year under review is set out below; with further details available in the SLFRS S1 and S2 Disclosures on page 45 and 56 of the Report.

	Units	2025	2024	% change
Scope 1-GHG emissions	tCO2e	534	504	6%
Scope 2-GHG emissions	tCO2e	3,953	4,221	(6%)
Emission intensity	tCO2e/inpatients	0.17	0.19	(10%)

Water and Effluents GRI 303-1, 303-2, 303-3, 303-5

The Hospital's interaction with water is closely aligned with the requirements of its core operations, including patient care, clinical and non-clinical sanitation, cooling and air-conditioning systems and landscaping. All water requirements are sourced from municipal supplies and are managed to ensure reliability, quality and regulatory compliance. Wastewater generated from the Group's operations are discharged in accordance with applicable standards, with controls in place to minimise environmental impact and safeguard public health. Through responsible water use and monitoring, the Hospital seeks to mitigate water-related impacts while ensuring uninterrupted clinical services.

Effluent management: LHC generates several effluent streams arising from healthcare activities, general sanitation and chemical-based cleaning processes. All wastewater is treated at the on-site Wastewater Treatment Plant (WWTP), which is operated and maintained in strict compliance with the requirements of the Environmental Protection Licence (EPL). The Engineering Department oversees the treatment process, ensuring regulatory standards are consistently met through carefully controlled chemical dosing and biological treatment methods that optimise purification efficiency. This is supported through routine monitoring and testing to confirm that treated effluent remains within permissible discharge limits, while independent analysis by accredited laboratories provides additional assurance that all discharges are environmentally safe and compliant.

	Units	2025
Water consumption and withdrawal	ML	152.61
Effluent discharged	ML	118.63

Waste GRI 306-1, 306-2

The Hospital's waste-related impacts arise from a range of operational inputs and activities associated with healthcare delivery and support services. Medical waste is generated through clinical procedures, diagnostics, laboratories and patient care activities, while non-medical waste originates from administrative functions, kitchens, housekeeping and general facility operations. These inputs are managed through defined segregation, handling, storage and disposal processes designed to minimise environmental and health risks. These processes are governed by a comprehensive Waste Management Standard Operating Procedure (SOP), which provides clear guidance on responsibilities, controls and monitoring mechanisms, ensuring that waste-related impacts are effectively managed and mitigated.

Management of hazardous waste: Appropriate safety and control measures are embedded within the Hospital's hazardous waste management practices to safeguard employees, patients and the surrounding environment. Personnel handling waste are provided with suitable Personal Protective Equipment (PPE), including gloves, chemical-resistant suits, safety goggles and respiratory protection. Hazardous waste containers are clearly labelled with relevant hazard symbols, chemical identifiers and associated risks to ensure safe handling and traceability. Emergency response procedures covering spill containment, fire control and evacuation are established and supported by readily accessible spill control kits, with staff trained in effective response protocols to prevent environmental contamination. These measures are complemented by strict handwashing and hygiene practices, as well as contingency plans to manage hazardous waste safely during unexpected events, including natural disasters.

Way Forward

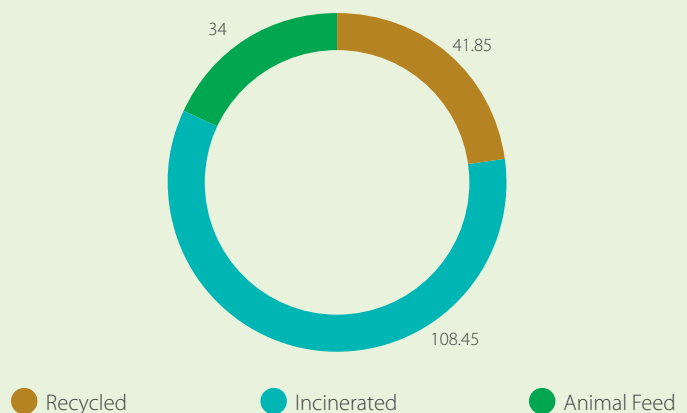
- Expansion of the Group's carbon footprint computation to include Scope 3 categories

GRI 306-3, 306-4, 306-5

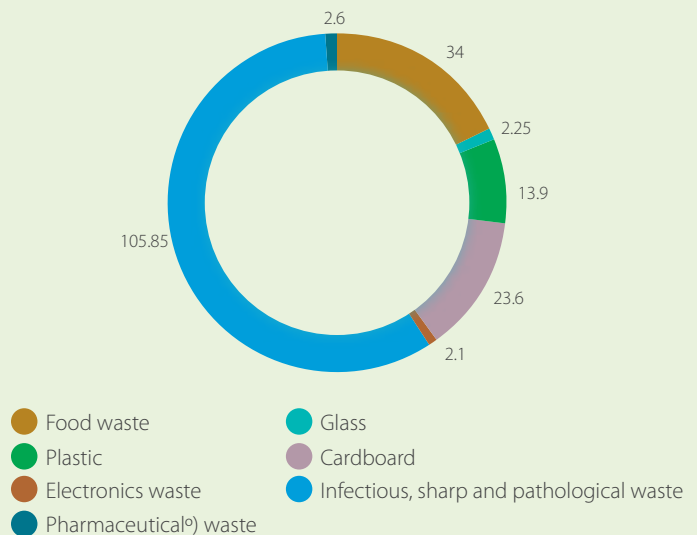
The key types of waste generated and the methods of disposal are set out below:

Type of waste	Disposal/repurpose method
Medical waste	<ul style="list-style-type: none"> • Effective segregation, collection, storage and transportation • High-temperature incineration, facilitated through an approved third-party service provider • The resulting ash is repurposed for brick production by the service provider
Non-medical waste	
Food waste	Animal feed
Glass	Recycled
Plastic	Recycled
Cardboards	Recycled
Electronic waste	Reused and recycled

Waste by disposal method (MT)



Waste generated by type (MT)





Where World Class Medical Care Meets Premium Hospitality

We redefine healthcare by combining clinical excellence with the warmth of personalised hospitality. From thoughtfully prepared meals to attentive service, every detail is designed to enhance comfort, recovery, and overall wellbeing.



Board of Directors

GRI 2-9



- ① **Maj Gen (Dr) P A Chrisantha Fernando (Retd.)** - Group Chairman
- ② **Mr. Chaminda Kumarasiri** - Group Managing Director
- ③ **Mr. Nusith Kumaratunga** - Director



- ④ **Mr. Sirimal Senaratne** - Director
- ⑤ **Mr. S.M.D.S Suriyakumara** - Director
- ⑥ **Ms. Shamalie Jayatunge** - Director

Board of Directors Contd.



- 7 **Mr. Sajith Wickramaarachchi** - Director
- 8 **Mr. Kavinda de Zoysa** - Director
- 9 **Mr. Susantha Ranasinghe** - Director



- ⑩ **Dr. U.D.P Ratnasiri** - Director
- ⑪ **Ms. Richa Debgupta** - Director
- ⑫ **Mr. Ashish Bhatia** - Director

Board of Directors Contd.

GRI 2-17

Maj Gen (Dr) P A Chrisantha Fernando (Retd.)

Group Chairman

Appointed on 13th August 2025

Skills and experience: Maj Gen (Dr) P A Chrisantha Fernando (Retd.) is a highly accomplished Consultant Anaesthetist with over 34 years of medical service, including 20 years at leading private hospitals in Sri Lanka. A decorated officer of the Sri Lanka Army Medical Corps, he has held senior leadership positions such as Director General Army Health Services and Colonel Commandant of the Army Medical Corps, Director Army Medical Services, and Director Army Hospital, Colombo.

Dr. Fernando earned his MBBS and MD in Anaesthesiology from the University of Colombo complemented by advanced training in the UK.

With extensive expertise in anaesthesiology, health services management, military medical leadership, emergency care, crisis management and strategic planning, his career highlights include spearheading the enhancement of Army hospitals across the country, leading COVID-19 prevention efforts in collaboration with the Ministry of Health, and mentoring the next generation of military medical professionals

Mr. Chaaminda Kumarasiri

Group Managing Director

Appointed on 09th December 2024 as a Director

Appointed on 05th June 2025 as the Group Managing Director

Skills and experience: Mr. Kumarasiri is an award-winning finance professional, dedicated advocate for good governance, thought leader, senior chartered accountant, corporate trainer, management consultant, and trusted business advisor with a proven track record of holding senior leadership positions in both prominent local entities and multinational corporations.

He holds a strong portfolio of academic and professional qualifications and has received several academic distinctions. Mr. Kumarasiri is a Fellow Member of the Institute of Chartered Accountants of Sri Lanka, the Association of Chartered Certified Accountants UK, the Association of Accounting Technicians of Sri Lanka and the Institute of Certified Management Accountants of Sri Lanka. He also holds a BSc Accountancy (Special) degree with First Class Honours from the University of Sri Jaywardenepura and an MBA in Finance from the University of Colombo. In recognition of his contribution to the advancement of the accounting profession, he was awarded the ACCA National Advocate of the Year Award in 2022.

Current appointments: Chairman of the ACCA Sri Lanka Member Networking Panel; Founder and President of the Asia Pacific Institute of Money and Entrepreneurship Development; Chairman of HCP Consulting (Pvt.) Ltd; and Independent Non-Executive Director at Sanasa Development Bank PLC, Asia Asset Finance PLC, and Sathosa Motors PLC.

Past appointments: Financial Controller at Bank of Ceylon, Chief Financial Officer at The Lanka Hospitals Corporation PLC, Assistant Vice President at HSBC Securities Services, and Senior Manager of Assurance and Advisory Business Services at Ernst & Young, where he was seconded to Ernst & Young LLP in New York.

Mr. Kumarasiri has made significant contributions to the professional community by serving as a Governing Council Member of the Institute of Chartered Accountants of Sri Lanka for two consecutive terms, where he chaired multiple committees and taskforces. Additionally, he has held the role of Commission Member at the Telecommunications Regulatory Commission of Sri Lanka. His international contributions include representing the entire South Asia region on the International Panel on Accounting Education (IPAE) at the International Federation of Accountants (IFAC).

Mr. Nusith Kumaratunga

Non-Independent, Non-Executive Director

Appointed on 10th January 2025

Skills and experience: Mr. Nusith Kumaratunga is a distinguished finance professional with over two decades of experience in audit, taxation and business advisory services. He began his career at PricewaterhouseCoopers before establishing Nusith Kumaratunga & Co. in 2000, a well-regarded firm providing audit, tax planning and consultancy services with a strong focus on supporting small and medium enterprises (SMEs). He has played an active role in strengthening Sri Lanka's SME sector, conducting numerous training programmes funded by the World Bank and the Ministry of Finance to enhance entrepreneurs' financial management capabilities. Mr. Kumaratunga also contributes to national economic discourse through participation in advisory panels focused on taxation and economic policy reforms. He is a Fellow of the Institute of Chartered Accountants of Sri Lanka and a member of the Institute of Certified Management Accountants and holds a B.Sc. in Estate Management and Valuation from the University of Sri Jaywardenepura.

Current appointments:

Director of LTL Holdings Limited, Chairman of National Transmission Network Service Provider (Private) Limited, Director of Kumbalgamuwa Mini Hydro (Pvt) Ltd, Director of Biomed Hydro Power (private) Limited, Director of Sri Lanka Energies, Director of Deduruoya Mini Hydro (Private) Limited.

Mr. N.P. Sirimal Senaratne

Independent, Non-Executive Director

Appointed on 9th December 2024

Skills and experience: Mr. Senarathne brings over 25 years of experience in corporate finance and investment banking, business advisory, commercial banking, project finance, strategic and corporate planning, international business and healthcare. He possesses extensive expertise in business and financial advisory, corporate communications and stakeholder engagement, business analysis, capital markets, transaction advisory, portfolio management, strategy and management, government related projects, investor roadshows, healthcare finance, project management and accounting and auditing. Over the course of his career, he has worked with a range of institutions in Sri Lanka and overseas, contributing to financial strategy, investment initiatives and advisory services across multiple sectors.

He is a fellow member of the Institute of Chartered Accountants of Sri Lanka

Current appointments: Member of Corporate Governance Committee, Annual Report Awards Committee and Annual Conference Committee of Institute of Chartered Accountants of Sri Lanka

Past appointments: Head of Finance, IT & Engineering at Durdans Healthcare Group, Chief Financial Officer of Millennium Capital Management (Pvt) Ltd in Maldives, Council Member and The Chairman of the Audit Committee in Gampaha Wickramarachchi University of Indigenous Medicine

Mr. S.M.D.S. Suriyakumara

Independent, Non-Executive Director

Appointed on 3rd January 2025

Skills and experience: Mr. Suriyakumara is an accomplished corporate leader with over 25 years of executive management experience across diverse industries including FMCG, automotive, medical care, nutraceuticals and pharmaceuticals. Throughout his career, he has consistently driven business growth, operational excellence and innovation within highly competitive and evolving environments.

He brings extensive expertise across key functional areas such as manufacturing, sales and marketing, with a strong focus on achieving sustainable business outcomes. Known for his strategic thinking, progressive mindset and decisive leadership, he has successfully navigated complex organizational challenges, strengthened operational efficiency and enabled long-term value creation.

In addition to his strong local presence, Mr. Suriyakumara is actively expanding his international engagement, building meaningful relationships across global markets. He maintains strong links with regional business networks, including representing Greater Mekong countries as well as European Countries Business Councils, positioning himself to foster cross-border collaborations and explore new market opportunities. His growing international outlook reflects a clear focus on connecting local business strengths with global potential.

He holds an Advanced Certificate in Hotel Management, an Advanced Certificate in Marketing, a National Diploma in Marketing, and a Diploma in International Relations.

Current appointments: Chief Executive Officer of Maliban Bioventures and Maliban Healthcare, diversified ventures of Maliban Group

Ms. Shamalie Madu Jayatunga

Independent, Non-Executive Director

Appointed on 9th December 2024

Skills and experience: Ms. Jayatunga is an accomplished legal professional with extensive expertise in international business law, dispute resolution and corporate advisory services including corporate restructuring, public private partnerships and high value transactions across multiple industries. Having practised law since 2011, she has represented clients in complex litigation and arbitration matters and has also contributed to legal education as a law lecturer, teaching corporate and contract law to aspiring professionals.

Her professional achievements include receiving the Fulbright Master's Student Award, the AIJA Scholar Award, recognition as a Young Lawyers Developing Bar Scholar of the International Bar Association and a Scholar Award from the Inter-Pacific Bar Association.

Ms. Jayatunga holds a Master of Laws in International Business and Economic Law from Georgetown University, graduating with distinction and receiving multiple academic honours. She also holds a Bachelor of Laws with Honours from the University of Colombo, is a SIMI Level I Certified Mediator, Member of the Chartered Institute of Arbitrators, and an Associate Member of the Chartered Institute of Management Accountants (UK) and a Chartered Global Management Accountant.

Current appointments: Director Lanka Aluminium Industries PLC and Director Wealth Trust PLC

Board of Directors Contd.

Mr. Sajith Govinda Wickramaarachchi

Independent, Non-Executive Director

Appointed on 09th December 2024

Skills and experience: Mr. Sajith Govinda Wickramaarachchi is a distinguished professional with an illustrious career spanning over four decades, celebrated for his expertise in strategic HR leadership and operations. His remarkable journey includes pivotal roles at multinational conglomerates and leading local enterprises such as Ceylon Tobacco Company, Virtusa, MAS Holdings, Loadstar, Bank of Ceylon, Brandix, Ceylon Biscuits, and LAUGFS Holdings.

Sajith's career is defined by his exceptional ability to revolutionize human capital and implement groundbreaking HR transformations. During his tenure at Ceylon Tobacco Company, a global leader in best practices, Sajith honed his expertise and laid the foundation for his trailblazing career. Building on this, he has driven transformational initiatives for some of the most respected corporate entities, setting benchmarks in HR strategies and industrial relations.

Among his key achievements, Sajith played a critical role in Ceylon Tobacco Company's victory at the National Productivity Award. He led Textured Jersey and LAUGFS Holdings to secure Great Place to Work awards and guided Ceylon Biscuits Limited to earn the prestigious Social Dialogue Award. These accolades highlight his ability to inspire cultural shifts and foster operational excellence. In addition to these achievements, Sajith is widely respected for his hands-on approach to solving complex challenges, empowering employees, and fostering collaborative work environments. His strategic insights have consistently driven growth, operational efficiency, and sustained success for the organizations under his leadership.

Sajith holds a Master's in Human Resource Management from the University of Colombo and has enriched his expertise through global institutions, including the National University of Singapore, Productivity Standards Board (Singapore), Oliver Wight (UK), Tactics Training Technology Institute (Australia), and JASTICA (Japan). Recognized as a visionary architect of performance-driven cultures, Sajith is celebrated for his ability to deliver transformative results. His leadership philosophy, aligning human potential with business objectives, has left a profound and lasting impact on the corporate world.

Mr. Kavinda de Zoysa

Independent, Non-Executive Director

Appointed on 23rd October 2025

Skills and experience: Mr. de Zoysa is a career banker with over three decades of diverse banking experience, including more than 25 years in senior management. During his career, he gained extensive exposure to both local and international banking environments and has held several senior leadership positions. His professional experience spans corporate and investment banking, digital transformation, risk management, strategic planning, mergers and acquisitions advisory, capital markets, management accounting, development banking, project finance, SME lending, banking operations, trade finance, export credit agency financing, audit, cash management and treasury.

He holds an MBA with Merit from the University of Colombo, where he was also awarded the Gold Medal for academic excellence. In addition, he is a Fellow of the Chartered Institute of Management Accountants UK, Fellow of the Chartered Institute of Marketing UK, Fellow of the Institute of Bankers of Sri Lanka and Fellow of the Institute of Certified Management Accountants of Sri Lanka. He is a Chartered Global Management Accountant and has successfully completed the ICAEW Non-Executive Director Certification jointly awarded by ICAEW and the Non-Executive Directors' Association UK. He has also successfully completed the Executive Education program in "Leading with Data and Analytics" from the University of Chicago Booth School of Business.

Current appointments: Chairman/Non-Executive Director of Bank of Ceylon, BOC UK Ltd (SMF9), Property Development Limited, Property Development & Management (Private) Limited, BOC IT Solutions (Private) Limited and Global Council Member of CIMA UK (Board of Directors)

Past appointments: Board Director of AmCham Sri Lanka, Director and Country Business Head at Citibank N.A Sri Lanka and core member of the Country Management Team and Governance Committees, Chairperson of MESANA Regional Engagement Group of the AICPA

Mr. R.A Susantha Kumara Ranasinghe

Independent, Non-Executive Director

Appointed on 24th July 2025

Skills and experience: Mr. Ranasinghe brings over 23 years of experience in the public sector, with extensive involvement in the oversight and governance of major State-Owned Enterprises (SOEs), including State Banks. He has also undergone extensive international training in accounting, auditing, financial management, procurement and risk management through several reputed global institutions and universities. He holds a Bachelor of Commerce degree from the University of Colombo, a Master of Science in Economics and Development Policy from Hiroshima University, Japan, and a Master of Business Administration from the University of Rajarata, Mihintale.

He is an Associate Member of the Institute of Chartered Accountants of Sri Lanka (ACA) and a Chartered Public Finance Accountant (CPFA), jointly awarded by the Institute of Chartered Accountants of Sri Lanka and the Chartered Institute of Public Finance and Accountancy (CIPFA), UK. In addition, he holds a Diploma in Public Procurement and Contract Administration from the Miloda Academy of Financial Studies, Colombo.

Current appointments: Director at the Department of Public Enterprises, Ministry of Finance, Economic Stabilization and National Policies, Board Member and Chairman of the Audit Committee and Risk Committee of the State Pharmaceuticals Manufacturing Corporation, Kalubowitiyana Tea Factory Ltd, and Sri Lanka Rupavahini Corporation.

Past appointments: Board Member of several SOEs, including the Neville Fernando Teaching Hospital, Vehicle Emission Trust Fund, Litro Gas Lanka Ltd and Elkaduwa Plantations Ltd

Dr. U.D.P Ratnasiri

Independent, Non-Executive Director

Appointed on 20th November 2025

Skills and experience: Dr. Ratnasiri is a distinguished Consultant Obstetrician & Gynaecologist with more than 34 years of experience in leading high-volume tertiary hospitals in both Sri Lanka and the United Kingdom. Renowned for his clinical excellence, he has demonstrated expertise in managing complex obstetric conditions and has pioneered surgical interventions, particularly in placental adhesive disorders. His contributions to postgraduate education have been significant, and he is recognised internationally as a leader, orator, trainer and examiner

Current appointments:

Head of Examination Unit Sri Lanka Medical council

Past appointments: Past Chairperson of the International Representative Committee of the Royal College of Obstetricians & Gynaecologists (RCOG), Adviser to the Maternal & Fetal Medicine Committee of the Asia Oceania Federation of Obstetrics & Gynaecology, Vice President of the South Asia Federation of Obstetrics & Gynaecology. Past President of the Sri Lanka College of Obstetricians & Gynaecologist and Perinatal society of Sri Lanka.

Ms. Richa Debgupta

Non-Independent, Non-Executive Director

Appointed on 08th August 2019

Skills and experience: Ms. Debgupta brings over 28 years of experience as a healthcare management professional, with extensive involvement in establishing and managing diverse healthcare delivery models ranging from single super specialty centres to multi-specialty and quaternary care hospitals. She currently serves as Chief of Strategy and Operations and is a member of the Executive Committee at Fortis Healthcare, one of India's largest healthcare providers, which operates a network of 33 hospitals across the country. In this role, she is responsible for guiding strategic initiatives across the Fortis Group and has played a key role in facilitating major acquisitions within the healthcare sector.

Ms. Debgupta actively contributes to several healthcare industry forums in India including the Confederation of Indian Industry, the Federation of Indian Chambers of Commerce and Industry, the Association of Healthcare Providers India and the Indian Chamber of Commerce. She was recognised by the President of India in 2013 for operating the country's most energy efficient hospital. She has also been recognised as Best Women Healthcare Leader by ABP News and was named Women of Impact in 2023 by the FICCI Ladies Organisation.

Ms. Richa has completed her Master's Program in Hospital Management from the prestigious Indian Institute of Healthcare Management Research, Jaipur and Advance Management Programme from Indian Schools of Business (ISB), Hyderabad.

Current appointments: Chief of Strategy and Operations and Member of the Executive Committee at Fortis Healthcare.

Mr. Ashish Bhatia

Non-Independent, Non-Executive Director

Appointed on 24th April 2019

Skills and experience: Mr. Bhatia brings over 40 years of multidisciplinary experience in healthcare management, marketing and related fields. Associated with the Fortis Group since 2002, he has held several leadership roles within the organisation and has contributed to the development of successful business initiatives and leadership teams across the Fortis network.

He is an alumnus of The Lawrence School, Sanawar.

Current appointments: Executive Vice President, Fortis Healthcare Ltd.

Past appointments: Vice President-Marketing at Hero Motors and many leadership positions in the Fortis Healthcare Group.

EXCO



- ① **Mr. Chaaminda Kumarasiri** - Group Managing Director
- ② **Dr. Sanjaya Ratnayake** - Group Director Medical Services
- ③ **Mr. M. B. G Wickramasiri** - Group Chief Financial Officer
- ④ **Dr. Geethani Galagoda** - Head of Lanka Hospitals Laboratories



- 5 **Dr. Anuradha Wickramasinghe** - Group Chief Human Resources Officer
- 6 **Mr. Nimal Ratnayake** - Group Chief Marketing Officer
- 7 **Mr. Mohamed Nizwer** - Group Head of Internal Audit
- 8 **Mr. Kanishka Kulasekera** - Group Chief Information Officer

EXCO Contd.

Dr. R.P. Sanjaya Ratnayake

Group Director Medical Services

With over 20 years of diverse experience in the healthcare sector, Dr. Ratnayake oversees clinical governance and medical operations, leveraging his expertise in hospital management, clinical excellence and patient care innovation to enhance service delivery, strengthen clinical outcomes and maintain consistently high standards of healthcare quality across the organisation.

Prior to joining The Lanka Hospitals Corporation PLC, he held senior leadership roles at Durdans Hospital, Hemas Hospitals and the Asiri Group of Hospitals, where he managed diverse medical and operational functions across multiple disciplines. His international exposure includes serving as a Senior House Officer in Neurosurgery at Queen's Hospital, Romford, UK and as a Resident Medical Officer at Nuffield Hospital, Plymouth.

Dr. Ratnayake holds an MD from the Russian State Medical University and an MSc in Healthcare Administration from Asia e University.

Mr. M. B. G Wickramasiri

Group Chief Financial Officer

As Group Chief Financial Officer of The Lanka Hospitals Corporation PLC, Mr. Wickramasiri leads the organisation's financial management and strategic planning, leveraging his strong leadership, analytical capability, and financial acumen to drive performance and strengthen organisational resilience. With over 25 years of extensive experience in strategic finance, including 12 years within the healthcare sector, he brings deep expertise across financial reporting, budgeting, compliance, risk management, and corporate planning.

He has previously held senior management roles both locally and internationally at American Oncology Institute, Tree Top Hospital, Asiri Health, and Durdans Hospital, where he was responsible for overseeing a broad and diverse portfolio of finance functions. His professional foundation is further reinforced by five years in audit and assurance at PwC, where he gained cross-sector exposure and developed strong competencies in financial accounting and analysis.

Mr. Wickramasiri holds an MBA from the University of Colombo and is a Chartered Global Management Accountant (CGMA) and a Fellow of the Chartered Institute of Management Accountants (CIMA, UK).

Dr. Geethani C.S. Galagoda

Head of Lanka Hospitals Laboratories

Dr. Galagoda serves as the Head of The Lanka Hospitals Laboratories, overseeing diagnostic operations and leading the Serology section within the Department of Microbiology. With extensive expertise in medical microbiology and laboratory services, she ensures the delivery of high-quality, accurate and reliable diagnostics. Her leadership has been instrumental in maintaining internationally recognised CAP and ISO accreditations, upholding the highest standards of clinical excellence.

Prior to joining The Lanka Hospitals Diagnostics, she served as a Consultant Virologist at the Medical Research Institute (MRI), leading national laboratories for Measles, Rubella and Japanese Encephalitis, while also heading the hepatitis section and contributing to national surveillance of communicable diseases. She continues to support the Ministry of Health through committee involvement and is an accomplished academic with numerous publications, presentations and editorial contributions, including serving as President of the Vaccine Forum of Sri Lanka.

Dr. Galagoda holds an MBBS, a Diploma and an MD in Medical Microbiology and has completed postgraduate training at CDC, USA.

Dr. Anuradha Wickramasinghe

Group Chief Human Resources Officer

Dr. Wickramasinghe brings over 25 years of experience in human resources and organisational psychology. She plays a key role in shaping the Group's people strategies and strengthening organisational capability to support the Group's long-term objectives including workforce planning, talent development, culture enhancement and organisational governance.

Her career includes strategic leadership roles in both multinational and local organisations, including Marks & Spencer and Next Sourcing in the UK, where she managed multi-country HR operations and developed high-performing teams. She has also contributed to HR transformation initiatives within leading Sri Lankan conglomerates, integrating global best practices with local business needs.

Dr. Wickramasinghe holds a Doctorate in Organisational Psychology, an MBA, LLB, BSc in HR Management and a Bachelor of Commerce. She has been recognised twice as a "Woman Icon for Outstanding HR" and serves as a lecturer at CIPM.

Mr. Nimal Ratnayake
Group Chief Marketing Officer

Mr. Ratnayake brings over 25 years of extensive experience in marketing and brand leadership. In his current role, he leads marketing strategy, brand positioning and customer engagement, driving growth and strengthening market presence. His leadership has contributed to prestigious awards, including Brand Leadership, Best Marketing Campaign and Best Social Media and Digital Marketing.

Prior to joining The Lanka Hospitals Corporation PLC, he held senior roles with multinational and local organisations, including Pfizer, 3M, Reckitt Benckiser, Sunshine Holdings PLC and Pan Asia Banking Corporation PLC. He also gained international experience in the UK with Wal-Mart Inc., representing the George ASDA brand. He contributes as a Council Member and Vice President of the Sri Lanka Institute of Marketing at the Ceylon Chamber of Commerce and has served as President of the Rotary Club of Colombo.

Mr. Ratnayake is a Chartered Marketer (CIM, UK) and holds a Postgraduate Diploma in Marketing and an MBA from the University of Keele, UK. He is also a Paul Harris Fellow.

Mr. Mohamed Nizwer
Group Head of Internal Audit

Mr. Nizwer has led the Group's internal audit function since 2008. He is responsible for strengthening governance, risk management and internal control frameworks, with a strong focus on continuous improvement and value creation across the Group.

With over 20 years of experience in finance and auditing, Mr. Nizwer has been instrumental in establishing and developing an independent and effective internal audit function within the organisation. His work centres on enhancing operational efficiency and providing assurance over key risk areas, supporting the Board and management in maintaining robust governance practices.

Mr. Nizwer holds an MBA from the University of Southern Queensland, Australia and is a Fellow Member of the Institute of Chartered Accountants of Sri Lanka. He also holds associate memberships from the Chartered Institute of Management Accountants (UK) and the Institute of Certified Management Accountants of Sri Lanka.

Mr. Kanishka Kulasekera
Group Chief Information Officer

Mr. Kulasekera leads the Group's IT strategy, governance and cybersecurity initiatives. He is responsible for strengthening digital infrastructure, enhancing information security and driving technology-enabled transformation to support operational efficiency and organisational resilience.

Prior to joining The Lanka Hospitals Corporation PLC, he served as Assistant General Manager – IT Governance and Security at Aitken Spence PLC, where he built over 22 years of experience in information technology, focusing on governance, risk management and cybersecurity. His experience includes managing complex IT environments and implementing robust security frameworks.




Mr. Kulasekera holds a Master of Science in Information Security from the University of Colombo School of Computing and a BSc (Hons) in Computer Systems and Networking from the University of Greenwich with First Class Honours. He is an ISO 27001 Certified Lead Auditor and holds an International Advanced Diploma in Networking and Cybersecurity from Singapore Informatics and is currently pursuing a DBA in Artificial Intelligence at the University of Colombo.



Corporate Governance Report

The corporate governance philosophy of The Lanka Hospitals is built on a foundation of integrity, accountability, and responsible leadership. As a state-owned organisation operating in the private healthcare industry, the Board recognises that strong governance practices are essential to ensuring the institution’s longevity, resilience, and public trust

Highlights of 2025

 <p>Board succession</p> <p>Appointment of new Chairman and Board of Directors thereby positioning the Group for a renewed phase of growth and transformation.</p>	 <p>Policies and delegation</p> <p>Implementation of key policies and clearly defined delegation frameworks to support effective decision-making and accountability.</p>
 <p>Ethics and culture</p> <p>Strengthened ethical culture through strong tone at the top, with the Board reinforcing values of integrity, accountability, and responsible conduct across the organisation.</p>	 <p>Board contribution to value creation</p> <ul style="list-style-type: none"> • Approval of Strategic Plan for 2026-2030 • Enhancing technology-based healthcare solutions • Enhancing clinical governance and quality of care interventions • Strengthening sustainability governance

Governance frameworks that support value creation

 <p>Board Skill Profile & Composition</p> <p>Highly skilled and diverse Board of Directors</p> <p>11 out of 12 Non-Executive Directors who bring independent judgement and domain-specific insights</p>	 <p>Effective Delegation</p> <p>Clear structures and delegation defined with sub-committees, charters and committee mandates</p>	 <p>Risk Management</p> <p>Enterprise Risk Management Framework</p> <p>Effective clinical governance mechanisms</p> <p>Combined assurance model</p>	 <p>Policy Framework</p> <p>Comprehensive and robust policy framework approved by the Board of Directors</p>
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Approach to corporate governance

The Group's governance framework forms the anchor of its value creation, reinforcing stakeholder confidence while supporting the delivering of safe, high-quality, patient-centered care. As the custodians of governance, the Board of Directors maintain a transparent and effective governance framework that ensures the Group is managed ethically, within acceptable risk parameters, and in compliance with applicable laws and recognised best practices. The Group's governance framework is designed to comply with relevant legislations and regulations as well as voluntary frameworks and standards as set out below.

LHC Governance Framework



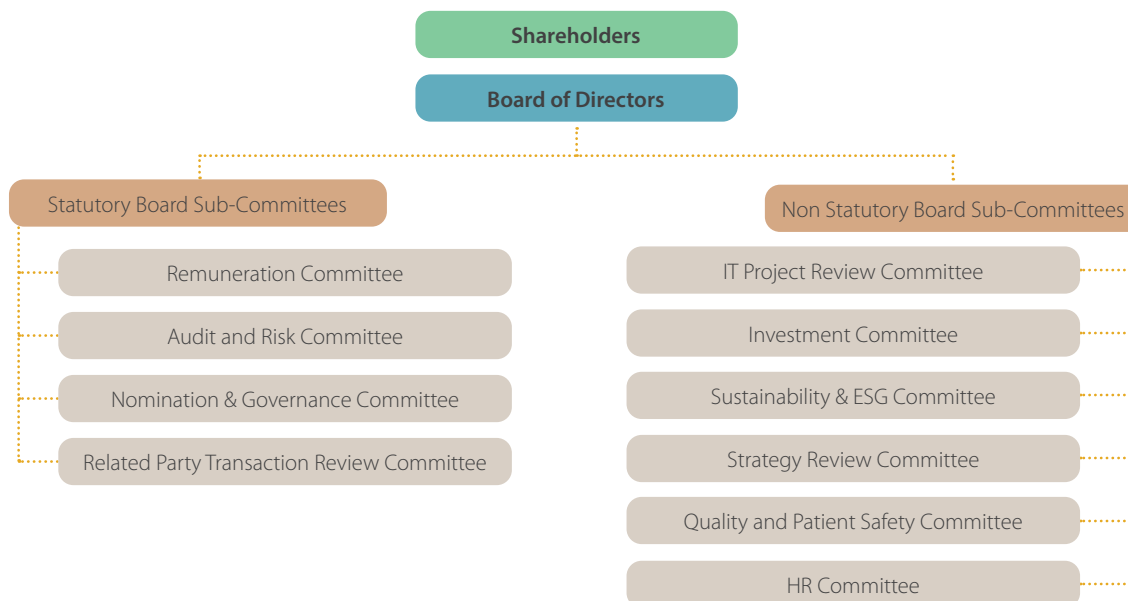
Governance outcomes



Corporate Governance Report Contd.

Governance structures and delegation

LHC’s governance structure is anchored by a competent Board and supported by Board Sub-Committees and executive management, ensuring a clear delineation of responsibilities that reinforces empowerment, integrity and safeguards the Group’s reputation as a trusted and responsible healthcare provider. During the year, the Group further strengthened its governance framework with the establishment of a Board Sustainability Committee providing focused oversight on these increasingly critical areas.



Board Sub-Committees GRI 2-13, 2-24

The Board has established several Sub-Committees to support the effective discharge of its responsibilities and to enable more focused oversight across key areas of governance. These Committees strengthen independent judgement while enabling the Board to leverage the expertise and experience of its members in specialised areas. Beyond the four mandatory Board Sub-Committees, the Board has established several non-mandatory committees to strengthen oversight across other critical areas, reflecting its continued focus on robust and forward-looking governance. Each Committee operates under clearly defined Terms of Reference that outline its objectives, authority, and decision-making processes. All Committees have been reconstituted to align with the latest requirements of the Listing Rules of the Colombo Stock Exchange. Refer to pages 109 to 120 for the further details on the activities of the Sub-Committees during the year.

Audit & Risk Committee

Mandate

- Assessing the integrity of the financial statements
- Oversight on the Group’s risk management framework
- Evaluating the adequacy of the Group’s internal control systems
- Oversight on internal and external audit

Composition

04 Independent, Non-Executive Directors
00 Non-Independent, Non-Executive Directors

11 Meetings held

Relevance to capitals

Remuneration Committee

Mandate

- Formulation of remuneration procedures in relating to Directors and KMP
- Oversight on performance evaluation of KMP
- HR policy formulation, target-setting and KPIs

Composition

03 Independent, Non-Executive Directors
00 Non-Independent, Non-Executive Directors

10 Meetings held

Relevance to capitals   

Nominations and Governance Committee

Mandate

- Review of all proposed related party transactions
- Monitor that all related party transactions are transacted on normal commercial terms
- Oversight on disclosure of related party transactions

Composition

03 Independent, Non-Executive Directors
01 Non-Independent, Non-Executive Directors

06 Meetings held

Relevance to capitals  


Related Party Transactions Review Committee

- Review of all proposed related party transactions of the Group
- Monitor that all related party transactions are transacted on normal commercial terms
- Oversight on disclosure of related party transactions

Composition

03 Independent, Non-Executive Directors
00 Non-Independent, Non-Executive Directors

04 Meetings held

Relevance to capitals 

Management Committees

Several Management Committees have been established to strengthen oversight across critical operational areas and to translate the Board's strategic direction and governance commitments into actionable initiatives. These committees comprise key executives and departmental heads representing functions such as operations, clinical care, quality, compliance, safety, finance, information technology, human resources, and marketing. Meeting regularly, the Management Committees review key performance indicators, monitor operational priorities, and identify areas for improvement, thereby supporting effective decision-making and ensuring the consistent delivery of high standards of patient care and service excellence.

Board meetings

The Board convenes every month or more frequently as required, to ensure timely oversight of the Group's affairs. Board meetings are scheduled early and duly informed to the Directors at the beginning of each calendar year. Directors are expected to be fully prepared and actively engage in discussions, with members of the executive leadership team attending by invitation. The Group Managing Director is invited to present a comprehensive overview of the Company's business activities and performance while the Group Chief Financial Officer (GCFO) provides an update on the Company's financial performance and key highlights. From time to time, business heads may also be invited to present updates relevant to their respective areas of responsibility.

Pre-Board meeting

- Meeting calendar prepared by the Company Secretary in advance and communicated to all Board members
- The Chairman sets the Board agenda in consultation with the Directors. Managing Director and the Company Secretary ensures adequate time is allocated for discussion of all items
- The finalised agenda and comprehensive Board pack is circulated at least 05 working days prior to the meeting. Board papers are also uploaded to a secure portal to give Directors remote access

Post-Board meeting

- Board minutes are circulated to all Directors at least 07 days after the conclusion of the Board meeting
- GMD's office follows up on action points and communicates Board decisions to the relevant members of management for implementation.

Corporate Governance Report Contd.

Company Secretary

The Company Secretary plays a pivotal role in supporting the effective functioning of the Board and ensuring that the organisation adheres to applicable regulatory and governance requirements.

- Advise the Board and individual Directors on their duties and regulatory compliance.
- Coordinate and facilitate Board and Committee meetings, including agenda setting and circulation of papers.
- Maintain minutes of Board, Committee and general meetings
- Maintain the shareholder register with current and historical details
- Ensure compliance with CSE listing rules, including related party disclosures
- Notify regulators of any changes in the governance structure (e.g., appointments/resignations of Directors)
- Facilitate the Annual General Meeting (AGM), including notice circulation and annual report distribution

Conflicts of interest GRI 2-15

In fulfilling their fiduciary responsibilities, Directors are required to disclose any actual or potential conflicts of interest to the Board. Each Director submits an annual declaration to the Related Party Transactions Review Committee detailing their interests in other entities and any external directorships held. Based on these declarations and other relevant information, the Board annually assesses the independence of each Director in accordance with the criteria set out in the Colombo Stock Exchange Listing Rules and the Code of Best Practice on Corporate Governance issued by CA Sri Lanka.

Meanwhile, information relating to related-parties and transactions and cross-board memberships are disclosed in the relevant sections of the financial statements.

LHC Directors' Attendance for Meetings - 2025

A total of 17 Scheduled Board meetings were held in FY 2025:

No.	Name of the Director	Designation	Board Meeting	Board Remuneration Committee	Audit & Risk Committee	Nomination & Governance Committee	Related Party Transaction Review Committee	Sustainability & ESG Committee
1	Dr. Nilupul Perera	Chairman - (Resigned)	8/8	-	1/4	2/2	-	-
2	Maj Gen (Dr) Chrisantha Fernando (Retd.)	Chairman	6/6	-	-	-	-	-
3	Mr. Chaaminda Kumarasiri*	Group Managing Director	17/17	6/6	5/5	2/2	-	2/2
4	Mr. Sajith Wickramaarachchi	Director	17/17	10/10	-	4/6	4/4	-
5	Ms. Shamalie Jayatunge	Director	17/17	10/10	11/11	-	4/4	2/2
6	Mr. Sirimal Senaratne	Director	17/17	-	11/11	6/6	4/4	2/2
7	Ms. Richa Debgupta	Director	6/17	-	-	-	-	-
8	Mr. Ashish Bhatia	Director	12/17	-	-	-	-	-
9	Mr. Nusith Kumaratunga	Director	16/16	-	-	4/4	-	-
10	Mr. S.M.D.S Suriyakumara	Director	16/17	6/6	8/8	4/4	-	-
11	Mr. Susantha Ranasinghe	Director	7/7	-	1/1	-	-	-
12	Mr. Kavinda De Zoysa	Director	3/3	-	-	-	-	-
13	Dr. Puspananda Ratnasiri	Director	2/2	-	-	-	-	-

*Mr. Kumarasiri ceased to be a member of the Board Remuneration Committee, Board Audit & Risk Committee and Board Nomination and Governance Committee upon his appointment as Managing Director.

Name of Director	Shareholding	Management/ Director	Material Business Relationship	Employee of Company	Family Member a Director or CEO	Nine Years of Continuous Service
Non-Executive Independent Directors						
1 Maj Gen (Dr) Chrisantha Fernando (Retd.) (Appointed w.e.f 13th August 2025)	None	Director	None	None	None	None
2 Mr. Sirimal Senaratne	None	Director	None	None	None	None
3 Ms. Shamalie Jayatunge	None	Director	None	None	None	None
4 Mr. Sajith Wickramaarachchi	None	Director	None	None	None	None
5 Mr. S.M.D.S Suriyakumara (Appointed w.e.f. 03rd January 2025)	None	Director	None	None	None	None
6 Mr. Susantha Ranasinghe (Appointed w.e.f 24th July 2025)	None	Director	None	None	None	None
7 Mr. Kavinda De Zoysa (Appointed w.e.f 23rd October 2025)	None	Director	None	None	None	None
8 Dr. Puspananda Ratnasiri (Appointed w.e.f 20th November 2025)	None	Director	None	None	None	None
9 Dr. Nilupul Perera (Resigned w.e.f. 05th June 2025)	None	Director	Note 01	None	None	None
Non-Executive Non-Independent Directors						
10 Mr. Nusith Kumaratunga (Appointed w.e.f. 10th January 2025)	None	Director	Note 02	None	None	None
11 Ms. Richa Debgupta	None	Director	Note 03	None	None	None
12 Mr. Ashish Bhatia	None	Director	Note 03	None	None	None
Executive Non Independent Directors						
13 Mr. Chaaminda Kumarasiri (Appointed as a Non-Executive Independent Director on 9th December 2024 and Group Managing Director on 5th June 2025)	None	Director	None	Yes	None	None

Note 01-Practising Medical Consultant at The Lanka Hospitals Corporation PLC

Note 02- Chairman of Sri Lanka Insurance Corporation Limited, which is the parent Company.

Note 03-Appointed by Fortis Global Healthcare Holdings Pte Ltd, which has shareholding of 28.66%

Board of Directors GRI 2-9

The Board represents a diverse group of professionals whose collective expertise, experience, and perspectives support effective governance and strategic oversight. The size and composition of the Board are carefully aligned with the evolving needs of the organisation and the broader healthcare landscape. The Board was refreshed during the year and now comprises 12 Directors, of whom 11 are Non-Executive Directors; of these, 8 are deemed independent, ensuring compliance with regulatory requirements and alignment with recognised best practices in corporate governance.

Board composition

90% of the Board comprises Non-Executive Directors while over 65% are Independent Directors thereby enhancing depth and bringing objective judgement to Board decisions

Gender Diversity

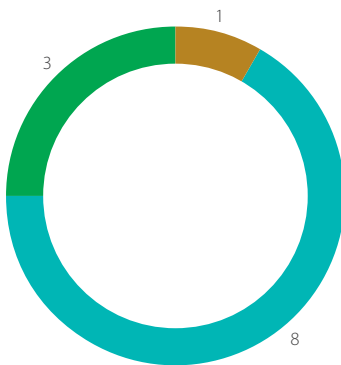


10 males



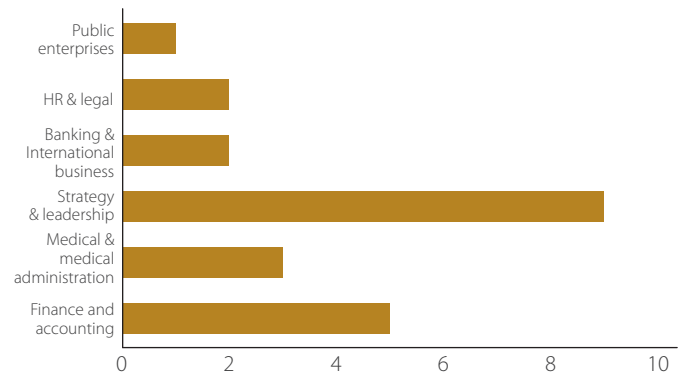
2 Females

Board composition



- Executive Director
- Non-Independent Non-Executive Director
- Independent Non-Executive Director

Skill profile



Contribution of Non-Executive Directors

The Group's Non-Executive Directors contribute to value creation and preserve the rights of shareholders through;

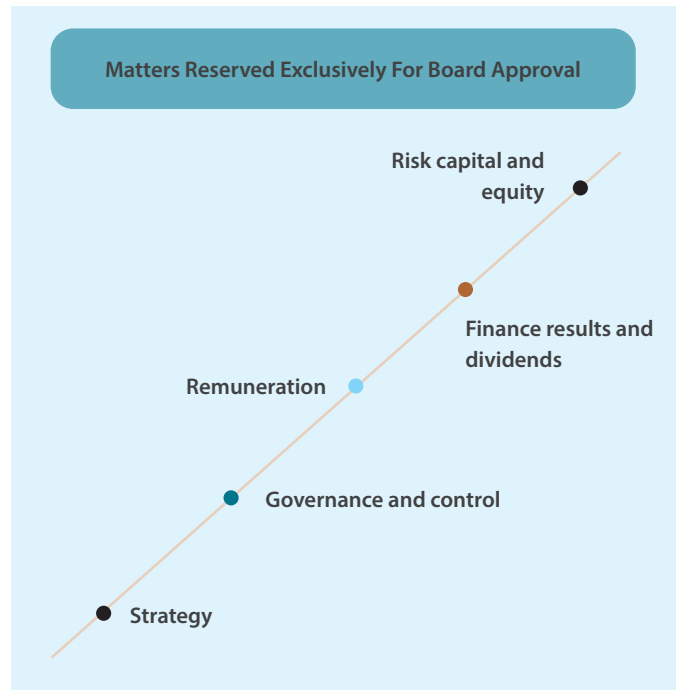


Corporate Governance Report Contd.

Board responsibilities GRI 2-12,2-14

The roles and responsibilities of the Board of Directors are clearly set out in the Board Charter and summarised below:

- Ensuring formulation and implementation of corporate strategy
- Ensuring effective systems to identify, mitigate and manage risks while assessing the integrity of the internal control system
- Ensuring that Key Management Personnel have the required skills, knowledge and values to drive strategic ambitions
- Ensuring compliance with all laws, regulations and ethical requirements
- Ensuring that key stakeholder interests are considered in corporate decisions
- Ensuring that businesses are developed in a sustainable manner and adoption of integrated reporting framework
- Formulating the Group's sustainability strategy and ensuring social and environmental considerations are given due consideration when pursuing business growth
- Nurturing a culture of integrity and accountability across the organisation



All Directors are expected to dedicate sufficient time and attention to the Company's affairs, actively contributing their expertise, insights, and independent judgement to Board deliberations. Directors are also obligated to disclose any potential conflicts of interest and abstain from relevant discussions. To formalise these expectations, the Board has approved and implemented a Policy on Directors' Internal Code of Business Conduct and Ethics

Balance of power GRI 2-11

The roles of the Chairman and the Managing Director are clearly segregated. While the Chairman leads the Board and ensures its effectiveness, the MD responsible for the day-to-day management of the Company's operations in alignment with the strategic direction set by the Board. This clear delineation of responsibilities ensures balanced leadership, strengthens accountability, and prevents the concentration of authority in a single individual.

Role of Chairman	Role of Group Managing Director
<ul style="list-style-type: none"> • Provide strategic leadership to the Board and guide overall governance practices. • Preside over Board meetings and ensure they are conducted effectively and regularly. • Maintain balance of power between Executive and Non-Executive Directors to support objective decision-making. • Encourage active and effective participation of all Directors in Board deliberations. • Oversee regulatory compliance by ensuring timely implementation of directives from regulators. • Set or delegate the agenda for Board meetings in consultation with the Company Secretary. • Ensure proper documentation of Board proceedings and decisions through well-maintained minutes. • Foster effective communication with shareholders and ensure their views are considered by the Board. 	<ul style="list-style-type: none"> • Lead day-to-day operations of the Company in alignment with the Board's strategic direction • Execute Board-approved strategies and ensure the achievement of corporate objectives • Provide leadership to the senior management team to drive performance and operational efficiency. • Safeguard the Company's financial health and ensure prudent risk management across all operations • Report to the Board on operational progress, business performance, risks, and opportunities. • Ensure compliance with legal, regulatory, and governance requirements across the organisation. • Build relationships with stakeholders, including investors, regulators, partners, and the wider community. • Support the development and implementation of ESG initiatives in alignment with the Company's sustainability goals. • Drive innovation, digital transformation, and continuous improvement to maintain competitiveness.

Appointment, retirement and rotation GRI 2-10

Board appointments are conducted through a formal and transparent process led by the Nomination & Governance Committee, which evaluates the strategic needs of the Group together with the skills, experience, and competencies required on the Board. Based on these considerations, profiles for potential candidates are developed and shortlisted by the Nomination & Governance Committee before being recommended to the Board. The Board then reviews these recommendations and proposes suitable candidates for appointment or re-election by shareholders at the Annual General Meeting. Details of newly appointed Directors are disclosed to the Colombo Stock Exchange and published in selected newspapers in accordance with regulatory requirements.

- 1/3rd of Directors in office retire at each AGM by rotation, with the Directors who have served for the longest period since their appointment/re-appointment retiring first
- Retiring Directors are eligible for re-election

Induction and training

All newly appointed Directors undergo a structured induction process designed to familiarise them with LHC's operations, governance framework, key policies, and their roles and responsibilities as members of the Board. As part of this process, a comprehensive Board induction pack is shared and presentations are conducted by relevant members of management to provide insights into the Group's strategy, operational priorities, and key governance practices, enabling new Directors to effectively contribute to Board deliberations from the outset.

Directors are regularly updated on developments in the economic and industry environment, as well as changes in regulations, voluntary standards, and other matters that may impact the Group and its operations. The areas on which Directors received updates during the year are outlined alongside. Directors are also encouraged to participate in programmes conducted by the Sri Lanka Institute of Directors. In preparing for Board Meetings, Directors are allowed to reach out to Corporate Management to obtain necessary information or clarifications. Directors are also allowed to seek independent professional advice at the Company's expense, as needed.

Board and Sub-Committee assessments

All Directors of LHC are required to participate in an annual Board self-assessment to evaluate their effectiveness and contributions. The completed assessments are submitted to the Nominations Committee, which, in consultation with the Chairman of the Board, reviews the outcomes to identify any gaps in skills and determine the training and development initiatives required to further strengthen the Board's overall effectiveness. Findings of the Board and Sub-Committee assessments conducted during the year are presented alongside:

Results of Board self-assessment in 2025

Board achieved a solid overall score of 3.81 out of 5 reflecting generally effective governance and oversight. The top three success areas stemming from the Board performance evaluation area as follows:

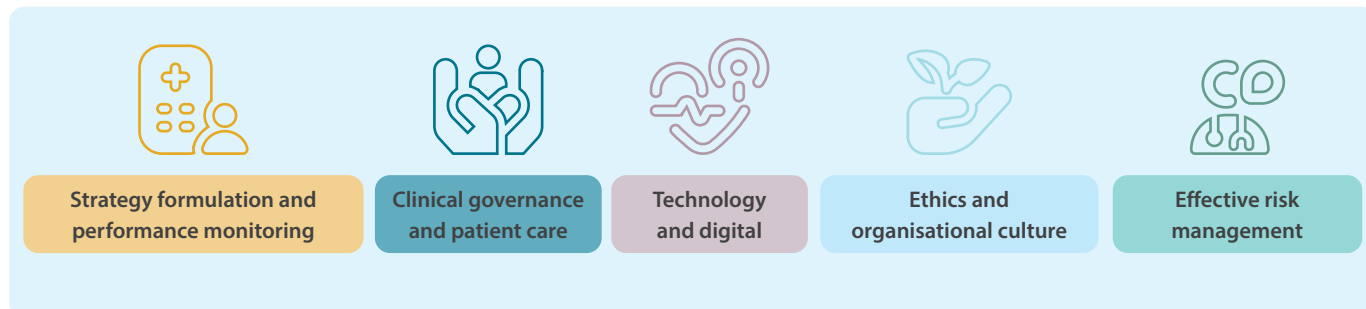
1. Strong compliance oversight
2. Healthy board member relationship
3. High meeting effectiveness

The Nomination and Governance Committee particularly drew attention to the areas for improvement and necessary training needs were identified to address the gaps. In addition, effectiveness of the Board Sub-Committee performance was also evaluated in this process.

Corporate Governance Report Contd.

Board Contribution to Value Creation 2025

During the year under review, the newly constituted Board played a pivotal role in laying the foundation for the Group’s next phase of growth and transformation. The Board provided strategic guidance and oversight to accelerate key initiatives aimed at enhancing patient-centred service delivery and positioning the organisation for long-term value creation. Key areas of Board focus during the year are given below;



Strategy formulation and performance monitoring

In fulfilling its responsibility for strategic oversight, the Board continuously monitors emerging risks and opportunities while evaluating the resilience of the Group’s business model in responding effectively to these dynamics. During the year under review, the Board also reviewed and approved the Group’s strategic plan for 2026-2030, HEARTS 360 setting the blueprint for the Hospital’s transformation and next phase of growth. Non-Executive Directors played an important role in this process, contributing their domain specific knowledge and deep industry insights in formulating strategy.

Information shared with Board on a regular basis	Board contribution to strategy formulation
<ul style="list-style-type: none"> External developments including political, demographic, macroeconomic and social matters Performance against financial and operational targets and metrics People-related developments including changes in headcount, health and safety and engagement initiatives Major key risk exposures Key risk exposures Developments in the competitive landscape 	<ul style="list-style-type: none"> Overseeing the Group’s strategic direction and approval of Annual Corporate Plan Monitoring monthly, quarterly and annual financial results Monitoring progress against strategic KPIs Evaluating the Group’s risk exposures on an ongoing basis



Compliance with the Provisions of the Companies Act No 07 of 2007

Companies Act No. 7 of 2007	Compliance Status	Details
168(1)(a) The nature of the business together with any change thereof	Compliant	Please refer pages 131 to 170 of this report.
168(1)(b) Signed financial statements of the Group and the company	Compliant	Please refer pages 164 to 212 of this report.
168(1)(c) Auditors' Report on financial statements	Compliant	Please refer pages 160 to 163 of this report.
168(1)(d) Accounting policies and any changes therein	Compliant	Please refer pages 171 to 185 of this report.
168(1)(e) Particulars of the entries made in the interests register	Compliant	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	Compliant	Refer note 08 to the Financial Statements on page 187.
168(1)(g) Corporate donations made by the company	Compliant	Refer page 132 of this report.
168(1)(h) Information on Directorate of the company at the end of accounting period	Compliant	Please refer pages 88 to 95 of this report.
168(1)(i) Amounts paid/payable to the External auditor as audit fees and fees for other services rendered	Compliant	Refer note 08 to the Financial Statements on page 187.

Governance Compliance Dashboard

Governance Pillar	Status
Governance Framework Disclosure	Fully compliant
Policy Framework (12 Mandatory Policies)	Implemented & Published
Board Structure & Balance	Compliant
Board Committees	Fully Functional
Shareholder Engagement	Ongoing
Risk & Internal Controls	Assured

Corporate Governance Report Contd.

Compliance with CSE Continuing Listing Rules – Section 7.6

CSE Rule Reference	Corporate Governance Principles Compliance	Page Reference
7.6 (i), (ii)	Names of persons who during the financial year were Directors and principal activities during the year	Report of the Board of Directors Pages 88 to 95
7.6 a(iii), (iv)	Twenty largest Shareholders, float adjusted market capitalisation, public holding percentage, no. of public shareholders and minimum required public shareholding	Refer Investor Information page 213
7.6 (v)	Directors' and CEO's (MD's) holding in shares	Refer Share Information page 214
7.6(vi)	Material foreseeable risk factors of the entity	Refer page 126
7.6 (vii)	Details of material issues pertaining to employees and industrial relations of the Entity	Refer page 30
7.6 (viii)	Extents, locations, valuations, number of buildings	Refer page 192
7.6 (ix)	Number of shares representing the Entity's stated capital	Refer page 133
7.6 (x)	Shareholder Distribution Schedule including percentage of total holding in given categories	Refer page 213
7.6 (xi)	Ratios and Market Price Information	Refer page 10
7.6(xii)	Changes in Entity's and subsidiaries fixed assets and market value of land	Refer page 190
7.6 (xiii)	If during the financial year the entity has raised funds either through a public issue, rights issue or private placement.	Not applicable
7.6(xiv)	Information in respect of Employee Share Ownership or Stock Option Schemes	Not applicable
7.6 (xv)	Disclosures pertaining to Corporate Governance practices in terms of Section 9 of the Listing Rules	Refer page 111
7.6 (xvi)	Related party transactions exceeding 10% of Equity or 5% of total assets of the Entity as per audited financial statements, whichever is lower. Details of investments in a Related Party and amounts due from a Related Party	Refer page 205
7.6 (xvii) to 7.6 (xxii)	Disclosure relating to Foreign Currency denominated Securities, listed GSS+Bonds, Perpetual Debt Securities, Infrastructure Bonds, Shariah Debt Securities, High Yield Corporate Debt Securities	Not applicable
7.7	Securities Certificates	All Shareholders are encouraged to convert their certificates into demat form
7.8	Disclosure of Dealings by Directors and CEO/MD	Disclosures are made where relevant

Compliance with the Corporate Governance Rules of Colombo Stock Exchange Contd.

	Corporate Governance Requirement	Level of compliance	Status of compliance
9.1	Company shall publish a statement confirming the extent of compliance with the Corporate Governance Rules set out herein, in the Annual Report of the Entity.	This report embodies the level of compliance with the Corporate Governance Rules of CSE.	Compliant
9.2.1	Company shall establish and maintain the 12 new policies and disclose the fact of existence of such policies together with the details relating to the implementation of such policies by the Entity on its website.	All the 12 policies have been uploaded to company's website (https://www.lankahospitals.com/private-hospital-colombo-about/corporate-governance-policies/).	Compliant
9.3.1 and 9.3.2	Company shall ensure that the following Board committees are established and maintained at a minimum and are functioning effectively. The said Board committees at minimum shall include; (a) Nominations and Governance Committee (b) Remuneration Committee (c) Audit Committee (d) Related Party Transactions Review Committee.	All the committees are in place	Compliant
9.3.3	The Chairperson of the Board of Directors of the Company shall not be the Chairperson of the Board Committees referred to in Rule 9.3.1 above.	Chairperson of the Company does not serve as the Chairman of any of the Board Sub-Committees.	Compliant
9.4.1	Company shall maintain records of all resolutions and the following information upon a resolution being considered at any General Meeting of the Company. The Company shall provide copies of the same at the request of the Exchange and/or the SEC.	Records of all shareholder meetings are maintained electronically by the Company Secretary. Copies of these records would be made available to CSE/SEC upon request.	Compliant
9.4.2	Communication and relations with shareholders and investors	Company has an ongoing process to communicate with shareholders and investors. Shareholders are encouraged to raise their concerns at shareholders meetings. Annual Report provides pertinent information of the company and future outlook of the company. The Senior Finance Manager and the Company Secretaries are entrusted to communicate with shareholders on matters concerning them. Details of contact persons are found in the Company's website.	Compliant.
9.5.1	Company shall establish and maintain a formal policy governing matters relating to the Board of Directors	The Board of Directors have mutual consent regarding the Board balance. Currently there are 11 Non-Executive Directors. Roles of the Chairman, and the Group Managing Director are held by two different persons. The GMD is in the Executive capacity and is also a Board member. Board conducts self- assessment of Board -performance annually whilst performance of the GMD is reviewed by the Board through the Remuneration Committee and Nomination and Governance Committee.	Compliant

Corporate Governance Report Contd.

Compliance with the Corporate Governance Rules of Colombo Stock Exchange Contd.

	Corporate Governance Requirement	Level of compliance	Status of compliance
9.6	The Chairperson of the Company shall be a Non-Executive Director and the positions of the Chairperson and CEO shall not be held by the same individual.	Chairman of the Company is a Non-Executive Director. Roles of the Chairman and the Group Managing Director are held by two different persons.	Compliant
9.6.3	The Company shall appoint an Independent Director as the SID in the following instances: <ol style="list-style-type: none"> The positions of the Chairperson and CEO are held by the same individual. The Chairperson is an Executive Director. The Chairperson and CEO are Close Family Members or Related Parties 	As the company is compliant with Rule 9.6, the appointment of Senior Independent Director is not required.	Not applicable
9.7	Fitness of Directors and CEOs as per the criteria set out in the regulations	All the Directors including the GMD have submitted written declarations confirming that they are Compliant with the fit and proper criteria set out in the regulations to hold their respective positions in the Company.	Compliant
9.8	Board Composition <ul style="list-style-type: none"> Minimum of 5 Directors Minimum 2 or 1/3 of the directors whichever is higher shall be independent directors 	As of 31st December 2025, there are 12 directors and 08 of them are independent non-executive directors.	Compliant
9.9	Alternate directors shall only be appointed in exceptional circumstances and for a maximum period of one (1) year from the date of appointment.	There are no Alternate Directors on the Board as of 31st December 2025.	Compliant
9.10.1	Company shall disclose its policy on the maximum number of directorships its Board members shall be permitted to hold	Company policy on matters relating to the Board of Directors stipulate the maximum number of directorships a board member can hold.	Compliant
9.10.2	The Company shall, upon the appointment of a new Director to its Board, or changes to the composition of board sub committees, make an immediate Market Announcement in a manner set out in the regulation.	As and when there is a new appointment to the Board, immediate market announcement is made in compliance with Rule 9.10.2.	Compliant
9.11	The Company shall have a Nominations and Governance Committee to maintain a formal procedure for the appointment of new Directors and re-election of Directors to the Board and have a written Terms of Reference.	Nominations and Governance Committee was set up and due notifications were made to CSE regarding its composition and changes to the Board of Directors. All new director appointments are reviewed and recommended by the Nomination and Governance Committee.	Compliant
9.12	The Company shall have a Remuneration Committee that conforms to the requirements of these regulations and shall have a written Terms of Reference	There is a Remuneration Committee in place with a written Terms of Reference.	Compliant
9.12.3	The Remuneration Committee shall establish and maintain a formal and transparent procedure for developing policy on Executive Directors' remuneration and for fixing the remuneration packages of individual Directors.	The Remuneration Committee set out the basis of determining the remuneration package of the Group Managing Director, who is a Non-Independent Executive Director of the Board.	Not applicable

Compliance with the Corporate Governance Rules of Colombo Stock Exchange Contd.

Corporate Governance Requirement	Level of compliance	Status of compliance
9.12.6 Functions and Composition of the Remuneration Committee Comprise a minimum of 3 Directors out of which a minimum of 2 shall be independent Not consist of Executive Directors Chairperson to be an Independent Director	All 3 Directors on the Remuneration Committee who were serving in the committee were independent Non-Executive Directors. Remuneration Committee Report provides required disclosures to this Annual Report.	Compliant
9.13 Where the Company does not maintain separate Committees to perform the Audit and Risk Functions, the Audit Committee shall additionally perform the Risk Functions set out in the regulations. The Audit Committee shall have a written terms of reference clearly defining its scope, authority and duties	The Board has decided to entrust the scope of the Risk Committee to the Audit Committee. There is a written Terms of Reference for the Audit and Risk Committee.	Compliant
9.1.3.3 <ul style="list-style-type: none"> The members of the Audit Committee shall; (a) comprise of a minimum of three (03) directors of the Company, out of which a minimum of two (02) or a majority of the members, whichever is higher, shall be Independent Directors; (b) not comprise Executive Directors. The quorum for a meeting of the Audit Committee shall require that the majority of those in attendance to be independent directors. The Audit Committee may meet as often as required provided that the Audit Committee compulsorily meets on a quarterly basis prior to recommending the financials to be released to the market. <ul style="list-style-type: none"> An Independent Director shall be appointed as the Chairperson of the Audit Committee by the Board of Directors. Unless otherwise determined by the Audit Committee, the CEO and the Chief Financial Officer (CFO) of the Listed Entity shall attend the Audit Committee meetings by invitation. Where the parent and subsidiary are both listed, the AC of the parent may be permitted to function as the AC of the subsidiary. The Chairperson of the AC shall be a Member of a recognised professional accounting body. Provided, however this Rule shall not be applicable in respect of Risk Committees where there is a separate Risk Committee and Audit Committee. 	As at 31st December 2025 Audit and Risk Committee consists of 04 Independent Non-Executive Directors. No Executive Directors are on the Audit Committee. Audit Committee meet at least once a quarter. There were 11 Audit Committee meetings held during the financial year ended 31st December 2025. The attendance at the Audit Committee is given on 140 of the Annual report. Chairman of the Audit and Risk Committee is an independent Non-Executive Director of the Board. GMD and GCFO attend the Audit and Risk Committee meetings by invitation. Not applicable. The Chairperson of the Audit Committee is a Member of Institute of Chartered Accountants of Sri Lanka.	Compliant
9.13.4 Functions and Annual Report Disclosures of the Audit Committee.	Functions of the Audit Committee during the financial year and the Annual Report Disclosures are given in the Report of the Audit Committee on page 140.	Compliant
9.14.1 Company shall have a Related Party Transactions Review Committee that conforms to the requirements set out in the regulation	Related Party Transactions Review Committee is in place.	Compliant

Corporate Governance Report Contd.

Compliance with the Corporate Governance Rules of Colombo Stock Exchange Contd.

Corporate Governance Requirement	Level of compliance	Status of compliance	
9.14.2	<ul style="list-style-type: none"> The Related Party Transactions Review Committee shall comprise a minimum of three (03) Directors of the Listed Entity, out of which two (02) members shall be Independent Directors of the Company. It may also include executive directors, at the option of the Company. An Independent Director shall be appointed as the Chairperson of the Committee. If a parent company and the subsidiary are Listed Entities, the Related Party Transactions Review Committee of the parent company may be permitted to function as the Related Party Transactions Review Committee of the subsidiary. 	<p>As at 31st December 2025, all 3 members of the Related Party Transactions Review Committee are independent non-executive directors.</p> <p>An independent non-executive director is the Chairman of the Related Party Transactions Review Committee.</p> <p>Not applicable.</p>	<p>Compliant</p> <p>Compliant</p>
9.14.4	<ul style="list-style-type: none"> The Related Party Transactions Review Committee shall meet at least once a calendar quarter. Minutes of meetings are properly documented and communicated to the Board of Directors. The minutes of the RPTRC are tabled at the meetings of the Board of Directors on a periodic basis. Members of the RPTRC to ensure they have or have access to adequate knowledge expertise and advice. Where necessary, the RPTRC shall request the Board of Directors to approve the Related Party Transactions which are under review by the RPTRC. In such instances, the approval of the Board of Directors should be obtained prior to entering into the relevant Related Party Transaction. Interested Directors shall not vote on or shall not be present during the deliberations on the specific matter 	<p>There were 4 Related Party Transactions Review Committee Meeting during the year. These were held in each quarter.</p> <p>Minutes of the Related Party Transactions Review Committee are circulated to the Board every quarter.</p> <p>Committee seeks expertise and professional knowledge on matters need technical assistance.</p> <p>Such instance did not occur during the financial year 2025.</p> <p>Directors of the RPTRC are aware of their obligations.</p>	<p>Compliant</p>
9.14.5	<ul style="list-style-type: none"> The Related Party Transactions Review Committee shall review in advance all proposed Related Party Transactions In the event of any material changes to a previously reviewed Related Party Transaction in terms of Rule 9.14.5 (1) such proposed material changes shall also be reviewed by the RPTRC prior to the completion of the transaction. The RPTRC shall be provided with all the facts and circumstances of the proposed RPT by the senior management to facilitate the review of a RPT. Directors shall not participate in discussions where there is conflict except for the express purpose of providing information. Where necessary, a special committee to be created to review a proposed RPT. If a Related Party Transaction will be ongoing (a Recurrent Related Party Transaction), the Related Party Transactions Review Committee may establish guidelines for the senior management to follow in its ongoing dealings with the Related Party. Thereafter, the Committee, on an annual basis, shall review and assess ongoing relationships with the Related Party to determine whether they are in compliance with the Committee's guidelines and that the Related Party Transaction remains appropriate. 	<p>The committee reviews all RPT for each quarter.</p> <p>No such situations trigger during the financial year.</p> <p>Management is conversant with their responsibility to furnish required facts and information necessary to review a RPT.</p> <p>Directors are fully aware of their obligations in respect of conflict of interest.</p> <p>RPTR committee may set out guidelines deemed necessary for ongoing RPT (if any) after assessing the nature of such transactions.</p>	<p>Compliant</p>
9.14.6	<p>The Company shall obtain shareholders' approval by way of a Special Resolution for the Related Party Transactions as soon as the value of the transaction exceeds threshold limits as set out in the regulations</p>	<p>During the year, there were no recurrent or non recurrent RPTs that required shareholders' approval by way of a special resolution.</p>	<p>Not applicable.</p>

In terms of Rule 9.16 of the Regulation, the Board of Directors disclose as follows:

- (i) The Board of Directors of The Lanka Hospitals Corporation PLC continued to promote robust governance system in the Group. We have declared all material interest in contracts involving in the Company and we have refrained from voting on matters in which we were materially interested.
- (ii) We present glimpse of our governance framework that fosters sustainable business to our valued shareholders, regulatory authorities and other stakeholders. Our governance framework encompasses accountability, ethical conduct, and transparent decision-making, and we continue to apply regulatory and best-practice requirements.
- (iii) We have conducted a review of the internal controls covering financial, operational and compliance controls and risk management and have obtained reasonable assurance of our effectiveness and successful adherence therewith.
- (iv) We made arrangements to make ourselves aware of applicable laws, rules and regulations and are aware of changes particularly to Listing Rules and applicable capital market provisions.
- (v) There was no material non-compliance with law or regulation or any fines, which are material, imposed by any government or regulatory authority in any jurisdiction where the Company has operations.
- (vi) The Board and the Management remain committed to maintaining a robust governance culture, supported by effective oversight, clear delegation, and disciplined assurance mechanisms. We continue to adhere to the applicable requirements of Listing Rules on Corporate Governance issued by the CSE, as well as the Code of Best Practice on Corporate Governance - 2023 issued by CA Sri Lanka. We will continue to strengthen governance standards as we pursue resilient performance and sustainable growth.

Compliance with the Code of Best Practice on Corporate Governance 2023

Governance Effectiveness Overview

Governance Dimension	Implementation Status
Board Effectiveness	Strong
Independence & Balance	Maintained
Performance Evaluation	Annual
Remuneration Oversight	Transparent
Shareholder Engagement	Active
Audit & Risk Controls	Effective
ESG & Sustainability	Integrated

A.1 and A1.1 An effective Board should direct, lead and control the Company regular meetings

Structure and process of submitting information

The Board meets on a monthly basis and attendance at meetings is given on page 104 Board packs are circulated 05 working days prior to the Board meeting and typically include the following information:

- Financial and operational information including progress on agreed strategic priorities
- Key Performance Indicators
- Financial statements for the relevant month quarter and year to date together with comparatives for the corresponding period of the previous financial year and budgets
- Performance of Medical quality indicators
- Update on marketing activities carried out during the period

A.1.2 Roles & Responsibilities of the Board

The Role and Responsibilities of the Board are found in page 137.

A.1.3 Act in accordance with laws

The Board has set in place a framework of policies set out on page 121 to ensure compliance with regulatory requirements and procedures.

A.1.4 Access to advice and services of Company Secretary

All Directors have access to the advice and services of the Company Secretary. Secretarial function is provided by Deloitte Corporate Services (Private) Limited which is responsible for ensuring follow up of Board procedures, compliance with rules and regulations, directions and statutes, keeping and maintaining minutes and relevant mandatory records of the Group.

Corporate Governance Report Contd.

Compliance with the Code of Best Practice on Corporate Governance 2023 Contd.

A.1.5 Independent judgement

Directors bring independent judgment on issues of strategy, performance, resources and business operation. The composition of the Board ensures that a sufficient balance of power, skills and competence are exercised by all Directors. All the Board members are professionals who are required to conform to professional codes of conduct which require the exercise of independent judgement in discharge of their duties.

A.1.6 Dedicate adequate time and effort to matters of the Board and the Company

Dates of regular Board meetings and Board Sub-Committee meetings are scheduled at the beginning of the year and the relevant papers are circulated prior to the meeting giving sufficient time for review. There is provision to circulate papers closer to the meeting on an exceptional basis only.

A.1.7 Calls for resolutions

Any Director can call for a resolution to be presented to the Board if deemed to be in the best interest of the Company.

A.1.8 Board induction and Training

Directors acknowledge need for continuous training and expansion of their knowledge and upskilling to effectively contribute at board level. They are encouraged to attend sessions of the Sri Lanka Institute of Directors and other corporate forums on relevant matters. As independent professionals, many of the Directors also conform to Continuing Professional Development (CPD) requirements of their respective professional organisations. Board members are also given insights into regulatory changes that may impact the industry at Board meetings

In accepting an appointment as a Director, consideration is given to the responsibilities of the role, ability to commit time, any existing or potential conflicts of interest and required competencies.

A.2 Chairman & Chief Executive Officer GRI 2-11

Functions of Chairman and Group Managing Directors are two separate roles. Chairman is an Independent Non-Executive Director whilst the Group Managing Director is a Non-Independent Executive Director vested with executive powers who directly reports to the Board of Directors.

A.3. Chairman's role in preserving good corporate governance

The Chairman plays a pivotal role in preserving and fostering good corporate governance practices at board level.

A.3.1 Conduct of Board Meetings

The Chairman ensures the following:

Board Agenda Development Process

Directors' Inputs + Best Practices + Compliance Requirements + Business Needs



Company Secretaries Consolidation



Chairman Reviews & Approves Agenda



Final Board Meeting Agenda

2. Inclusive Board Participation

All Directors



Equal Opportunity to Contribute



Open Discussion at Board Level

Compliance with the Code of Best Practice on Corporate Governance 2023 Contd.

3. Information Access & Transparency

Directors



Request Additional Documents / Clarifications



Management / External Experts Provide Support

4. Subcommittee Reporting Flow

Subcommittee Meetings



Minutes Prepared & Circulated



Subcommittee Chair briefs board



Board Reviews Recommendations and approves with or without changes

A.4 Availability of financial acumen

The Board composition includes 5 Directors possessing financial expertise, who actively involve in deliberation of matters relating to company performance.

A.5 Board Balance

There are 12 Directors of which 11 are Non-Executive Directors.

A.5.1 Majority of Non- Executive Directors

Majority of Non-Executive Directors are independent of any material business relationships.

A.5.2 If only 3 NEDs, they should be independent

8 out of 12 Directors are Independent Non-Executive Directors and they exercise their unfettered and independent judgement.

A.5.3 Independence of Directors

Independent directors are free of any business or other relationship that could materially interfere with their independence.

A.5.4 Annual declaration by Directors

All Non-Executive Directors submitted signed and dated declarations of his/her independence or non-independence against the specified criteria.

A.5.5 Annual determination of independence

The Board determines the independence of Directors on an annual basis based on annual declarations submitted by the Directors and other information based on the requirements of the Code as set out in A.5.5.

A.5.6 Alternate Directors

The Company does not have any alternate Directors.

A.5.7 & A.5.8 Senior Independent Directors

There is no requirement to appoint a Senior Independent Director to the Board.

A.5.9 Annual meeting with NED

The Chairman holds a meeting with only Non-Executive Directors at least once a year.

Corporate Governance Report Contd.

Compliance with the Code of Best Practice on Corporate Governance 2023 Contd.

A.5.10 Recording of dissent in minutes

Directors' concerns on matters which have not been resolved unanimously are recorded in the Board minutes and Directors have the opportunity to review Minutes.

A.6. Supply of Information

The Chairman ensures that all Directors are briefed on issues arising at Board Meetings by requiring management to provide comprehensive information including both quantitative and qualitative information for the monthly Board meetings 5 days prior to the Board/Sub-Committee meetings. They also have the right to seek independent professional advice at the Company's expense and copies of advice obtained in this manner are circulated to other Directors who request it. Any Director who does not attend a meeting is updated on proceedings prior to the next meeting.

A.7. Appointments to the Board: Nomination & Governance Committee

Refer Report of Nominations & Governance Committee on pages 138.

A.8 Directors to submit themselves for re-election

1/3 of the Directors offer for re-election at the AGM. Executive Directors are not Subject to retire by rotation. All new directors appointed during the financial year are also offer themselves up for election by the shareholders at the AGM.

A.9 Appraisal of Board & Committee Performance GRI 2-18

The Board undertakes an annual self-evaluation of its performance, that of its committees, Chairman, Non-Executive Directors and Executive Directors.

A.10 Annual Report to disclose specified information regarding directors

Profiles of Board members on page 88.

Membership of sub-committees and attendance at Board and Subcommittee meetings on page 104.

Remuneration paid to directors on page 187.

Board seats held by each Director in listed and unlisted Companies on pages 92 to 95.

Names of listed and non listed companies in Sri Lanka in which they serve as directors on pages 92 to 95.

A.11 Appraisal of the CEO /GMD

The Board in consultation with the Chairman of the Remuneration Committee and the Nomination and Governance Committee, sets reasonable financial and non-financial targets for GMD.

DIRECTORS' REMUNERATION

B.1. Establish process for developing policy on executive and director remuneration

The Remuneration Committee has made determination on the basis of arriving at the remuneration package of the Group Managing Director.

B.2. Remuneration Committee

Refer to Remuneration Committee report page 142.

B.3 Disclosure of remuneration

The Report of the Remuneration Committee on page 142 provides a statement on Remuneration Policy. The total for Directors' Remuneration is given on page 187.

Compliance with the Code of Best Practice on Corporate Governance 2023 Contd.

RELATIONS WITH SHAREHOLDERS

C.1. Constructive use of the AGM & Other General Meetings

The directors representing major shareholders share their key concerns, and matters of significance at Board meetings. The Board of Directors are sensitive to such deliberations and take appropriate actions to resolve their concerns. The Annual General Meeting sets the platform for all the shareholders to make their submissions to the Board of Directors.

C.2. Communication with shareholders

Shareholder communication entrusted with the Company Secretaries. The matters that require board attention are brought before the board for resolution.

C.3. Disclosure of major transactions

During the year, there were no major transactions as defined by Section 185 of the Companies Act No 07 of 2007 which materially affected the asset base of the company or consolidated Group asset base.

ACCOUNTABILITY & AUDIT

D.1 Accountability & audit

The Board recognises its responsibility to present a balanced and understandable assessment of the Group's financial position, performance and prospects in accordance with the requirements of the Companies Act No 07 of 2007. The Financial Statements included in this Annual Report are prepared and presented in accordance with the Sri Lanka Accounting Standards.

The Annual Report also conforms to the GRI Standards published by the Global Reporting Initiative and the Integrated Reporting Framework published by the International Integrated Reporting Council.

There has been no serious loss of capital to convene an EGM in terms of the Companies Act.

D.2. Risk Management & Internal Control

The process adopted by the Board in identifying, assessing, monitoring and managing risks is presented on pages 126 of this Annual Report. The scope of the Audit Committee has been widened to include risk management duties. Refer to the Audit and Risk Committee Report on page 140 of this Annual Report for further information.

D.3. Audit Committee

Refer Audit Committee Report on pages 140 to 141.

D.4. Risk Committee

The Board's oversight on risk management aspects including identifying and assessing risks and managing exposures is given on pages 140 to 141 of this Report.

D.5 Related Party Transactions Review Committee

Refer Report of the Related Party Transactions Review Committee on pages 144 of this Annual Report.

D.6. Code of Business Conduct and Ethics

The Code of Conduct for the Board is in place whilst there is a separate Code of Conduct for all employees.

D.7 Corporate Governance Disclosures

The Corporate Governance Report from pages 100 to 108 provides the full disclosure of Company's compliance with the Code of Best Practice on Corporate Governance 2023.

Corporate Governance Report Contd.

Compliance with the Code of Best Practice on Corporate Governance 2023 Contd.

E. SHAREHOLDERS

Please refer Investor Relations on pages 214.

E. 1

E.2 Evaluation of Governance Disclosures

All shareholders are provided with sufficient information to facilitate and encourage effective shareholder participation including governance matters.

F. OTHER INVESTORS

Individual shareholders actively participate in the AGM and exercise their voting rights.

G.1 Identify connectivity and related cyber risks

The Company carefully evaluates potential cyber risks and takes appropriate actions to safeguard the information that they process, and retain.

G.2 Appoint a CISO and allocate budget to implement a cybersecurity policy

The Board is to deliberate on this matter to align with the existing organizational structure.

G.3 Include cyber security in Board agenda

Cyber security breaches, if any are encouraged to be reported and discussed at board level.

G.4 Obtain periodic assurance to review effectiveness of cybersecurity risk management

Company is revisiting the existing IT infrastructure to address the gaps in the existing systems in order to assure that the risks are mitigated.

G. 5 The process to identify and manage cybersecurity risks.

The Board of Directors is regularly updated on the controls established to address cyber risks, as well as on any emerging cyber threats the Company may face.

H. SUSTAINABILITY: ESG RISKS AND OPPORTUNITIES

H.1 Integration of ESG

The Group has embedded the identification of ESG risks and opportunities to its existing business risk management processes. Please refer to the ESG Report on page 146 and 147.

H.2 Stakeholder engagement on ESG matters

The Group applies a systematic materiality assessment which includes formal and informal stakeholder engagement.

H.3 & H.4 Sustainability governance

Board and management level ESG Steering Committees have been established in line with the adoption of IFRS S1 and S2. These committees meet at regular intervals to discuss the roadmap to implement IFRS S1 and S2.

H.5 ESG related disclosures

The Group's Annual Report includes sustainability-related financial disclosures aligned to the IFRS Sustainability Reporting Disclosure Standards.

I. ESTABLISHMENT AND MAINTENANCE OF POLICIES

I.1 & I.2 The Company maintains policies related to governance, with details on their implementation available on the Company's website. A list of these policies, along with relevant web references, is provided in the Corporate Governance Report. Additionally, the Company has established and upholds a formal policy addressing matters concerning the Board of Directors.

Clinical Governance and Patient Care

The Board plays a critical role in strengthening the Hospital's clinical governance framework by providing strategic oversight on clinical quality, patient safety, and standards of care. The Hospital's Quality and Patient Safety is responsible for overseeing clinical quality and patient safety, with key clinical indicators reviewed regularly and reported to the Board to ensure the consistent delivery of high standards of care.

During the year, the Board placed significant emphasis on strengthening the Hospital's clinical governance framework with a strong focus on patient-centred care. Clinical processes were reviewed and restructured to ensure that care planning actively involves the patient alongside doctors, consultants, and nursing staff, fostering a more collaborative and holistic approach to treatment (refer to page 75 for further information on the Group's clinical governance).

Culture and Ethics GRI 2-16, 2-23, 2-26

The Board plays a central role in setting the tone at the top by fostering a culture grounded in integrity, ethical conduct, and accountability. This commitment is reinforced through robust policy frameworks, a clearly defined code of conduct, and ongoing initiatives to promote ethical awareness and responsible behaviour across the organisation.



Measures to promote ethical behavior

The following practical mechanisms have been implemented across the organisation to nurture a culture of ethics and drive ethical behavior. These measures include the following:

- Ongoing training and awareness programmes
- Performance appraisals
- Management of consequences through the Disciplinary Policy
- Clear communication of internal and external mechanisms for seeking advice

Preservation of Human Rights GRI 205-3, 407-1

The Group commits to the Principle 1 and 2 of the UNGC Principles of Human Rights, thereby embracing internationally recognised guidelines on human rights while eliminating the risk of human rights abuse. Across the Group's operations this commitment is ensured through;

- **Abolishing child, forced and compulsory labour** in both our operations and along our value chain in working with subcontractors and suppliers
- **Fair treatment:** Quality of opportunity and treatment for the purposes of eliminating discrimination
- **Non-harassment:** Creating an environment free of all forms of workplace harassment
- **Freedom of Association and Collective Bargaining**
- **Promoting health and safety** by providing appropriate safety measures and precautions at all locations

During the year under review, there were no reported cases of bribery or corruption.

Clinical Governance and Patient Care Contd.

Effective risk management

As the highest governing body, the Board of Directors holds ultimate responsibility for managing the Group’s risk exposures in a structured and proactive manner. The Board has implemented a systematic procedure to identify, assess, prioritise and mitigate risks that may affect the achievement of the Group’s strategic and operational objectives. Under the delegated authority of the Board, designated committees provide more focused oversight of key risk exposures across clinical, operational, financial, technological, and regulatory areas, thereby strengthening the organisation’s ability to manage risk effectively and sustain long-term stability. Further details on the Group’s risk management processes are discussed on page 53 of this Report.

During the year under review, the Group strengthened its risk management processes through identifying and prioritising its climate and sustainability-related risks and opportunities, in line with the mandatory application of SLFRS S1 and S2 Sustainability Reporting Standards.

Compliance GRI 2-27

The Group’s governance structures, grievance mechanisms and policy framework facilitates compliance with regulatory requirements and voluntarily adopted standards of best practice. During the year under review, there were no significant instances of non-compliance with laws and regulations and/or monetary value of fines for non-compliance.

Technology and Digital

The Board holds apex responsibility for governing technology and information in a manner which enables the Group to achieve its strategic objectives. This includes providing strategic direction for IT investments, ensuring alignment with the organisation’s broader objectives and long-term growth priorities. The Board also regularly reviews the effectiveness of the Company’s IT infrastructure and related investments to ensure they enhance operational efficiency and support improvements in patient care.

IT Governance Structure	Clearly defined three lines of defense model encompassing operational management, risk and compliance oversight, and independent assurance compliance oversight.
Policy Framework	Comprehensive suite of IT policies including Group access policies, cyber security policies and acceptable use policies.
Focus Areas in 2025	Integration and interoperability of previously siloed IT systems; exploring the adoption of advanced robotic technologies to enhance clinical precision and improve robotic outcomes to digital payments with the GovPay platform to facilitate seamless and accessible for patients enhancing convenience and accessibility for patients.

GRI 418-1

Cybersecurity and IT risks: The Board recognises the growing importance of robust IT and cyber security practices in safeguarding the Hospital’s digital infrastructure and protecting sensitive patient information. During the year, the Company continued to strengthen its IT environment through investments in infrastructure and the deployment of technical safeguards such as firewalls, antivirus protection, and anti-malware solutions to mitigate cyber threats. Emphasis was also placed on protecting patient data and maintaining the confidentiality, integrity, and security of medical and personal information, given the critical importance of privacy and trust in healthcare service delivery. During the year under review, there were no substantiated complaints concerning breaches of customer privacy and losses of customer data.

Sustainability and ESG integration GRI 2-9, 2-13, 2-14

The Board recognises the strategic importance of embedding sustainability considerations into the Group's overall strategy and decision-making processes. As the highest governing body, the Board holds ultimate responsibility for setting the policies and strategic direction that guide the management of the Group's economic, social, and environmental impacts. To support effective oversight and implementation, this responsibility has been delegated to a dedicated Sustainability Committee established at Board level and a working committee at operational level which drives the integration of sustainability across the organisation's activities. The Committee also oversees the identification, assessment, and monitoring of sustainability-related risks and opportunities, ensuring alignment with the disclosure and governance requirements of the SLFRS S1 and S2 Sustainability Disclosure Standards (Please refer to page 45 for further information on sustainability governance)

Key Sustainability priorities



Sustainability reporting

The Board maintains overall responsibility for the integrity and oversight of the Group's sustainability reporting. As part of this role, the Board reviews and approves the material matters identified through the materiality assessment process and evaluates the SRRO/CRRO relevant to the Group's operations. The Board also provides final approval for the sustainability disclosures presented in the Annual Report, ensuring that the information reflects a balanced, accurate, and transparent account of the Group's environmental, social, and governance performance.

Stakeholder relationships

The Board plays an important role in ensuring effective stakeholder engagement by promoting transparent, open, and timely communication with all stakeholder groups. In discharging its governance responsibilities, the Board adopts an inclusive approach that carefully considers and balances the diverse needs of our stakeholders.

Shareholder relations: The Group is committed to safeguarding the rights of all shareholders and ensuring their fair and equitable treatment. In this regard, the Company has established formal procedures and a Policy on Relationships with Shareholders and Investors to promote transparent, timely, and effective communication while upholding the principles of good corporate governance. Platforms driving shareholder communication are as follows:

- **Annual General Meeting:** The Annual Report, Notice of the Annual General Meeting (AGM), and any resolutions requiring shareholder approval, together with detailed voting instructions, are circulated to shareholders at least 15 working days prior to the AGM. This ensures that shareholders have adequate time to review the documentation and make informed decisions ahead of the meeting.
- **Quarterly results updates** with accompanying reviews and timely updates of price sensitive information to the Colombo Stock Exchange.
- **Annual Report:** The Report provides comprehensive information on relevant matters to shareholders and includes assurance on financial statements, sustainability information and compliance with the Integrated Reporting Framework.
- **Interaction through Company Secretaries:** Shareholders have the opportunity to directly address concerns, suggestions or any other queries to the Company Secretaries.

Remuneration Review

The Group's remuneration processes are designed to align with the Group's strategic objectives. Performance criteria are established at levels that encourage high performance while discouraging excessive risk-taking.

Remuneration Governance: Oversight of remuneration-related matters is provided by the Board Remuneration Committee, which operates within its defined mandate to review and make recommendations on the remuneration of Directors and senior management. Through this framework, the Committee ensures that remuneration practices support the attraction, retention, and motivation of qualified individuals while maintaining sound governance standards. A remuneration policy has also been developed to ensure a consistent and transparent methodology for determining remuneration (refer to page 142 for further information).

GRI 2-19, 2-20

Director's Remuneration: Non-Executive Directors (including the Chairman) receives a standard sitting fee in recognition of their attendance at Board meetings and, where applicable, their participation in Board Sub-Committee meetings.

The remuneration of the Group Chief Executive Officer (GCEO) and Corporate Management is determined by the Board based on recommendations from the Remuneration Committee. Their remuneration structure typically includes both fixed and variable components designed to attract, retain, and motivate high-calibre professionals, with the variable component linked to performance targets established by the Board. The Remuneration Committee also periodically reviews industry benchmarks to assess the appropriateness of existing remuneration levels and recommends revisions to the Board, where necessary.

Clinical Governance and Patient Care Contd.

Clinical Governance Review

The Hospital's clinical governance framework is anchored in clearly defined governance structures centered on clinical accountability, patient safety and regulatory compliance. This framework establishes oversight from the Board through to clinical leadership, enabling consistent standards of care, effective clinical risk management and the protection of patient and stakeholder interests. Key aspects of the Group's clinical governance framework are set out alongside and discussed in further detail below.

Clinical Governance Structure: The Hospital's Quality and Patient Safety Committee operates directly under the Board of Directors comprising three Directors' including the Group Director of Medical Services. The committee is responsible for providing oversight on clinical quality and patient safety with key clinical indicators regularly reviewed and presented to the Board. The Committee is also supported by the Patient Safety and Quality Committees which support the implementation, monitoring and continuous improvement of clinical practices across the hospital.

Patient-Centered Care: During the year under review, the Hospital emphasised patient-centered care as a key priority, with care planning undertaken through a collaborative approach that actively involves the patient alongside the treating doctor, consultants and nursing staff.



Governance and leadership

Clinical effectiveness

Patient safety

Patient-centered care

Information management

Training and education

Performance and monitoring

Clinical effectiveness: Clinical effectiveness is underpinned by adherence to internationally recognised standards, including the JCI accreditation and other relevant quality and regulatory accreditations. These frameworks are supported through a structured Quality Circle programme, comprising a multidisciplinary team that collaborates to identify opportunities for improvement and develop practical, actionable solutions.

Patient safety: The Group's Incident Management System enables the proactive reporting of incidents and potential risks across clinical and operational areas. Staff are empowered to formally report patient safety concerns, staff safety issues and system deviations within a no-blame environment, reinforcing a culture of transparency, learning and continuous improvement.

Incident response

Swift containment of the situation, minimising impact and conducting a thorough investigation

Investigation by Patient Safety Committee

All reported incidents are subject to thorough review and investigation ensuring appropriate corrective actions are taken

Incident report

Comprehensive details on incident, actions to prevent recurrence and to improve overall safety protocols

Review

All incidents are analysed by the Quality Assurance Department to develop solutions

Information management: Robust data protection policies and procedures have been established in line with the Personal Data Protection Act (PDPA), ensuring that patient information is handled with confidentiality and in accordance with legal requirements. Access to patient data is governed by clearly defined Standard Operating Procedures, limiting use to authorised personnel for legitimate clinical and administrative purposes. During the year, there were no substantiated complaints regarding breaches of customer privacy.

Training and education: Continuous training and professional development are integral to sustaining high standards of clinical care and patient safety across the organisation. Structured programmes are in place to support ongoing competency development, credentialing and skills enhancement for clinical and non-clinical staff, ensuring alignment with evolving clinical standards, regulatory requirements and best practices.

Performance and monitoring: Clinical governance performance is monitored on a disciplined and continuous monitoring framework thereby promoting accountability and sustained improvement. All healthcare processes are subject to ongoing assessment, with internal compliance audits conducted against a stringent minimum target of 99.99%. Where instances of non-compliance present potential risk, a formalised reporting mechanism ensures that both statutory and non-statutory risks are documented, escalated, and monitored through the risk management plan. The internal audit team identifies and communicates audit findings to the Group Chief Executive Officer, following which the Compliance Department assumes oversight responsibility for the timely implementation of agreed recommendations.



Risk Management

Risks and Opportunities

In an operating environment marked by rapid medical innovation, rising patient expectations and heightened regulatory oversight, hospitals today are increasingly exposed to a complex array of strategic and operational risks. Our risk management approach continues to evolve in response to this shifting landscape, ensuring that emerging vulnerabilities across clinical, operational, technological and stakeholder domains are identified with rigour and addressed with discipline.

Approach to Risk Management

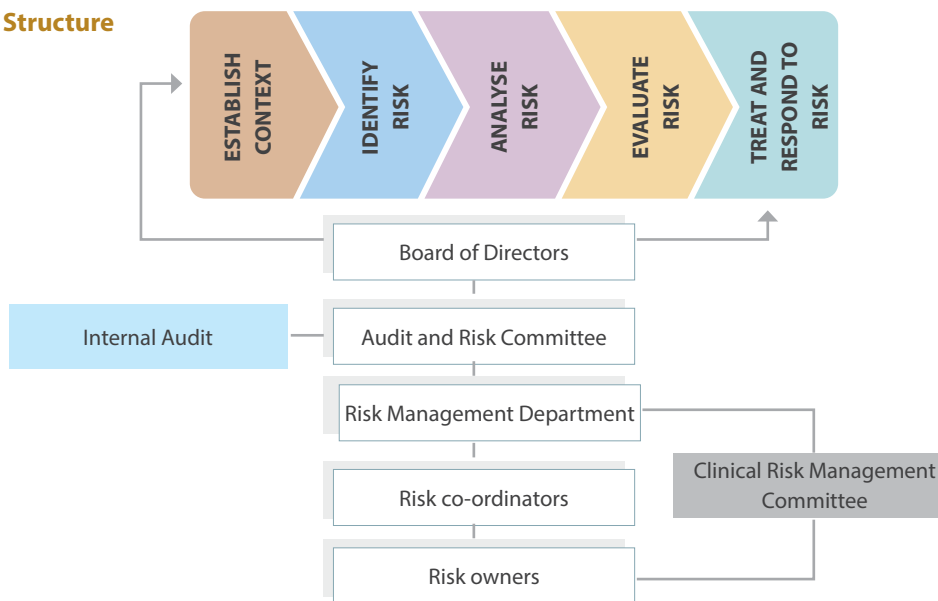
Our approach to risk management is guided by a formal Policy on Risk Management and Internal Controls, applicable across all functions and departments. Aligned with the ISO 31000 Risk Management – Principles and Guidelines, this policy establishes a disciplined and transparent process for identifying, assessing, prioritising, managing, reporting and monitoring both inherent and contextual risks.

Strategic risk assessments are conducted at least twice a year ahead of Risk Committee deliberations, supported by operational and executive teams who evaluate potential impacts, likelihood and materiality across the institution. These insights are consolidated by the Risk Management function, working closely with leadership and the Audit and Risk Committees to determine the priority risks that may influence our strategic direction, service reliability and the intangible assets that shape our long-term resilience.

Risk Management Process

Our approach to risk management is grounded in a systematic process that spans risk identification, analysis, evaluation and response. Based on the globally accepted three lines of defense model, continuous communication, coupled with regular monitoring and reporting, ensures that emerging issues are surfaced early and that risk considerations remain embedded in day-to-day decision-making.

Risk Governance Structure



Sustainability-related risks and opportunities

With the adoption of SLFRS S1 and S2 Sustainability Disclosure Standards, the Group has widened its lens on risk management, integrating the identification and management of Sustainability and climate related risks and opportunities. Accordingly, governance structures, reporting mechanisms and processes were implemented during the year to embed this new dimension of risk to the Group's enterprise risk management framework. Please refer to page 49 for further information.

Key Risks of 2025

The Group's key risk exposures are presented alongside in its risk assessment matrix for 2025 and detailed further in tabular form below;

Likelihood of occurrence		R5	R3, R7
		R4, R6	R1, R8, R9
		R2	
		Severity of Impact	

R1: Clinical Risks -Patient Safety (Linked to SRRO 1)

Delivering care that consistently achieves patient expectations and ensures patient safety underpins our competitiveness in today's dynamic healthcare sector. The risk of our quality of care being perceived negatively due to medical errors, failure in clinical protocols and unsafe procedures could adversely impact our long-term sustainability, employee morale and reputation while also resulting in legal liability and regulatory sanctions.

Severity

Impact: High
Likelihood: Moderate
Unchanged compared to 2024

Capitals Impacted



Material matters

Quality of care and patient satisfaction

Mitigation:

- Standardised clinical protocols and international certifications which ensure an organisation-wide consistency of quality of care
- Ongoing investments in enhancing the quality of our facilities and medical equipment
- Patient-centric care delivery models that are easily accessible, convenient and enhance the patient experience
- Patient feedback surveys that identify gaps and areas for improvement
- Real-time incident reporting systems and regular safety audits

R2: Infection Control (Linked to SRRO 1)

The risk of infection outbreaks specially in post-surgical and high-risk areas will lead to negative clinical outcomes, resulting in higher morbidity and mortality rates. This could result in reputational damage, legal liability and adversely affect patient trust in the Hospital's quality of care and safety standards.

Severity

Impact: Moderate
Likelihood: Low
Unchanged compared to 2024

Capitals Impacted



Material matters

Clinical governance

Mitigation:

- Hand hygiene protocols, personal protective equipment usage and sterilisation processes governed by an Infection Prevention and Control framework
- Regular antibiotic stewardship programmes to reduce antimicrobial resistance
- Standard and transmission-based precautions including patient isolation, triage, cohorting practices and controlled movement within the facility
- Infection controls audits and ongoing monitoring, including surveillance and incident management
- Comprehensive cleaning and disinfection protocols across all clinical and non-clinical areas

R3: Availability and quality of skills (Linked to SRRO 2)

The Group relies on specialised clinical skills to deliver its strategy and achieve high quality of care. Competition for skilled talent is intensifying, driven by salary demands and an exodus of healthcare professionals from the country, which has made it increasingly challenging to attract and retain individuals. This shortage can lead to potential implications on service quality, patient safety and ultimately reputation. On the other hand, inadequate staffing levels may lead to increased workloads, extended waiting times and pressure on existing clinical teams.

Severity

Impact: High
Likelihood: High
▲ compared to 2024

Capitals Impacted






Material matters

Employee recruitment, development and retention

Mitigation:

- Investments in continuous professional development and training to improve skills and maintain clinical competencies
- Attract and retain highly skilled professionals by providing high-quality healthcare infrastructure
- Strategic engagement with employees driven by information sharing and professional development
- Compelling employee value proposition and an inclusive work culture that supports continuous growth

Risk Management Contd.

<p>R4: Macroeconomic risk</p> <p>The Group is vulnerable to Sri Lanka’s macroeconomic realities and how they impact affordability and demand for healthcare. The gradually improving macroeconomic conditions, coupled with conducive interest rates and relatively stable exchange rates augured well for the Group during the year. Disposable income levels and economic growth are positively correlated with healthcare demand, as consumers increasingly opt for higher out-of-pocket expenditure on medical services. Meanwhile, exchange rate dynamics have a direct impact on the Group’s imports while also indirectly influencing investment yields and returns from foreign currency denominated investments.</p> <p>Mitigation:</p> <ul style="list-style-type: none"> • Regular review of corporate strategy to ensure relevance and effectiveness amidst changing dynamics • Proactive monitoring of macroeconomic variables, including interest rates and exchange rates • Optimising capacity utilisation from low-demand to high-demand disciplines • Diversify revenue sources to increase contribution from international business • Strategic focus on operational efficiencies and digitalisation to manage profitability margins 	<p>Severity Impact: Moderate Likelihood: Moderate ↓ <i>Reduced compared to 2024</i></p> <p>Capitals Impacted </p> <p>Material matters -</p>
<p>R5: Competition</p> <p>Competition in Sri Lanka’s private healthcare sector remains intense across all areas of service delivery including hospital, laboratory and pharmacy. Existing hospitals continue to expand capacity, particularly in specialised areas while new, small-scale hospitals and facilities continue to emerge around the suburbs of Colombo. Increasing competitive pressures may exert downward pressure on profit margins, as patients shift lower-cost care settings. This may also adversely affect the Hospitals ability to attract and retain qualified healthcare professionals.</p> <p>Mitigation:</p> <ul style="list-style-type: none"> • Strategic shift towards moving from traditional curative care to preventive care • Continued emphasis on clinical care and quality of service • Expansion of the service portfolio to encompass advanced, technology-enabled healthcare solutions • Ongoing investments in staff skill development 	<p>Severity Impact: Moderate Likelihood: High <i>Unchanged compared to 2024</i></p> <p>Capitals Impacted </p> <p>Material matters -</p>
<p>R6: Regulatory and policy risk</p> <p>The NMRA regulations that could potentially impact the Group include quality and labeling requirements of pharmaceutical products, billing transparency, registration/licensing of hospital equipment and pharmacy services among others. In addition, other regulations which could impact the organisation include the Personal Data Protection Act, guidelines on the use of polythene bags by traders among others.</p> <p>The regulatory environment continues to evolve with potential impacts on business models, processes and strategic decisions. Failure to comply could result in legal liability including penalties and fines, and could undermine our reputation.</p> <p>Mitigation:</p> <ul style="list-style-type: none"> • Provide constructive input on healthcare policy formulation through industry associations • Collaborate with industry stakeholders to address structural challenges 	<p>Severity Impact: Moderate Likelihood: Moderate <i>Unchanged compared to 2024</i></p> <p>Capitals Impacted </p> <p>Material matters -</p>

R7: Technology and cyber security risk

Breaches in information systems could lead to loss of personal/corporate information, which in turn could result in litigation/penalties for non-compliance as well as reputational damage. These risks will involve new investments, in more advanced defense systems, increasing the cost of doing business.

Meanwhile failure in medical technology/equipment can result in adverse clinical outcomes and impact patient care, leading to reputational harm and patient dissatisfaction.

Severity

Impact: High
Likelihood: High

 *compared to 2024*

Capitals Impacted



Material matters

Patient privacy and electronic health records

Mitigation:

- Robust cybersecurity strategy and infrastructure
- Continuous security event monitoring and analysis
- Investments in state-of-the-art technology including detection and response systems
- Regular IT audits and penetration testing
- Ongoing employee awareness and training initiatives

R8: Reputation risk

Clinical quality issues, patient safety incidents, data breaches, ethical failures, or ineffective communication can impact the Hospital's reputation, often intensified by media and digital platforms. Potential implications can include decline in patient demand, regulatory pressure, legal liability and long-term financial performance. As such, managing reputation risk requires consistent clinical governance, clear accountability, timely and transparent communication, and adherence to ethical and professional standards across all operations.

Severity

Impact: High
Likelihood: Moderate

Unchanged compared to 2024

Capitals Impacted



Material matters

-

Mitigation:

- Strict adherence to ethical and professional standards across all operations
- Consistent and clear clinical governance procedures
- Clear and transparent stakeholder engagement mechanisms

R9: Climate change implications on human health and infrastructure (CRRO 1)

Intensifying risks of climate change including increasingly frequent extreme weather events can impact both human health and physical infrastructure. Floods and droughts may disrupt hospital operations and damage facilities while also contributing to higher morbidity and mortality rates. Climate events can also impact healthcare workers resulting in lower productivity and higher absenteeism.

Severity

Impact: High
Likelihood: Moderate
New risk

Capitals Impacted



Material matters

Climate change impacts on human health and infrastructure

Mitigation:

- Integrating climate considerations into business strategy
- Reducing the Group's environmental impacts, including energy consumption, waste management and water efficiency
- Insurance for climate-related events

Way Forward

As we look ahead, the Group enters its next phase of growth on a foundation that has been deliberately strengthened over the past year. Building on this momentum, we have articulated a clear strategic direction towards 2030 through the HEARTS 360 framework, anchored on six core pillars that will guide our priorities and investments. This framework is designed to support a measured and sustainable transformation of the Hospital, positioning it at the forefront of the next generation of healthcare delivery. The strategic objectives relating to each pillar of the strategy is set out below:



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

1. General

The Directors of The Lanka Hospitals Corporation PLC (Company/LHC) have pleasure in presenting to the Shareholders this Report together with the Consolidated Financial Statements for the year ended December 31, 2025 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.

COMPANY OVERVIEW

Company Name	The Lanka Hospitals Corporation PLC
Registration No.	PQ 180
Incorporation	06 October 1997
Public Listing	10 January 2003
Registered Office	No. 578, Elvitigala Mawatha, Narahenpita, Colombo 5

This Annual Report can be accessed
QR Code (Circular to Shareholders)



Company Website:-

<https://www.lankahospitals.com/about/annual-reports/>

1.1 Integrated reporting

The Company has adopted an integrated approach to reporting, in line with the Guiding Principles and the Content Elements of the IFRS Foundation's International Framework. This Integrated Report identifies key risks and opportunities arising from the current dynamic operating environment and provides brief overview of strategic responses to them in following areas.

- Financial Capital
- Human Capital
- Intellectual Capital
- Manufactured Capital
- Social & Relationship Capital
- Natural Capital

1.2 Commitment to Transparency, Accountability, Governance, and Sustainability (TAGS)

As part of our ongoing commitment to stakeholder trust and ethical governance, we have introduced various initiatives aimed at enhancing transparency, accountability, governance and sustainability. These efforts, which included enhanced disclosure practices, robust internal controls and proactive stakeholder engagements, are elaborated in this report.

(Transparency • Accountability • Governance • Sustainability)

Pillar	Key Actions	Impact
Transparency	Integrated reporting. Clear, concise, transparent disclosures. The financial statements have been audited by the statutory auditor, the Auditor General of the National Audit Office. Additionally, Messrs Ernst & Young (E&Y) has provided independent limited assurance on the Integrated Reporting and Sustainability Reporting included in this annual report.	Stakeholder confidence
Accountability	Board oversight and ensuring compliance with regulatory requirements and corporate governance best practices. Board Audit and Risk Committee provides independent oversight of financial reporting, risk management, and internal controls. Remuneration Committee ensures that executive compensation is linked to performance metrics, fostering accountability at all levels. Compliance with regulatory directives of SEC, CSE and all medical and non-medical legal compliance requirements.	Strong decision-making
Governance	Board is structured to include independent non-executive directors who provide oversight and strategic direction to the Group Managing Director (GMD) and Senior Leadership team who are responsible for strategy execution and operational performance, ensuring measurable accountability. Compliance with Code of Best Practices on Corporate Governance, etc. ensures a robust governance framework. Regular Board and Board subcommittee meetings.	Regulatory and Governance compliance
Sustainability	ESG integration. Ethical business practice in the areas of responsible patient care, social inclusion and ethical investment practices.	Long-term growth

Annual Report of The Board of Directors on the Affairs of the Company Contd.

2. Review of Business

2.1 Vision, Mission and Corporate Conduct

LHC's Vision and Mission are given on page 4. 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 Managing Director's Review and the 'Delivering Strategy' on pages 26 to 61 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 - is a fully owned subsidiary of The Lanka Hospitals Corporation PLC, incorporated on 06th February 2013 which 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.

Operational footprint

1 Referral Lab	
	↓
8 Regional Labs	
	↓
88 Collection Centres	

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 164 to 212.

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 137.

2.5 Auditors' Report

The Auditor General, National Audit Office, as the Auditors of the Company, performed the audit on the Consolidated Financial Statements for the year ended December 31, 2025, and the Auditors' Report issued thereon is given on pages 162 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 214. The Interests Register is available for inspection by the Shareholders or their authorized representatives, as required by Section 119 (1) (d) of the Companies Act, No. 07 of 2007.

2.8 Directors' Remuneration and Other Benefits

Directors' remuneration and other benefits, in respect of the Company and its subsidiary for the financial year ended December 31, 2025, are given in Note 08 to the Financial Statements on page 187.

2.9 Corporate Donations by the Company

During the year, the Company made donations amounting to Rs. 75,000/-

3. Net Income and Profitability

The Revenue of the Group for 2025 was Rs. 14.47 Bn (Rs. 13.65 in 2024), while LHC's revenue was Rs. 10.89 Bn (Rs. 10.47 Bn in 2024). The profit after tax of the Group stood at Rs. 1.94 Bn (Rs. 1.34 Bn in 2024), while LHC's profit after tax was Rs. 1.60 Bn (Rs. 744 Mn in 2024).

4. Dividends and Reserves

4.1 Dividends on Ordinary Shares

The company declared an interim dividend of Rs2/= per share for the year ending 31st December 2025, on 23rd December 2025. The Directors confirmed that the company fulfilled solvency requirements after payment of dividends. The Certificate of Solvency was obtained from the Auditor General prior to disbursing the dividend payment.

4.2 Reserves

Information on the movement of reserves is given in the Statement of Changes in Equity on pages 167 and 168 in Notes to the Financial Statements.

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

Capital expenditure incurred on Property, Plant & Equipment (including Capital Work-in-Progress), Intangible Assets and Leasehold Property of the Group, details are given in Note 12 on pages 190 and 191 to the Financial Statements respectively. Capital expenditure approved and contracted for, are given in Note 30 to the Financial Statements on page 206.

6. Market Value of Freehold Properties

The building on leasehold land and land of the Company were revalued by professionally qualified independent valuers as at December 31, 2025, 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 190 to 192.

7. Stated Capital

The Stated Capital as at 31st December 2025 was Rs. 2,671,543,090/- comprising 223,732,169 ordinary voting shares (Rs. 2,671,543,090/- as at 31st December 2024 comprising 223,732,169 ordinary voting shares).

8. Share Information

Information relating to earnings, dividend, net assets and market value per share is given on page 214.

9. Major Shareholdings

Details of the top twenty Shareholders, percentages of their respective holdings and percentage holding of the public are given on page 213.

10. Distribution Schedule for Shareholdings

Information on the distribution of Shareholdings and the respective percentages are given on page 214.

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, 2025 consisted of Twelve Directors. The Board expertise mix includes following;

Board Expertise Mix

- Medical
- Financial
- Commercial
- Legal

The qualifications and experience of the Directors are given in the 'Board of Directors - Profiles' on pages 92 to 95.

Names of the Directors of the Company as at 31st December 2025 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	Changes
Maj Gen (Dr.) Chrisantha Fernando (Retd.)	Independent Non-Executive Director-	Appointed on 13th August 2025
Mr. Thalawaththilage Chaaminda Dencil Kumarasiri	Non Independent Executive Director-	Appointed on 09th December 2024, and co-opted as the Group Managing Director on 05th June 2025
Ms. Shamalie Madhu Jayatunge	Independent Non-Executive Director-	Appointed on 09th December 2024
Mr. Nasnaram Pathirana Sirimal Kalyana Senaratne	Independent Non-Executive Director-	Appointed on 09th December 2024
Mr. Sajith Govinda Wickramaarachchi	Independent Non-Executive Director-	Appointed on 09th December 2024
Mr. Ashish Bhatia	Non-Independent Non-Executive Director	Appointed on 24th April 2019
Ms. Richa Singh Debgupta	Non-Independent Non-Executive Director	Appointed on 08th August 2019
Mr. Suriya Mudiyansele Dharma Sri Suriyakumara	Independent Non-Executive Director-	Appointed on 3rd January 2025
Mr. Palawinnege Nusith Samarasee Kumaratunga	Non-Independent Non-Executive Director	Appointed on 10th January 2025
Mr. R A Susantha Kumara Ranasinghe	Independent Non-Executive Director-	Appointed on 24th July 2025
Mr. Kavinda de Zoysa	Independent Non-Executive Director	Appointed on 23rd October 2025
Dr. U D P Ratnasiri	Independent Non-Executive Director	Appointed on 20th November 2025

Changes to the directorate of the company during the financial year 2025 are given below;

Dr. Nilupul Perera, Independent Non-Executive Director and the Chairman resigned on 05th June 2025.

Annual Report of The Board of Directors on the Affairs of the Company Contd.

11.1.2 Directors Holding Office in Lanka Hospital Diagnostics (Private) Limited as at 31st December 2025.

Name of the Director	Directorship
Maj Gen (Dr.) Chrisantha Fernando (Retd)	Chairman
Mr. Thalawaththalage Chaaminda Dencil Kumarasiri	Director
Ms. Shamalie Madhu Jayatunge	Director
Mr. Nasnaram Pathiranaage Sirimal Kalyana Senaratne	Director
Mr. Sajith Govinda Wickramaarachchi	Director
Mr. Suriya Mudiyanseelage Dharma Sri Suriyakumara	Director
Mr. Palawinnege Nusith Samarasee Kumaratunga	Director
Mr. R A Susantha Kumara Ranasinghe	Observer

Changes to the directorate of the Lanka Hospital Diagnostics (Private) Limited during the financial year 2025 are given below;

Dr. Nilupul Perera resigned from the Board on 05th June 2025.

11.1.4 Recommendations for Re-election

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, the following Directors offer themselves for re-election at this Annual General Meeting.

Mrs. Richa Singh Debgupta
Mr. N P Sirimal Kalyana Senaratne

In terms of Articles 92 of the Articles of Association, the directors appointed to the Board to fill casual vacancies shall offer themselves for their re-election at the Annual General Meeting. Accordingly, following Directors offer themselves for election at this Annual General Meeting;

Maj Gen (Dr.) Chrisantha Fernando (Retd)
Mr. R A Susantha Kumara Ranasinghe
Mr. Kavinda de Zoysa
Dr. U D P Ratnasiri

In terms of Article 81(i), the Executive Director is not subject to retirement by rotation whilst holding office in the executive capacity.

11.1.5 Details of Directors attendance at Directors' meetings are presented on page 104 under Corporate Governance.

11.1.6 Board Sub-Committees

Following are the Board Sub-Committees in keeping with the rules of the Listing Rules of the Colombo Stock Exchange, JCI Accreditation requirements and the ESG requirements. These committees are active and fully functional with the composition of these Sub-Committees and its functions presented under Corporate Governance.

Board

- Audit & Risk
- Remuneration
- Related Party Transactions
- Nomination & Governance
- HR
- IT
- Strategy Review
- ESG & Sustainability
- Quality & Patients' Safety

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

Name of the Director	Number of shares as at 31st December 2025	Number of shares as at 31st December 2024
Dr. Nilupul Perera	N/A	Nil
Maj Gen (Dr.) Chrisantha Fernando (Retd.)	Nil	N/A
Mr. Chaaminda Kumarasiri	Nil	Nil
Ms. Shamalie Jayatunge	Nil	Nil
Mr. Ashish Bhatia	Nil	Nil
Ms. Richa Singh Debgupta	Nil	Nil
Mr. Sirimal Senaratne	Nil	Nil
Mr. Sajith Wickramaarachchi	Nil	Nil
Mr. S M D Suriyakumara	Nil	N/A
Mr. P N S Kumaratunge	Nil	N/A
Mr. R A Susantha Kumara Ranasinghe	Nil	N/A
Mr. Kavinda de Zoysa	Nil	N/A
Dr. U D P Ratnasiri	Nil	N/A

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 204 and 205. 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 2025, are given in Note 08 to the Financial Statements on page 187.

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 review 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 ongoing 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 stakeholder. Being in the healthcare sector, the company gives important consideration to its relationship with employees and wider stakeholder groups who can have a significant impact on the company. Employee and stakeholder focus underlies following areas;

- Strong employee engagement
- Critical healthcare workforce management
- Stakeholder-centric approach

14. Directors' Declaration on Related Party Transactions

The Directors declare that they are in compliance with section 09 of the listing rules of the CSE pertaining to Related Party Transactions during the financial year ended 31st December 2025. 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 disclosed in the financial statements. The report of the Related Party Transactions Review Committee is given on pages 144 and 145 in the Annual Report.

15. Environmental protection

The Company and the Group make every endeavour 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

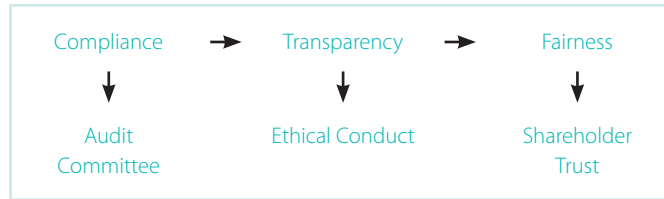
No event of material significance that require adjustments to the Financial Statements has occurred subsequent to the date of the Statement of Financial Position, other than those disclosed in Note 31 the Financial Statements on page 206.

18. Appointment of Auditors

In term of Article 154 of the Constitution, Auditor General is continues to be the Auditors of the Company and its subsidiary company, The Lanka Hospitals Diagnostics (Private) Limited, for the ensuing financial year. Fees paid to the auditors are disclosed in note 08 of page 187 to the financial statements. As far as the Directors are aware, the Auditors do not have any interest in the company or its group companies.

Annual Report of The Board of Directors on the Affairs of the Company Contd.

19. Directors' Declarations



The Directors declare that-

1. The Company complies with all applicable laws and regulations in conducting its business and has 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 and Risk Committee at the Audit and Risk 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 29 of page 206 to the financial statement.

22. Annual General Meeting

The Annual General Meeting of the Company will be held as a virtual meeting as follows:

27th AGM of the The Lanka Hospitals Corporation PLC

Date	21 May 2026
Time	3.00 PM
Mode	Virtual
Venue	Dr. Prathap C. Reddy Auditorium

23. Acknowledgement of the Content of the Report

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

For and on behalf of the Board

Maj Gen (Dr.) Chrisantha Fernando (Retd)
Chairman

Chaaminda Kumarasiri
Group Managing Director

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

Deloitte Corporate Services (Private) Limited,
Secretaries to the Company,

10th April 2026

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 the Statement of Financial Position as at December 31, 2025, 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 their preparation. In addition, the Financial Statements of the LHC and the Group have been signed by two Directors of the LHC on 16th March 2026 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 2025, 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 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,



Deloitte Corporate Services (Private) Limited,
Secretaries to the Company,

10th April 2026

Board Nomination and Governance Committee

GRI 2-10

100%
Independence

06
Meetings

Relevance to Strategy
Competent team/Excellence & Innovation

Composition

- Mr. Chaaminda Kumarasiri (INED) Chairperson - Appointed w.e.f 19th December 2024 and ceased on 05th June 2025
- Dr. Nilupul Perera (NED) - Appointed w.e.f 19th Decemebr 2024 and ceased on 05th June 2025
- Mr. S M D Suriyakumara (NED) - Appointed on 06th June 2025 - Chairman
- Mr. Sirimal Senaratne (INED) - Appointed w.e.f 19th December 2024
- Mr. Sajith Wickramaarachchi (INED) - Appointed w.e.f 19th December 2024
- Mr. Nusith Kumaratunge (INED) - Appointed on 06th June 2025

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

Meeting attendance

Mr. Chaaminda Kumarasiri	2/2
Dr. Nilupul Perera	2/2
Mr. S M D Suriyakumara	4/4
Mr. Sirimal Senaratne	6/6
Mr. Sajith Wickramaarachchi	4/6
Mr. Nusith Kumaratunge	4/4



The principal role of the Nominations and Governance Committee is to uphold and ensure robust governance system at board level and at the company.

Charter of the Committee

The Committee has the authority to discuss the issues under its purview and report back to the Board of Directors with recommendations, enabling the Board to take relevant decisions, define and establish the nomination process for Non-Executive Directors (NEDs), lead the process of Board appointments and make recommendations to the Board on the appointment of Non-Executive Directors.

In addition, the committee focuses on the following objectives in discharging its responsibilities:

- Review the composition of the Board to ensure that there is a proper balance between Executive and Non- Executive Directors.
- Assess the skills and knowledge required at Board level to discharge its duties effectively and to provide leadership for the strategic direction of the company.
- Periodically assess the extent to which the required skills are represented at the Board.
- Prepare a clear description of the role and capabilities required for appointments.
- Identify and recommend suitable candidates for appointments to the Board upon receiving required communication from the Ministry of Finance and Sri Lanka Insurance Corporation Ltd.
- Ensure that every new appointee undergoes an induction.

- Peruse duly completed Declarations of all Directors and Key Management Personnel and recommend same for approval of the Board.
- Formulate and regularly review plans for succession for Key Management Personnel.

Activities in 2025

During the year, the Board conducted its self-evaluation on the directions of the Committee. Results of the Board evaluation were discussed at the committee level and recommendations were made to the Board highlighting areas for improvements. In addition, the participation and contributions of Directors at Board and Board Subcommittee meetings were assessed.

The diversity, skills and qualifications of Board members were considered to ensure that the Board has the appropriate balance of skills. The skill profile was as follows:

- Medical: 03
- Finance: 03
- Legal: 01
- Marketing: 02
- HR: 01

During the year, the Committee ensured that declarations from all Directors are obtained in prescribed format, confirming their status of independence. During the reporting period, there were no major issues that needed to be communicated to the Independent Directors. During the year, new Board members were appointed and Board subcommittee composition was revised few times. In addition, an

Independent Non-Executive Director was co-opted to serve as the Group Managing Director. The Committee maintained its commitment to ensuring that its responsibilities were diligently discharged during this period. All newly appointed Board members were subject to a thorough evaluation process, and upon being satisfied that they possessed the requisite academic credentials, professional achievements, experience, and sector exposure necessary for a healthcare institution, the Committee proceeded to make its recommendations to the Board.

In addition, the committee formulated the KPIs for the Group Managing Director in collaboration with the members of the Remuneration Committee. The KPI achievement of the Group Managing Director was presented to the committee for review.

Secretary to the Committee

The Company Secretary serves as the Secretary to the Nominations and Governance Committee.

Professional Advice

The Committee has the authority to seek external professional advice on matters within its purview, whenever required.

Forward Outlook

The Committee will continue to assess the evolving skills and competencies required at Board level, while identifying and developing suitable candidates for key leadership positions within the organisation.

The committee will also ensure that all activities of the Company are in compliance with its stipulated framework and is in compliance with the regulations issued by the Colombo Stock Exchange (CSE) on Board composition.

Conclusion

The Committee continues to work closely with the Board of Directors in relation to the structure, size and composition of the Board ensuring diversity and balance of skills, knowledge and experience. The Committee is satisfied that the representation of skills, knowledge and experience on the Board is appropriate for the Company's current requirements at Board level.



Mr. S.M.D.S. Suriyakumara

Chairman

Board Nomination and Governance Committee

31st March 2026

The Board Audit & Risk Committee Report

100%

Independence (As at 31 Dec 2025)

11

Meetings

Relevance to Strategy

Business growth

Composition

- Mr. Sirimal Senaratne (INED) Chairman (Appointed w.e.f 19th December 2024)
- Mr. Chaaminda Kumarasiri (NED) (Appointed w.e.f 19th December 2024- and ceased on 05th June 2025)
- Ms. Shamalie Jayatunge (INED) (Appointed w.e.f 19th December 2024)
- Dr. Nilupul Perera (NED) (Appointed on 19th December 2024 and resigned on 05th March 2025)
- Mr. S M D Suriyakumara(INED) (Appointed on 05th March 2025)
- Mr. R A Susantha Kumara Ranasinghe (INED) (Appointed on 20th November 2025)

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

Meeting attendance

Mr. Sirimal Senaratne	11/11
Mr. Chaaminda Kumarasiri	5/5
Ms. Shamalie Jayatunge	11/11
Dr. Nilupul Perera	1/4
Mr. S M D Suriyakumara	8/8
Mr. R A Susantha Kumara Ranasinghe	1/1



The Audit and Risk Committee serves as a cornerstone of effective corporate governance, playing a pivotal role in ensuring transparency, accountability, and integrity within the organisation. The Committee comprises Independent Directors possessing diverse expertise in different areas, facilitating collaborative knowledge sharing while acting to safeguard shareholders’ interests, overseeing critical financial processes, risk management and internal controls.

Primary objective of the audit and risk committee is to enhance the reliability and credibility of financial reporting, mitigate risks, and foster a culture of compliance with regulatory requirements and ethical standards. Accordingly, the terms of reference of the Committee are defined in the Audit Committee Charter. The Audit Committee Charter was revised to incorporate the risk functions under the Audit Committee 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:

- Overseeing the effectiveness of the Company’s internal control systems, including risk management processes, to safeguard assets and ensure compliance and adequate controls are in place.
- Assessing and monitoring the Company’s exposure to various risks broadly, such as financial, operational, strategic, sustainability and compliance risks. This involves reviewing risk management policies and procedures and ensuring appropriate risk mitigation strategies are in place to address all risk hierarchies and types, over and above fulfilling the regulatory requirements.

- Reviewing the financial reporting systems in place, the appropriateness of the accounting policies and adherence to statutory and regulatory compliance requirements.
- Reviewing the Hospitals’ compliance with legal and all other regulatory requirements, as well as internal policies and procedures. This includes monitoring changes in laws and industry/country regulations that may impact the company’s operations.
- Overseeing the external auditor, including reviewing the auditor’s independence, qualifications, and scope of work. The Committee also assesses the audit process and the quality of audit services provided.
- Promoting a culture of ethics and integrity within the organisation by overseeing compliance with the company’s code of conduct and ethical standards.
- Establishing procedures for employees to report concerns about accounting, internal controls, or other matters, confidentially and without fear of retaliation.

The Committee also engages with the key management to review key risks faced by the Group as a whole and the main attention zones, with a view to obtaining assurances as appropriate and ensuring effective risk mitigation strategies were in place. Accordingly, Group Chief Executive Officer/ Group Managing Director, Group Head of Internal Audit, Group Chief Financial Officer and the Senior Manager Legal and Compliance, Risk Manager attend Audit Committee meetings by invitation and the Company Secretary functions as the Secretary to the Committee.

Committee Activities in 2025

Regular communication with management, the board of directors, external auditors, and other stakeholders is essential to ensure effective oversight of financial reporting, internal controls, and risk management. The Committee convened 11 times during the financial year and attendance at meetings is set out above. Proceedings of these meetings are recorded and reported to the Board in sufficient detail. Accordingly, the Audit Committee is empowered by the board to engage in the following duties for the year 2025.

- Ensure that financial reporting systems in place are effective and well managed to provide accurate, appropriate and timely information to the Board, regulatory authorities and other stakeholders.
- Evaluate the appropriateness of accounting policies, standards and other compliance requirements and any new laws and regulations, as applicable to the group.
- Maintain high standards of Governance with accountability and transparency to build investor confidence in the capital market.
- Review the interim and annual financials of the Group to maintain the integrity of the statements prior to submission of the board.
- Evaluate and monitor all aspects of the group internal audit programme with the findings, management response and implementation and follow-up of recommendations. The BARC provides oversight of the Internal Audit and IS Audit functions (Integrated Audit Function) , ensuring its independence, effectiveness, and alignment with the Company's strategic objectives. Integrated Audit operates free from interference by any element within the organisation, including on matters related to auditor selection, scope, procedures, frequency, timing, or report content. The Group Head of Internal Audits reports directly to, and meets frequently with, the Chairman of the BARC to maintain open and transparent communication. The Committee regularly assesses the scope of the Internal audit plan and its implementation to ensure that it is comprehensive, encompassing a blend of medical and non-medical areas, and integrated audits to assess processes and controls, risk management frameworks, regulatory compliance, major change initiatives, investigations, and special reviews. Regular updates from the Group Head of Internal Audits provided the Committee with insights into key findings, risk exposures, and the progress of corrective actions implemented by the Management
- Assess and constantly monitor the effects of Sri Lankan economic conditions and their impact on the Hospital's operation.
- Engage with the management to review key risks faced by the Group.
- Provide guidance on the preparation of the Group's comprehensive risk framework
- Evaluate the status of compliance and key statutory deliverables of The Lanka Hospitals Group with its tax, regulatory and operations standards.
- Seek professional advice from time to time on matters within the purview of the committee to accomplish the optimum solutions to the group.

Effectiveness of the External Audit

The BARC ensured the independence and effectiveness of the External Auditor by implementing robust oversight mechanisms. National Audit Office has been the external auditors of the Company. The Committee met with the Auditors independently, without the presence of Executive management, providing them the opportunity to express their views freely on any matter. This process assured the BARC that management had provided all necessary information and explanations, imposed no restrictions on the audit's scope, and maintained a cooperative relationship.

Reporting to the Board

The minutes of the Committee meetings were tabled at Board meetings, thereby providing Board Members with access to the deliberations of the Committee. The Chairman of the BARC drew attention of the Board on key matters and recommendations made at each BARC to the Board and sought board views, guidance and approvals regularly.

Evaluation of the Committee

During the year, the Committee has assessed all key risk areas and compliances of the Group, as included in the Terms of Reference and were regularly reported to the board of directors with its explanations and observations. Regular evaluations help to identify areas for improvement and ensure that the audit committee remains effective in fulfilling its responsibilities. Accordingly, 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,



Mr. Sirimal Senaratne,
Chairman, Audit Committee

31st March 2026

Board Remuneration Committee Report

100%

Independence (As at 31 Dec 2025)

10

Meetings

Relevance to Strategy

Competent team

Composition

- Mr. Sajith Wickramaarachchi (INED) Chairman - Appointed w.e.f. 19th December 2024
- Mr. Chaaminda Kumarasiri (NED) (Appointed w.e.f. 19th December 2024- and ceased on 05th June 2025)
- Ms. Shamalie Jayatunge (INED) Appointed w.e.f. 19th December 2024
- Mr. S M D Suriyakumara (INED- Appointed w.e.f. 05th May 2025

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

Meeting attendance

Mr. Sajith Wickramaarachchi	10/10
Mr. Chaaminda Kumarasiri	6/6
Ms. Shamalie Jayatunge	10/10
Mr. S M D Suriyakumara	6/6



Duties and Responsibilities

The Board Remuneration Committee plays a critical role in ensuring that the Group's compensation practices are fair, transparent, and aligned with the interests of our shareholders while fulfilling employee expectations. The Committee comprises Independent Non-Executive Directors with substantial expertise in human capital affairs, labor laws and compensation matters, with diverse experience in Sri Lanka's corporate sector. Hence, the Committee has adequate proficiency in remuneration policy and business management to deliberate and recommend necessary changes and developments to meet the roles and responsibility of the Committee.

The Committee recognises the importance of transparency, accountability, and robust corporate governance in all human-related aspects of healthcare operations, including Executive and Director compensation while also being concerned on key developments and initiatives undertaken during the period to enhance the Group compensation practices and address emerging challenges. All these efforts of the committee have a direct impact on rewarding, motivating and retaining all levels of human capital, thereby ensuring the sustained success of the business and value creation, over the long run.

Activities in 2025

During the year, the Committee implemented a comprehensive action plan to review the compensation policies to ensure they remain competitive, aligned with the Company's strategic objectives and help to attract/ retain human capital to the group. The Committee supported the Board on remuneration-related matters and decisions, with a view to aligning the interest of both employees and the management.

The Remuneration Committee met 10 times during the year. The meetings were attended by the Group Managing Director (GMD), Director Medical Services/DMS, Group Chief Finance Officer (GCFO) and

Group Chief Human Resource Officer (GCHRO) together with professional advisors engaged on specific subject matters upon invitation by the committee to brief them on pertinent issues related to the group human capital. The proceedings of the meetings were handed over to the Board of Directors in adequate detail.

Summary of activities conducted during the year included the following:

- Assessed/revised Group compensation policies in terms of performance-based bonus and annual increments to ensure the rewards to human capital are competitive and aligned with the Company's strategic objectives, emerging market developments, industry standards, and compliant with regulatory requirements.
- Reviewed of staff performance evaluation process against the predetermined metrics and targets set out during the beginning of the evaluation period.
- Reviewed of remuneration package of the Group Managing Director and the EXCO members based on transparent evaluation criteria.
- Identified key strategic human capital in every level of the group to ensure talent development and succession planning, including the identification and development of potential successors for mission-critical roles, including reviewing compensation structures to support leadership development and retention.
- Commissioned a salary survey report from Messrs KPMG to assess the current remuneration levels of LH group compared to industry players in order to retain and attract right talent in the company.
- Evaluated of risks associated with the Company's compensation practices to mitigate identified risks and ensure responsible compensation practices are in place.
- Ensured the Group is compliant with the Companies Act requirements in relation to Director remunerations, particularly the provisions of section 216.

Remuneration Policy

The Group's Remuneration Policy outlines the principles, guidelines, and procedures governing the compensation of employees, executives, and directors within the company. The policy seeks to align remuneration with the Group's overall business strategy and values while promoting equity and fairness in compensation practices by ensuring that pay differentials are justified based on factors such as job responsibilities, skills, experience, and performance which minimize disparities in compensation within and across employee groups. It also fosters transparency and open communication regarding the organization's remuneration policies, practices, and decision-making processes by clearly communicating how compensation is determined, including the rationale behind decisions and the criteria used.

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. Sajith Wickramaarachchi
Chairman - Remuneration Committee

31st March 2026

The Board Related Party Transactions Review Committee Report

100%

Independence (As at 31 Dec 2025)

04

Meetings

Relevance to Strategy

Business growth

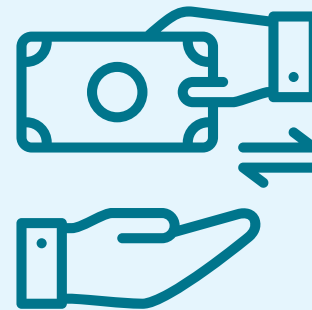
Composition

- Ms. Shamalie Jayatunge (INED) Chairperson - Appointed w.e.f 19th December 2024
- Mr. Sirimal Senaratne (INED) – Appointed w.e.f 19th December 2024
- Mr. Sajith Wickramaarachchi (INED) – Appointed w.e.f 19th December 2024

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

Meeting attendance

Ms. Shamalie Jayatunge	4/4
Mr. Sirimal Senaratne	4/4
Mr. Sajith Wickramaarachchi	4/4



Roles and Responsibilities

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

- Evaluating and improving the effectiveness of the Company's Related Party Transaction governance framework, Policies and procedures based on evolving regulatory requirements and industry best practices, consistent with the recommendations proposed by Code of Best Practice on Corporate Governance by CA Sri Lanka 2023.
- Ensure the objective, economic and commercial substance of the related party transactions which take precedence over the legal form and technicality, as listed in the regulations.
- Identify all related parties involved in transactions of the group, including key management personnel, significant shareholders, subsidiaries, and their immediate family members.
- Review and update the Board on the Group's related party transactions of the Group.
- Ensure that the disclosures made in the Annual Report are in line with the requirements of the Continuing Listing Requirements of the CSE & accordance with LKAS 24.
- Ensure market disclosures are made as required by the Continuing Listing Requirements of the CSE.
- Provide training and education to the organisation's employees, directors, and related parties on the company's policies and procedures related to related party transactions, as well as their roles and responsibilities in ensuring compliance.

The Committee assesses the materiality and significance of each related party transaction based on its size, nature, and potential impact on the company's financial position and performance. All related party transactions undergo a rigorous review and approval process to ensure fairness, transparency, and compliance with applicable laws and regulations. The Committee will continue to monitor related party transactions and enhance controls and oversight mechanisms, as necessary, to mitigate risks and safeguard the interests of shareholders and other stakeholders. The Committee remains vigilant in identifying

and addressing potential conflicts of interest and ensuring the integrity of related party transactions while remaining dedicated to conducting related party transactions in a manner consistent with principles of fairness, transparency, and corporate governance.

Composition

During the year 2025, the Committee comprised exclusively Independent Non-Executive Directors, in line with the requirements of Code of Best Practice on Related Party Transactions issued by the CSE and ICASL 2017. The Directors who represented the Committee are set out alongside their profiles are given on pages 88 to 95 of this Report.

Activities in 2025

The Committee met once every quarter (4 times) during the Financial Year 2025. 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.

Related party transactions were mainly evaluated on the dual basis of recurrent and non-recurrent transactions, as mentioned in the section 09 of the CSE listing rules. A summary of the above related party transactions that occurred during the period under review is provided to the committee ahead of the meetings, and the Committee monitors and reviews such transactions to assess fairness and integrity while also providing recommendations and findings to the Board of Directors on a regular basis.

During the year, the Committee has evaluated the level of stakeholder engagement and transparency regarding Related party transactions of the group and assessed whether Group entities proactively engage with shareholders and other stakeholders to address concerns and provide meaningful disclosures on RPT activities, policies, and controls.

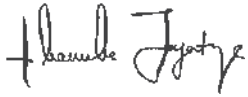
All related party transactions during the year were within the respective thresholds mentioned in the Listing Rules requiring disclosure in the Annual Report. The Board has extended the scope of the Committee to include senior decision makers (Executive committee members) in the list of key management personnel, whose transactions with the group entities are 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, and given in the Annual Report of the Board of Directors on pages 131 to 136. 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,



Ms. Shamalie Jayatunge
Chairperson - Related Party Transactions Review Committee

31st March 2026

Board ESG & Sustainability Committee Report

GRI 2-14

66%

Independence (As at 31 Dec 2025)

02

Meetings

Relevance to Strategy

Sustainability

Composition

- Mr. Simal Senaratne (INED) Chairperson
- Ms. Shamalie Jayatunge (INED)
- Mr. Chaaminda Kumarasiri (ED)

(INED-Independent Non-Executive Director, NED-Non-Independent Non-Executive Director, ED-Executive Director)

Meeting attendance

Mr. Simal Senaratne:	2/2
Ms. Shamalie Jayatunge:	2/2
Mr. Chaaminda Kumarasiri:	2/2



The Board ESG & Sustainability Committee was established during the last quarter of the financial year with the objective of providing strategic oversight and direction in embedding sustainability considerations, including ESG principles and related risks and opportunities, into the Group's strategy, operations and decision-making processes.

Duties and Responsibilities

- The Committee is responsible for reviewing, guiding and recommending the Group's ESG strategy for Board approval, ensuring alignment with regulatory requirements, best practices and identified sustainability and climate-related risks and opportunities, while overseeing management's execution, governance frameworks and the effectiveness of related processes.
- In relation to ESG targets, KPIs and performance, the Committee is responsible for recommending appropriate ESG goals and metrics across the short, medium and long term, reviewing progress against these targets, and overseeing the measurement, monitoring and reporting processes to ensure transparency, accountability and continuous improvement.
- In relation to ESG reporting and disclosures, the Committee reviews sustainability-related disclosures prior to Board approval, ensuring their completeness, integrity and alignment with applicable regulatory requirements and reporting standards.
- In relation to assurance and compliance, the Committee evaluates the need for both internal and external assurance mechanisms, approves the appointment of external assurance providers while assessing their independence and performance, and reviews any significant ESG-related incidents or policy breaches, ensuring that appropriate remedial actions are taken and relevant policies are updated accordingly.

Activities in 2025

The Committee approached the implementation of SLFRS S1 and S2 through a structured and phased framework, recognising the need to embed sustainability-related financial disclosures within the Group's existing governance, risk management and reporting processes. Emphasis was placed on establishing a strong foundational framework during the year, supported by clear accountability, cross-functional coordination and alignment with emerging regulatory expectations. The Committee remained closely engaged in guiding management's efforts, ensuring that implementation is both practical and scalable, while laying the groundwork for enhanced disclosures and process maturity in the periods ahead.

During the year, as part of the implementation process:

- A comprehensive gap analysis was conducted by Messrs. KPMG to assess the Group's current level of alignment against the requirements of SLFRS S1 and S2.
- Steps were initiated to review and operationalise the findings of the gap analysis, with a view to prioritising key areas for enhancement.
- A management-level ESG Committee, comprising all members of the Executive Committee, was established to drive implementation and ensure cross-functional alignment.
- Dedicated task forces were formed across key functional areas to support execution and integration at an operational level.
- A formal reporting structure was defined, with the management-level ESG Committee reporting directly to the Board Sustainability Committee.
- The Senior Manager - Legal and Compliance was designated as the Secretary to the management-level ESG Committee to ensure coordination and governance discipline.
- Interim responsibility for driving the implementation process was assigned to the Risk function to ensure continuity and oversight.
- Plans were formalised to strengthen internal capacity, including budgeting for dedicated ESG and sustainability roles in the upcoming financial year.

Way Forward

The Group remains focused on systematically identifying and assessing sustainability-related risks and opportunities, including those arising from climate-related factors, while ensuring that these considerations are appropriately integrated into strategic decision-making. In parallel, efforts are underway to align the Group's corporate strategy with relevant ESG key performance indicators, thereby positioning the organisation to meet evolving regulatory requirements and strengthen overall preparedness for compliance.

On behalf of the Committee,



Mr. Sirimal Senaratne
Chairman- Board ESG & Sustainability Committee

31st March 2026

GRI Content Index

Statement of use		Lanka Hospitals PLC has reported in accordance with the GRI Standards for the period from 1st January 2025 to 31st December 2025			
GRI 1 used		GRI 1: Foundation 2021			
Applicable GRI Sector Standard(s)		Not applicable			
Gri Standard/ Other Source	Disclosure	Location	Omission		
			Requirement(S) Omitted	Reason	Explanation
General disclosures					
GRI 2: General Disclosures 2021	2-1 Organizational details	4,5,171			
	2-2 Entities included in the organization's sustainability reporting	5			
	2-3 Reporting period, frequency and contact point	5,8			
	2-4 Restatements of information	5			
	2-5 External assurance	7, 153-156			
	2-6 Activities, value chain and other business relationships	5, 26-27, 57-60, 64-66, 80			
	2-7 Employees	68			
	2-8 Workers who are not employees	68			
	2-9 Governance structure and composition	88-102, 105, 123			
	2-10 Nomination and selection of the highest governance body	107,138			
	2-11 Chair of the highest governance body	106,116			
	2-12 Role of the highest governance body in overseeing the management of impacts	106			
	2-13 Delegation of responsibility for managing impacts	102-103, 123			
	2-14 Role of the highest governance body in sustainability reporting	106,123,146			
	2-15 Conflicts of interest	104, 204			
	2-16 Communication of critical concerns	121			
	2-17 Collective knowledge of the highest governance body	92-95			
	2-18 Evaluation of the performance of the highest governance body	118			
	2-19 Remuneration policies	123			
	2-20 Process to determine remuneration	123			
	2-21 Annual total compensation ratio	-	2-21	Confidentiality constraints	Omitted due to confidentiality reasons
	2-22 Statement on sustainable development strategy	18, 20			
	2-23 Policy commitments	121			

Statement of use		Lanka Hospitals PLC has reported in accordance with the GRI Standards for the period from 1st January 2025 to 31st December 2025			
GRI 1 used		GRI 1: Foundation 2021			
Applicable GRI Sector Standard(s)		Not applicable			
		Omission			
Gri Standard/ Other Source	Disclosure	Location	Requirement(S) Omitted	Reason	Explanation
General disclosures					
GRI 2: General Disclosures 2021	2-24 Embedding policy commitments	102			
	2-25 Processes to remediate negative impacts	69-70			
	2-26 Mechanisms for seeking advice and raising concerns	69-70,121			
	2-27 Compliance with laws and regulations	122			
	2-28 Membership associations	-	2-28	Confidentiality constraints	Omitted due to confidentiality reasons
	2-29 Approach to stakeholder engagement	28			
	2-30 Collective bargaining agreements	69-70			
Material topics					
GRI 3: Material Topics 2021	3-1 Process to determine material topics	32-33			
	3-2 List of material topics	32-33			
GRI 3: Material Topics 2021	3-3 Management of material topics	32-33			
Procurement Practices					
GRI 204: Procurement Practices 2016	204-1 Proportion of spending on local suppliers	80			
Anti-corruption					
GRI 205: Anti-corruption 2016	205-3 Confirmed incidents of corruption and actions taken	121			
Energy					
GRI 3: Material Topics 2021	3-3 Management of material topics	32-33			
GRI 302: Energy 2016	302-1 Energy consumption within the organization	84			
	302-3 Energy intensity	84			
	302-4 Reduction of energy consumption	84			
Water and effluents					
GRI 3: Material Topics 2021	3-3 Management of material topics	32-33			
GRI 303: Water and Effluents 2018	303-1 Interactions with water as a shared resource	84			
	303-2 Management of water discharge-related impacts	84			
	303-3 Water withdrawal	84			
	303-5 Water consumption	84			

GRI Content Index Contd.

Statement of use		Lanka Hospitals PLC has reported in accordance with the GRI Standards for the period from 1st January 2025 to 31st December 2025			
GRI 1 used		GRI 1: Foundation 2021			
Applicable GRI Sector Standard(s)		Not applicable			
Gri Standard/ Other Source	Disclosure	Location	Omission		
			Requirement(S) Omitted	Reason	Explanation
<i>Emissions</i>					
GRI 3: Material Topics 2021	3-3 Management of material topics	32-33			
GRI 305: Emissions 2016	305-1 Direct (Scope 1) GHG emissions	84			
	305-2 Energy indirect (Scope 2) GHG emissions	84			
	305-4 GHG emissions intensity	84			
	305-5 Reduction of GHG emissions	84			
<i>Waste</i>					
GRI 3: Material Topics 2021	3-3 Management of material topics	32-33			
GRI 306: Waste 2020	306-1 Waste generation and significant waste-related impacts	85			
	306-2 Management of significant waste-related impacts	85			
	306-3 Waste generated	85			
	306-4 Waste diverted from disposal	85			
	306-5 Waste directed to disposal	85			
<i>Employment</i>					
GRI 3: Material Topics 2021	3-3 Management of material topics	32-33			
GRI 401: Employment 2016	401-1 New employee hires and employee turnover	69			
	401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	71			
	401-3 Parental leave	73			
<i>Labor/management relations</i>					
GRI 3: Material Topics 2021	3-3 Management of material topics	32-33			
GRI 402: Labor/Management Relations 2016	402-1 Minimum notice periods regarding operational changes	69			
<i>Occupational health and safety</i>					
GRI 3: Material Topics 2021	3-3 Management of material topics	32-33			

Statement of use			Lanka Hospitals PLC has reported in accordance with the GRI Standards for the period from 1st January 2025 to 31st December 2025		
GRI 1 used			GRI 1: Foundation 2021		
Applicable GRI Sector Standard(s)			Not applicable		
Gri Standard/ Other Source	Disclosure	Location	Omission		
			Requirement(S) Omitted	Reason	Explanation
GRI 403: Occupational Health and Safety 2018	403-1 Occupational health and safety management system	70			
	403-2 Hazard identification, risk assessment, and incident investigation	70			
	403-4 Worker participation, consultation, and communication on occupational health and safety	70			
	403-5 Worker training on occupational health and safety	70			
	403-6 Promotion of worker health	70			
	403-7 Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	70			
	403-8 Workers covered by an occupational health and safety management system	70			
	403-9 Work-related injuries	70			
	<i>Training and education</i>				
GRI 3: Material Topics 2021	3-3 Management of material topics	32-33			
GRI 404: Training and Education 2016	404-1 Average hours of training per year per employee	71-72			
	404-2 Programs for upgrading employee skills and transition assistance programs	71-72			
	404-3 Percentage of employees receiving regular performance and career development reviews	71-72			
<i>Diversity and equal opportunity</i>					
GRI 3: Material Topics 2021	3-3 Management of material topics	32-33			
GRI 405: Diversity and Equal Opportunity 2016	405-1 Diversity of governance bodies and employees	68, 73			
	405-2 Ratio of basic salary and remuneration to women to men	73			

GRI Content Index Contd.

Statement of use		Lanka Hospitals PLC has reported in accordance with the GRI Standards for the period from 1st January 2025 to 31st December 2025			
GRI 1 used		GRI 1: Foundation 2021			
Applicable GRI Sector Standard(s)		Not applicable			
		Omission			
Gri Standard/ Other Source	Disclosure	Location	Requirement(S) Omitted		
			Reason	Explanation	
<i>Freedom of Association and Collective Bargaining</i>					
GRI 3: Material Topics 2021	3-3 Management of material topics	32-33			
GRI 407: Freedom of Association and Collective Bargaining	407-1 Operations and suppliers in which the right to freedom of association and collective bargaining maybe at risk	121			
<i>Child Labour</i>					
GRI 3: Material Topics 2021	3-3 Management of material topics	32-33			
GRI 408: Child Labour	408-1: Operations and suppliers at significant risk for incidents of child labour	73			
<i>Supplier social assessment</i>					
GRI 414: Supplier Social Assessment 2016	414-1 New suppliers that were screened using social criteria	80			
	414-2 Negative social impacts in the supply chain and actions taken	80			
<i>Customer health and safety</i>					
GRI 3: Material Topics 2021	3-3 Management of material topics	32-33			
GRI 416: Customer Health and Safety 2016	416-1 Assessment of the health and safety impacts of product and service categories	79			
	416-2 Incidents of non-compliance concerning the health and safety impacts of products and services	79			
<i>Marketing and labeling</i>					
GRI 3: Material Topics 2021	3-3 Management of material topics	32-33			
GRI 417: Marketing and Labeling 2016	417-1 Requirements for product and service information and labeling	79-80			
	417-2 Incidents of non-compliance concerning product and service information and labeling	79-80			
	417-3 Incidents of non-compliance concerning marketing communications	79-80			
<i>Customer privacy</i>					
GRI 418: Customer Privacy 2016	418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data	80-122			

Assurance Report on the Sustainability Reporting Criteria Contd.

Description of procedures performed

Procedures performed in a limited assurance engagement vary in nature and timing from and are less in extent than for a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed. Our procedures were designed to obtain a limited level of assurance on which to base our conclusion and do not provide all the evidence that would be required to provide a reasonable level of assurance.

Although we considered the effectiveness of management's internal controls when determining the nature and extent of our procedures, our assurance engagement was not designed to provide assurance on internal controls. Our procedures did not include testing controls or performing procedures relating to checking aggregation or calculation of data within IT systems.

A limited assurance engagement consists of making enquiries, primarily of persons responsible for preparing the subject matter and related information and applying analytical and other appropriate procedures.

Our procedures included:

- Performed a comparison of the content of the Integrated Annual Report against the Guiding Principles and Content Elements given in the Integrated Reporting Framework (<IR> Framework).
- Checked whether the information contained in the Integrated Annual Report – Financial Capital element information has been properly derived from the audited financial statements.
- Conducted interviews with the selected key management personnel and relevant staff and obtained an understanding of the internal controls, governance structure and reporting process relevant to the Integrated Report.
- Obtained an understanding of the relevant internal policies and procedures developed, including those relevant to determining what matters most to the stakeholders, how the organization creates value, the external environment, strategy, approaches to putting members first, governance and reporting.

- Obtained an understanding of the description of the organization's strategy and how the organization creates value, what matters most to the stakeholders and enquiring the management as to whether the description in the Integrated Report accurately reflects their understanding.
- Checked the Board of Directors meeting minutes during the financial year to ensure consistency with the content of the Integrated Report.
- Tested the relevant supporting evidence related to qualitative & quantitative disclosures within the Integrated Report against identified material aspects.
- Read the Integrated Report in its entirety for consistency with our overall knowledge obtained during the assurance engagement.

We also performed such other procedures as we considered necessary in the circumstances.

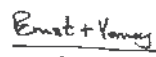
Emphasis of matter

Economic, Environment, Social and Intellectual capital management data/information are subject to inherent limitations given their nature and the methods used for determining, calculating and estimating such data. Such inherent limitations are common in Sri Lanka.

We also do not provide any assurance on the assumptions and achievability of prospective information presented in the Entity's Annual Report.

Conclusion

Based on our procedures and the evidence obtained, we are not aware of any material modifications that should be made to **the information on the Economic, Environment, Social and Governance (EESG) contained in the Integrated Annual Report of The Lanka Hospitals Corporation PLC for the year ended 31 December 2025**, in order for it to be in accordance with the Criteria.



10th April 2026
Colombo

Assurance Report on the Integrated Annual Report 2025 Contd.

Description of procedures performed

Procedures performed in a limited assurance engagement vary in nature and timing from and are less in extent than for a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed. Our procedures were designed to obtain a limited level of assurance on which to base our conclusion and do not provide all the evidence that would be required to provide a reasonable level of assurance.

Although we considered the effectiveness of management's internal controls when determining the nature and extent of our procedures, our assurance engagement was not designed to provide assurance on internal controls. Our procedures did not include testing controls or performing procedures relating to checking aggregation or calculation of data within IT systems.

A limited assurance engagement consists of making enquiries, primarily of persons responsible for preparing the subject matter and related information and applying analytical and other appropriate procedures.

Our procedures included:

- Validated the information presented and checked the calculations performed by the organization through recalculation.
- Performed a comparison of the content given in the Report against the criteria given in the selected sustainability standards/frameworks.
- Conducted interviews with relevant organization's personnel to understand the process for collection, analysis, aggregation and presentation of data. Interviews included selected key management personnel and relevant staff.
- Read the content presented in the Report for consistency with our overall knowledge obtained during the course of our assurance engagement and requested changes wherever required.
- Provided guidance, recommendations and feedback on the improvement of the sustainability reporting indicators to improve the presentation standard.

We also performed such other procedures as we considered necessary in the circumstances.

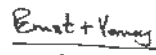
Emphasis of matter

Economic, Environment, Social management data/information are subject to inherent limitations given their nature and the methods used for determining, calculating and estimating such data. Such inherent limitations are common in Sri Lanka.

We also do not provide any assurance on the assumptions and achievability of prospective information presented in the Entity's Report.

Conclusion

Based on our procedures and the evidence obtained, we are not aware of any material modifications that should be made to **the information on the Economic, Environment, Social and Governance (EESG) contained in the Integrated Annual Report of The Lanka Hospitals Corporation PLC for the year ended 31 December 2025**, in order for it to be in accordance with the Criteria.



10th April 2026
Colombo

Financial Reports

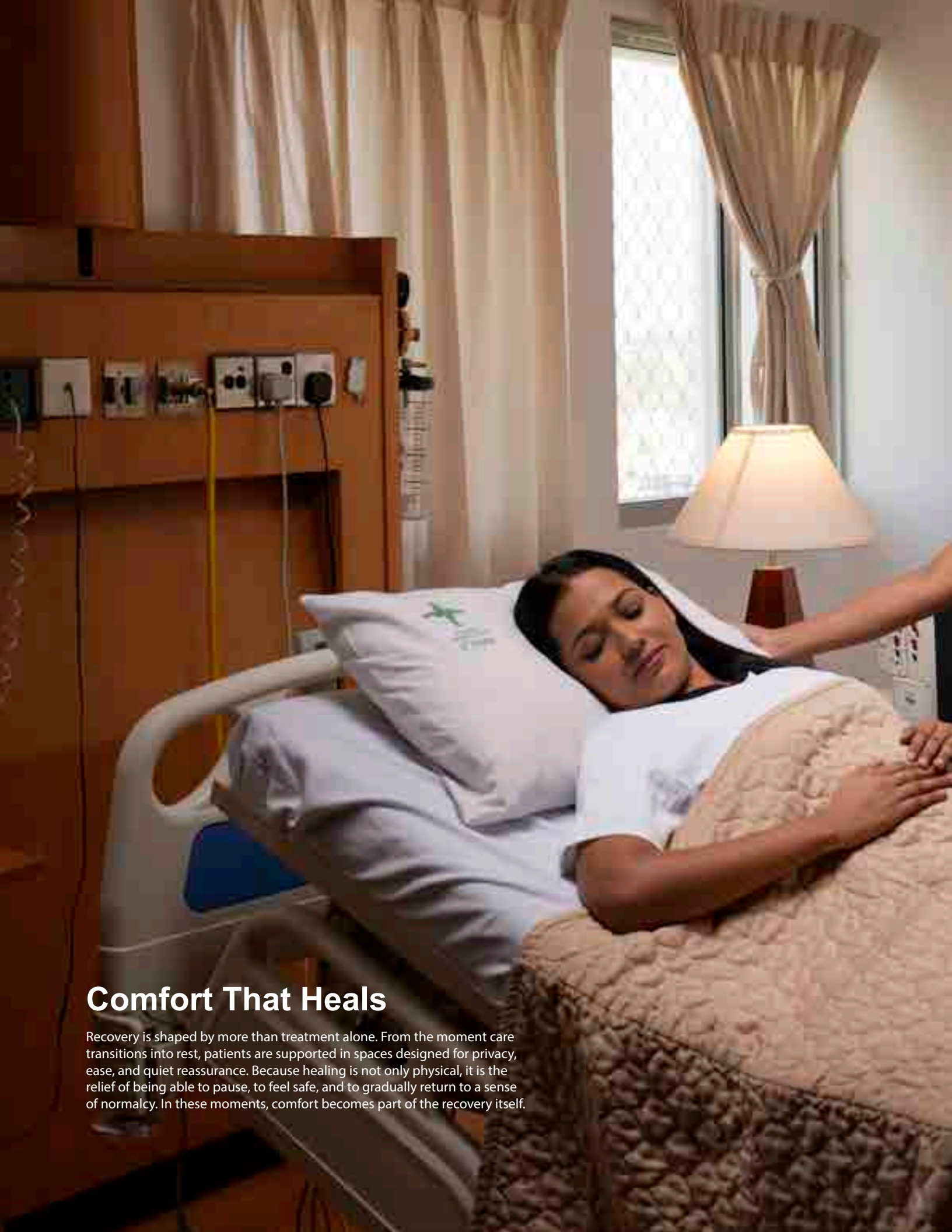
Independent Auditors' Report	160
Consolidated Statement of Profit or Loss	164
Consolidated Statement of Other Comprehensive Income	165
Consolidated Statement of Financial Position	166
Consolidated Statement of Changes in Equity	167
Consolidated Statement of Cash Flows	169
Notes to the Consolidated Financial Statements	171

Financial Calendar 2025 and Proposed Financial Calendar 2026

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

	2025 Submitted on	2026 to be Submitted on or Before
For the 3 months ended 31st March (unaudited)	15th May 2025	15th May 2026
For the 6 months ended 30th June (unaudited)	15th August 2025	14th August 2026
For the 9 months ended 30th September (unaudited)	12th November 2025	13th November 2026
For the months ended 31st December (unaudited)	27th February 2026	26th February 2026





Comfort That Heals

Recovery is shaped by more than treatment alone. From the moment care transitions into rest, patients are supported in spaces designed for privacy, ease, and quiet reassurance. Because healing is not only physical, it is the relief of being able to pause, to feel safe, and to gradually return to a sense of normalcy. In these moments, comfort becomes part of the recovery itself.



Independent Auditors' Report



ජාතික විගණන කාර්යාලය தேசிய கணக்காய்வு அலுவலகம் NATIONAL AUDIT OFFICE



මගේ අංකය
எனது இல. }
My No. }
Chairman

THO/CLHC/1/2025/16

ඔබේ අංකය
உமது இல. }
Your No. }

දිනය
திகதி }
Date }

91 March 2026

Lanka Hospitals Corporation PLC

Report of the Auditor General on the Financial Statements and Other Legal and Regulatory Requirements of the Lanka Hospitals Corporation PLC and its subsidiaries for the year ended 31 December 2025 in terms of Section 12 of the National Audit Act, No. 19 of 2018, as amended.

1. Financial Statements

1.1 Opinion

The audit of the financial statements of the Lanka Hospitals Corporation PLC ("Company") and its subsidiaries ("Group") for the year ended 31 December 2025 comprising the statement of financial position as at 31 December 2025 and statement of profit and loss, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information, 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 2025, 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 the audit of the financial statements of the current period. These matters were addressed in the context of the audit of the financial statements as a whole, and in forming my opinion thereon, and I do not provide a separate opinion on these matters. For each matter below, description of how my audit addressed the matters is provided in that context.

I have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of my report, including in relation to these matters. Accordingly, my audit included the performance of procedures designed to respond to my assessment of the risks of material misstatement of the financial statements. The results of audit procedures, including the procedures performed to address the matters below, provide the basis for my audit opinion on the accompanying financial statements.

අංක 306/72, පෙදෙස 28, බත්තරමුල්ල, ශ්‍රී ලංකාව



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- a. **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 31 December 2025 was Rs.14,474 Million.

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, (a) Carrying out audit procedures over revenue measurement by testing on a sample basis, transactional level pricing and applicable documentary evidence. (b) Discussion 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. (c) Obtaining an understanding about the key IT and manual controls over the occurrence of revenue and tested the same on a sample basis. (d) Performing specific audit procedures over cash collection related to revenue covering a sample of locations where the Group's business is carried out. (e) Assessing the adequacy of the disclosures made in Note 5 in the financial statement.

- b. **Carrying value of inventories** - Refer to Note 4.8 - accounting policy and Note 16 to the Financial Statements. The Group carried inventories of Rs.978 Million as at 31 December 2025, at the lower of cost or net realizable value.

Risk Description	Our Response
Valuation of inventory involves judgment 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. (a) On a sample basis, comparing the carrying amounts of the Group's inventories with net realization value of those inventories. (b) Testing the existence of inventories through physical verification as at year end and validating the cost allocation within Group entities.

- c. **Recoverability of Trade Receivables** - Refer to Note 4.9.1 - accounting policy and Note 17 to the Financial Statements. The Group's trade receivables as at 31 December 2025 was Rs.454 Million.

Risk Description	Our Response
Assessment of recoverability of the Group's trade receivables involves based on management judgment. The historical payment patterns and other information relating to the creditworthiness of customers. Inherent subjectivity is involved in making judgments in relation to credit risk exposures to determine the recoverability of trade receivables.	My audit procedures included, (a) 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. (b) Testing the receipt of cash after the year end relating to 31 December 2025 balances; and (c) Testing the adequacy of the Group's impairment provisions against trade receivables by assessing the judgments made and the historical trading experience with the relevant customers. (d) Assessing the adequacy of the Group's disclosures about the degree of estimation involved in arriving at the impairment provision.

1.4 Other information included in the Group's 2025 Annual Report.

The other information comprises the information included in the Group's 2025 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 Group's 2025 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 Group's financial reporting process.

As per Section 16(1) of the National Audit Act No. 19 of 2018, the Company and the Group are required to maintain proper books and records of all their income, expenditure, assets and liabilities, to enable annual and periodic financial statements to be prepared of the Company and 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 of the 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.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Group as a basis for forming an opinion on the consolidated financial statements. I am responsible for the direction, supervision and review of the audit work performed for the purpose 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.

From the matters communicated with those charged with governance, I determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. I describe these matters in my auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, I determine that a matter should not be communicated in my report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

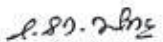
2. Report on Other Legal and Regulatory Requirements

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 relevant information and explanation that were 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 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.
- 2.1.3 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 were 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.



L.S.I Jayaratna
 Auditor General

Consolidated Statement of Profit or Loss

For the year ended 31st December,	Note	Group		Company	
		2025 Rs.	2024 Rs.	2025 Rs.	2024 Rs.
Revenue from contracts with customers	5	14,473,920,332	13,650,106,435	10,887,304,636	10,472,152,970
Cost of services		(8,063,098,089)	(7,699,588,378)	(6,140,233,217)	(5,859,552,798)
Gross profit		6,410,822,243	5,950,518,057	4,747,071,419	4,612,600,172
Other income	6	74,298,652	50,967,748	498,743,196	59,070,056
Administrative expenses		(3,295,417,323)	(3,073,418,387)	(2,628,691,346)	(2,389,464,034)
Other operating expenses		(1,225,617,094)	(1,218,966,310)	(1,098,458,940)	(1,124,176,103)
Change in fair value of investment property	14.2	-	-	-	(3,000,000)
Profit from the operations		1,964,086,479	1,709,101,109	1,518,664,329	1,155,030,091
Finance income	7.1	920,373,742	244,164,426	645,459,233	(11,156,552)
Finance cost	7.2	(54,542,034)	(57,943,680)	(14,707,490)	(19,107,753)
Net finance income		865,831,707	186,220,746	630,751,743	(30,264,305)
Profit before tax	8	2,829,918,186	1,895,321,855	2,149,416,072	1,124,765,786
Income tax expense	9	(885,552,819)	(555,889,114)	(553,286,216)	(380,857,628)
Profit for the year		1,944,365,367	1,339,432,741	1,596,129,855	743,908,158
Attributable to:					
Equity holders of the company		1,944,365,367	1,339,432,741	1,596,129,855	743,908,158

*The notes from pages 171 to 212 form an integral part of these Financial Statements.
The figures shown in bracket indicate deductions.*

Consolidated Statement of Other Comprehensive Income

For the year ended 31st December,	Note	Group		Company	
		2025 Rs.	2024 Rs.	2025 Rs.	2024 Rs.
Profit for the year		1,944,365,367	1,339,432,741	1,596,129,855	743,908,158
Other comprehensive income					
Items that will not be reclassified to profit or loss					
Gain on revaluation of property, plant and equipment	22	-	425,964,119	-	395,993,852
Actuarial gain on defined benefit obligations	23	49,473,549	(83,100,117)	44,304,203	(70,588,885)
Deferred tax on surplus of revaluation	22	-	(127,789,236)	-	(118,798,156)
Related tax on actuarial gain/ (loss) on defined benefit obligation	24	(14,842,065)	24,930,035	(13,291,261)	21,176,666
		34,631,484	240,004,801	31,012,942	227,783,477
Other comprehensive income for the year, (net of tax)		34,631,484	240,004,801	31,012,942	227,783,477
Total comprehensive income for the year		1,978,996,851	1,579,437,542	1,627,142,797	971,691,635
Attributable to:					
Equity holders of the parent		1,978,996,851	1,579,437,542	1,627,142,797	971,691,635
Basic Earnings per share (Rs.)	10.1	8.69	5.99	7.13	3.32
Diluted Earnings per share (Rs.)	10.2	8.69	5.99	7.13	3.32

The notes from pages 171 to 212 form an integral part of these Financial Statements.

The figures shown in bracket indicate deductions.

Consolidated Statement of Financial Position

As at 31st December,	Note	Group		Company	
		2025 Rs.	2024 Rs.	2025 Rs.	2024 Rs.
ASSETS					
Non-current assets					
Property, plant and equipment	12	6,614,527,327	6,582,766,634	6,038,384,895	5,972,546,359
Right of use assets	26	496,911,762	550,769,798	361,350,796	374,442,426
Intangible assets	13	216,289,489	124,045,799	206,647,686	111,247,160
Investment property	14	-	-	167,000,000	167,000,000
Investment in subsidiary	15	-	-	414,000,020	414,000,020
		7,327,728,578	7,257,582,231	7,187,383,397	7,039,235,964
Current assets					
Inventories	16	977,950,739	921,201,052	734,877,012	665,816,490
Trade and other receivables	17	1,134,813,143	1,369,068,340	1,360,067,927	1,155,705,935
Amounts due from related companies	18	-	229,044	40,499,363	77,226,982
Financial assets measured at amortized cost	19	9,791,644,978	7,868,036,303	5,891,649,498	5,003,295,982
Cash and cash equivalents	20	1,182,441,067	1,095,204,209	1,008,267,065	978,865,580
		13,086,849,926	11,253,738,948	9,035,360,865	7,880,910,969
Total assets		20,414,578,504	18,511,321,180	16,222,744,261	14,920,146,933
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	1,485,319,745	1,549,582,983	1,381,399,109	1,441,921,339
Retained earnings		11,217,468,679	9,957,271,181	7,906,981,060	7,002,378,624
Total equity		15,374,331,514	14,178,397,255	11,959,923,259	11,115,843,053
Non-current liabilities					
Employee benefits	23	494,508,327	490,125,100	419,287,782	419,609,656
Net deferred tax liabilities	24	1,212,144,259	1,177,738,559	1,187,742,508	1,156,616,849
Lease liability	26	182,790,318	215,964,891	26,636,134	59,904,640
		1,889,442,903	1,883,828,550	1,633,666,424	1,636,131,145
Current liabilities					
Trade and other payables	25	2,193,698,351	1,650,890,296	1,960,670,228	1,668,291,094
Lease liability	26	52,174,817	98,325,089	36,821,735	47,759,195
Income tax payable		538,716,599	299,862,047	328,998,285	191,596,462
Bank overdraft	20	366,214,321	400,017,944	302,664,329	260,525,984
		3,150,804,088	2,449,095,376	2,629,154,577	2,168,172,735
Total liabilities		5,040,246,990	4,332,923,925	4,262,821,001	3,804,303,880
Total equity and liabilities		20,414,578,504	18,511,321,180	16,222,744,261	14,920,146,933

The notes from pages 171 to 212 form an integral part of these Financial Statements.

I certify that the above Financial Statements for the year ended 31st December 2025 are in compliance with the requirements of the Companies Act No 7 of 2007.



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;



Group Managing Director



Director/ Chairman
Board Audit Committee

16th March 2026
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, 2024	2,671,543,090	1,306,246,491	8,621,170,130	12,598,959,711
Profit for the year	-	-	1,339,432,741	1,339,432,741
Other comprehensive income				-
Actuarial loss on defined benefit obligations	-	-	(83,100,117)	(83,100,117)
Related tax on actuarial loss on defined benefit obligation	-	-	24,930,035	24,930,035
Gain on revaluation of property, plant and equipment	-	425,964,119	-	425,964,119
Depreciation transfer on surplus on revaluation of buildings	-	(54,838,392)	54,838,392	-
Deferred tax on surplus of revaluation	-	(127,789,236)	-	(127,789,236)
	-	243,336,491	1,336,101,051	1,579,437,542
Transaction with owners recorded directly in equity				
Dividend	-	-	-	-
Balance as at 31st December, 2024	2,671,543,090	1,549,582,983	9,957,271,181	14,178,397,253
Balance as at 1st January, 2025	2,671,543,090	1,549,582,983	9,957,271,181	14,178,397,253
<i>Profit for the year</i>	-	-	1,944,365,367	1,944,365,367
Other comprehensive income				
Actuarial gain on defined benefit obligations	-	-	49,473,549	49,473,549
Related tax on actuarial gain on defined benefit obligation	-	-	(14,842,065)	(14,842,065)
Gain on revaluation of property, plant and equipment	-	-	-	-
Depreciation transfer on surplus on revaluation of building	-	(64,263,238)	64,263,238	-
Deferred tax on surplus of revaluation	-	-	-	-
	-	(64,263,238)	2,043,260,089	1,978,996,851
Transaction with owners recorded directly in equity				
Dividend	-	-	(783,062,591)	(783,062,591)
Balance as at 31st December, 2025	2,671,543,090	1,485,319,745	11,217,468,679	15,374,331,513
Dividend per share - 2025 (Note - 11)				3.50
Dividend per share - 2024 (Note - 11)				-

The figures shown in bracket indicate deductions.

The notes from pages 171 to 212 form an integral part of these Financial Statements.

Consolidated Statement of Changes in Equity Contd.

Company	Stated capital Rs.	Revaluation reserve Rs.	Retained earnings Rs.	Total Equity Rs.
Balance as at 1st January, 2024	2,671,543,090	1,215,823,026	6,256,785,300	10,144,151,417
Adjusted Balance as at 1st January, 2024	2,671,543,090	1,215,823,026	6,256,785,300	10,144,151,417
Profit for the year	-	-	743,908,159	743,908,159
Other comprehensive income				
Actuarial loss on defined benefit obligations	-	-	(70,588,885)	(70,588,885)
Related tax on actuarial loss on defined benefit obligation	-	-	21,176,666	21,176,666
Gain on revaluation of property, plant and equipment	-	395,993,852	-	395,993,852
Depreciation transfer on surplus on revaluation of building	-	(51,097,384)	51,097,384	-
Deferred tax on surplus of revaluation	-	(118,798,156)	-	(118,798,156)
	-	226,098,313	745,593,323	971,691,636
Balance as at 31st December, 2024	2,671,543,090	1,441,921,339	7,002,378,624	11,115,843,053
Balance as at 1st January, 2025	2,671,543,090	1,441,921,339	7,002,378,624	11,115,843,053
Adjusted Balance as at 1st January, 2025	2,671,543,090	1,441,921,339	7,002,378,624	11,115,843,053
Profit for the year	-	-	1,596,129,855	1,596,129,855
Other comprehensive income				
Actuarial gain on defined benefit obligations	-	-	44,304,203	44,304,203
Related tax on actuarial gain on defined benefit obligation	-	-	(13,291,261)	(13,291,261)
Transaction with owners of the Company				
Depreciation transfer on surplus on revaluation of building	-	(60,522,230)	60,522,230	-
Deferred tax on surplus of revaluation	-	-	-	-
	-	(60,522,230)	1,687,665,027	1,627,142,797
Transaction with owners recorded directly in equity				
Dividend	-	-	(783,062,591)	(783,062,591)
Balance as at 31st December, 2025	2,671,543,090	1,381,399,109	7,906,981,060	11,959,923,259
Dividend per share - 2025 (Note - 11)				3.50
Dividend per share - 2024 (Note - 11)				-

The figures shown in bracket indicate deductions.

The notes from pages 171 to 212 form an integral part of these financial statements.

Consolidated Statement of Cash Flows

For the year ended 31st December,	Note	Group		Company	
		2025 Rs.	2024 Rs.	2025 Rs.	2024 Rs.
Cash flow from operating activities					
Profit before taxation		2,829,918,186	1,895,321,855	2,149,416,072	1,124,765,786
Adjustments for:					
Interest income	7.1	(645,623,059)	(678,048,822)	(370,693,360)	(422,727,843)
Dividend Income	6	-	-	(414,000,020)	-
Gain / (loss) on translation of foreign currency	7	(274,765,873)	433,884,396	(274,765,873)	433,884,396
Depreciation on property, plant and equipment	12	734,520,813	628,440,148	655,075,788	553,073,240
Amortisation of right of use assets	26.4	93,854,114	112,356,439	32,020,148	48,827,551
Interest cost on lease liability	26.4	54,542,034	57,943,680	14,707,490	19,107,753
Amortisation of intangible assets	13	32,774,998	22,618,519	29,618,163	18,928,079
Net change in fair value of investment property	14	-	-	-	3,000,000
Provision for retiring gratuity	23.2	99,682,872	87,821,791	82,947,476	74,288,422
Reversal of impairment provision on inventory	16.1	885,649	2,595,282	1,303,822	(793,600)
Reversal of provision/ Impairment loss on trade receivables	17.2	(382,392)	(7,604,427)	(1,148,260)	4,482,701
Gain / (loss) on disposal of right of use assets	6	-	28,837,983	-	29,221,085
Gain / (loss) on disposal of property, plant and equipment	6	(1,272,644)	(1,112,506)	(1,272,644)	(1,112,506)
Operating cash flows before working capital changes		2,924,134,699	2,583,054,338	1,903,208,801	1,884,945,064
(Increase)/decrease in inventories		(57,635,336)	(61,964,407)	(70,364,343)	(85,012,599)
(Increase)/decrease in trade and other receivables		237,893,590	(34,574,510)	211,180,015	59,199,952
Increase/(decrease) in amounts due from related companies		229,044	9,514,336	36,727,619	151,265,620
Increase/(decrease) in trade and other payables		95,343,717	458,228,713	(155,085,204)	115,723,280
		3,199,965,714	2,954,258,470	1,925,666,887	2,126,121,317
Cash generated from operations					
Retiring gratuity paid	23.2	(45,826,097)	(50,613,721)	(38,965,147)	(44,151,041)
Interest paid	26.4	(54,542,034)	(57,943,680)	(14,707,490)	(19,107,753)
Income tax paid		(627,134,628)	(799,674,153)	(398,049,996)	(482,382,303)
Net cash inflow from operating activities		2,472,462,955	2,046,026,916	1,473,944,254	1,580,480,220
Cash flows from investing activities					
Acquisition of property, plant and equipment	12	(771,244,225)	(1,439,036,034)	(726,048,002)	(1,264,624,059)
Expenditure incurred on capital work in progress	12 & 13	(9,832,935)	(8,831,793)	(9,661,976)	(5,803,354)
Purchase of intangible assets	13	(115,356,713)	(24,786,322)	(115,356,713)	(24,786,322)
Proceeds from disposal of property, plant and equipment		6,406,322	5,633,000	6,406,322	5,633,000
Interest income received		642,367,058	808,652,023	370,299,633	422,727,844
(Investment)/withdrawal in other financial assets		(1,648,857,991)	(1,325,911,790)	(613,587,642)	(673,440,426)
Net cash generated from (used in) investing activities		(1,896,518,484)	(1,984,280,916)	(1,087,948,378)	(1,540,293,317)

Consolidated Statement of Cash Flows Contd.

For the year ended 31st December,	Note	Group		Company	
		2025 Rs.	2024 Rs.	2025 Rs.	2024 Rs.
Cash flows from financing activities					
Dividend paid		(335,598,253)	-	(335,598,253)	-
Lease paid		(119,305,737)	(76,406,988)	(63,134,483)	(29,035,374)
Net cash outflow from (used in) financing activities		(454,903,990)	(76,406,988)	(398,732,736)	(29,035,374)
Net increase/(decrease) in cash and cash equivalents		121,040,481	(14,660,988)	(12,736,861)	11,151,529
Cash and cash equivalent at the beginning of the year		695,186,265	709,847,255	718,339,596	707,188,068
Cash and cash equivalent at the end of the period (Note A)		816,226,746	695,186,265	705,602,735	718,339,596
Note A- Analysis of cash and cash equivalents					
Favourable balances					
Cash in hand and at bank		875,624,705	962,005,308	701,450,703	845,666,678
Short term investments		306,816,362	133,198,902	306,816,362	133,198,902
		1,182,441,067	1,095,204,210	1,008,267,064	978,865,580
Unfavourable balances					
Bank overdrafts		(366,214,321)	(400,017,944)	(302,664,329)	(260,525,984)
Cash and cash equivalents		816,226,746	695,186,265	705,602,735	718,339,596

The notes from pages 171 to 212 form an integral part of these Financial Statements.

The figures shown in bracket indicate deductions.

Notes to the Consolidated Financial Statements

GRI 2-1

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, The 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 2025 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 2025 was 2,206 and 1638 (Group: 2,146 and Company: 1,601 as at 31st December 2024).

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 164 to 165;
- 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 166;
- 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 167 to 168;
- 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 utilization of those cash flows. Refer pages 169 to 170;
- Notes to the Financial Statements comprising Significant Accounting Policies and other explanatory information. Refer pages 171 to 212.

2.3 Date of Authorisation for Issue

The financial statements of the Group and the Company for the year ended 31 December 2025 were authorized for issue by the Company's Board of Directors on 16th March 2026.

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.

Notes to the Consolidated Financial Statements Contd.

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 recognized amounts and there is an intention to settle on a net basis, to realize 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 recognized 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 recognized 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, maximizing the use of relevant observable inputs and minimizing 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 recognized based on an assessment of the probability of the Group’s future taxable income against which the deferred tax assets can be utilized. 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 Material Accounting Policies and New and Amended Standards

The Group did not have any changes to its accounting policies from those applied in the consolidated financial statements as at and for the year ended 31 December 2025.

4. Material 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 recognized 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 recognized 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 recognized 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

Notes to the Consolidated Financial Statements Contd.

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 are 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 derecognizes 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 recognized 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 recognized 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, unrealized 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 recognized 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 recognized 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 recognized 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 recognized 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 recognized in OCI or profit or loss are also recognized 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 recognized 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 amortized 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 realizing 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 payments of principal and interest criterion solely 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.

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

Notes to the Consolidated Financial Statements Contd.

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 payments of principal and interest criterion solely 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 recognized in profit or loss when the asset is derecognized, 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 recognized in the income statement and computed in the same manner as for

financial assets measured at amortised cost. The remaining fair value changes are recognized in OCI. Upon derecognition, the cumulative fair value change recognized 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 recognized in the income statement.

Dividends on listed equity investments are also recognized 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 derecognized (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;
- the Group has transferred substantially all the risks and rewards of the asset, or
- 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 recognized in profit or loss.

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

4.3.2.2 Derecognition of Financial Liabilities

A financial liability is derecognized 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 recognized 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 recognized 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 recognized 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 recognized 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 Leasehold 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 do not change other than by an insignificant amount at each reporting period the Group will revalue such land and buildings every 2 years.

Notes to the Consolidated Financial Statements Contd.

Any revaluation increase arising on the revaluation of such land and buildings are recognized in other comprehensive income and accumulated in equity, except to the extent that it reverses a revaluation decrease for the same asset previously recognized 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 recognized 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 derecognized from the cost of the asset. The cost of day-to-day servicing of property, plant and equipment are recognized 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 recognized 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 recognized 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-recognized 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-recognized.

When replacement costs are recognized in the carrying amount of an item of property, plant and equipment, the remaining carrying amount of the replaced part is derecognized 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 recognized 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 recognized 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 are included in the initial measurement. The cost of a purchased investment property comprises 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 derecognized.

Changes in fair values are recognized in the Statement of profit or loss. Investment properties are derecognized when they have been disposed of 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 recognized 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 recognized 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 recognized 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

Notes to the Consolidated Financial Statements Contd.

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 presents them as a lease receivable at an amount equal to the net investment in the lease. Net investment in the lease is arrived at discounting lease payments receivable at the interest rate implicit in the lease, i.e, the rate which causes the present value of lease payments to be 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 recognized over the lease term on the same basis as rental income. Contingent rents are recognized 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 recognized 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 Recognized 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 recognized 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 basis. 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 recognized 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 recognized in the income statement. Impairment losses recognized 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 recognized 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 recognized.

Reversals of impairment losses are recognized 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 recognized 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 recognized 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 recognized 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 recognized for the amount expected to be paid in cash as ex gratia in the short term, if the Group has a present legal or constructive obligation to pay this amount as a result of past service rendered by the employee, and the obligation can be measured reliably.

4.12.2 Defined Contribution Plan

A defined contribution plan is a post-employment benefit plan under which an entity pays a fixed employee benefit contribution into a separate entity and will have no further legal or constructive obligations to pay any additional amounts. Obligations for contributions to a defined contribution plan are recognized as an employee benefit expense in the income statement in the periods during which services are rendered by employees. Prepaid contributions are recognized 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 contributes at the rate of 3% of the salaries of each employee to the Employees' Trust Fund managed by the CBSL.

4.12.3 Defined Benefit Plan - Retiring Gratuity

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan as defined by Sri Lankan Accounting Standard - LKAS 19 on "Employment Benefits". The liability recognized 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.

Notes to the Consolidated Financial Statements Contd.

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 recognized 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 recognized 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 recognized when control of the goods or services is 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

- 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.
- 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 recognized 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.

- 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 recognized 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 give 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.

- 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 recognized as other income on a straight-line basis over the term of agreement.

4.15.4 Interest Income

Interest income is recognized 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 recognized in the Income Statement except to the extent that it relates to items recognized 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 recognized directly in equity is recognized 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 recognized 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 recognized 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 recognized at the same time as the liability to pay the related dividend is recognized. These amounts are generally recognized in profit or loss as they generally relate to income arising from transactions that were originally recognized 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. Unrecognized deferred tax assets are re-assessed at each reporting date and are recognized 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).

Notes to the Consolidated Financial Statements Contd.

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 was 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 is 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 29 & 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 (CA Sri Lanka) has issued several new accounting standards and amendments/ improvements to existing standards. These new standards are set to become effective in the coming years. Early application of these standards are allowed, but the Group has not early adopted any of the new or amended standards in the preparation of these financial statements.

A. SLFRS 18 Presentation and Disclosures in Financial Statements

SLFRS 18 will replace LKAS 1 Presentation of Financial Statements and is applicable for annual reporting periods beginning on or after 01 January 2027. The new accounting standard introduces the following key new requirements.

- Entities are required to classify all income and expenses into five categories in the statement of profit or loss, namely the operating, investing, financing, discontinued operations and income tax categories. Entities are also required to present a newly defined operating profit subtotal. Entities’ net profit will not change.
- Management-defined performance measures (MPMs) are disclosed in a single note in the financial statements.
- Enhanced guidance is provided on how to group information in the financial statements.

In addition, all entities are required to use the operating profit subtotal as the starting point for the statement of cash flows when presenting operating cash flows under the indirect method.

The Group is in the process of assessing the impact of the new accounting standard, particularly with respect to the structure of the Group’s statement of profit or loss, the statement of cash flows and the additional disclosures required for MPMs. The Group is also assessing the impact on how information is grouped in the financial statements.

B. Classification and Measurement of Financial Instruments (Amendments to SLFRS 9 and SLFRS 7)

The requirements will be effective for annual reporting periods beginning on or after 01 January 2026, with early application permitted, and are related to:

- recognition and derecognition, including accounting for settlement of financial liabilities using an electronic payments system; and
- assessing contractual cash flow characteristics of financial assets, including those with sustainability-linked features.
- The Group is in the process of assessing the impact of the amendments.

Notes to the Consolidated Financial Statements Contd.

5. Revenue from customer contracts

For the year ended 31st December,	Group		Company	
	2025	2024	2025	2024
	Rs.	Rs.	Rs.	Rs.
Hospital Revenue	9,190,530,416	8,734,544,239	9,190,530,416	8,734,544,239
Pharmacy Revenue	1,489,615,695	1,552,981,069	1,489,615,695	1,552,981,069
Café Revenue	207,158,524	184,627,662	207,158,524	184,627,662
Laboratory revenue	3,586,615,696	3,177,953,465	-	-
	14,473,920,332	13,650,106,435	10,887,304,636	10,472,152,970
The Effect of applying SLFRS 15 on the groups revenue from contract with customers described in Note 4.15				

6. Other income

For the year ended 31st December,	Group		Company	
	2025	2024	2025	2024
	Rs.	Rs.	Rs.	Rs.
Rent income	12,235,581	13,727,562	23,286,105	22,424,322
Car park income	45,848,075	51,993,159	45,848,075	51,993,159
Sundry income	14,942,352	12,972,504	14,336,352	12,761,154
Gain on disposal of property, plant and equipment	1,272,644	1,112,506	1,272,644	1,112,506
Gain on disposal of ROU assets	-	(28,837,983)	-	(29,221,085)
Dividend income	-	-	414,000,020	-
	74,298,652	50,967,748	498,743,196	59,070,056

7. Net Finance Income**7.1 Finance income**

For the year ended 31st December,	Group		Company	
	2025	2024	2025	2024
	Rs.	Rs.	Rs.	Rs.
Interest income from;				
- Call deposit	-	5,298,356	-	4,661,949
- Fixed deposits- Sri Lankan Rupees	362,865,579	356,173,915	87,935,881	101,489,343
- Fixed deposits- Foreign Exchange Earners Account (FEEA)	247,584,160	284,376,417	247,584,160	284,376,417
Gain / (loss) on translation of foreign currency	274,750,683	(433,884,396)	274,765,873	(433,884,396)
Short-term deposits - Interest Income	35,173,319	32,200,134	35,173,319	32,200,134
	920,373,742	244,164,426	645,459,233	(11,156,552)

7.2 Finance Cost

Interest expenses on lease liabilities (Note 26.2)	(54,542,034)	(57,943,680)	(14,707,490)	(19,107,753)
	(54,542,034)	(57,943,680)	(14,707,490)	(19,107,753)
Net Finance Income	865,831,707	186,220,746	630,751,743	(30,264,305)

8. Profit before tax

For the year ended 31st December,	Group		Company	
	2025 Rs.	2024 Rs.	2025 Rs.	2024 Rs.
Profit before taxation is stated after charging all expenses including the following;				
Directors' remuneration and fees	23,834,000	22,393,600	18,715,000	19,638,600
Auditors' remuneration				
-Statutory audit	3,815,024	3,815,024	2,650,000	2,650,000
-Non audit services	-	-	-	-
Amortisation of intangible assets (Note 13)	32,774,998	22,618,519	29,618,163	18,928,079
Impairment reversal of provision/(loss) of trade receivables (Note 17.2)	(382,392)	(7,604,427)	(1,148,260)	4,482,701
Reversal of impairment provision on inventory (Note 16)	885,649	2,595,282	(1,303,822)	(793,600)
Amortisation of right of use assets (Note 26.4)	93,854,114	112,356,439	32,020,148	48,827,551
Legal expenses	3,501,023	3,501,023	3,175,003	3,175,003
Staff cost (note 8.1)	3,801,857,314	3,449,680,139	3,035,089,612	2,750,095,293
Gain on disposal of property, plant and equipment	1,272,644	1,112,506	1,272,644	1,112,506
Gain on disposal of right of use assets	-	(28,837,983)	-	(29,221,085)
Depreciation of property, plant and equipment - Cost of services	380,515,386	312,835,424	382,227,658	307,651,502
Depreciation of property, plant and equipment - Administrative cost	354,005,428	315,604,724	272,848,129	245,421,738
8.1 Staff cost				
Staff cost Under Cost of Services				
Salaries and other related costs	1,505,894,953	1,398,625,721	1,087,735,278	1,016,561,592
Defined contribution plan cost - EPF and ETF	101,089,213	91,757,178	72,609,938	66,114,908
Defined benefit plan cost - Retiring gratuity	38,559,525	33,171,680	28,633,735	25,592,992
	1,645,543,692	1,523,554,579	1,188,978,951	1,108,269,492
Staff cost Under Administrative Cost				
Salaries and other related costs	1,928,826,585	1,720,184,686	1,650,495,928	1,463,392,649
Defined contribution plan cost - EPF and ETF	166,363,690	151,290,762	141,300,992	129,737,722
Defined benefit plan cost - Retiring gratuity	61,123,347	54,650,111	54,313,741	48,695,430
	2,156,313,622	1,926,125,560	1,846,110,661	1,641,825,801
	3,801,857,314	3,449,680,139	3,035,089,612	2,750,095,293
No of employees	2,206	2,146	1,638	1,601

Notes to the Consolidated Financial Statements Contd.

9. Income tax Expense

For the year ended 31st December,	Group		Company	
	2025 Rs.	2024 Rs.	2025 Rs.	2024 Rs.
Recognised in statement of profit or loss				
Income tax expense				
Taxation on the profit for the year (Note 9.1)	866,261,716	613,992,564	535,724,350	383,371,122
Under/(over) provision in respect of previous year	(272,531)	1,837,873	(272,531)	1,837,873
	865,989,185	615,830,437	535,451,819	385,208,995
Deferred tax expense				
Deferred tax liability reversal during the year (Note 24.1.1)	35,255,196	(51,793,305)	24,394,380	4,284,917
Deferred tax assets reversal during the year (Note 24.1.2)	(15,691,561)	(8,148,018)	(6,559,982)	(8,636,284)
	885,552,819	555,889,114	553,286,216	380,857,628
Recognised in Statement of other comprehensive income				
Deferred tax charge on property, plant and equipment (Note 24.1.1)	-	127,789,236	-	118,798,156
Deferred tax charge on actuarial gain or loss (Note 24.1.2)	14,842,065	(24,930,035)	13,291,261	(21,176,666)
	14,842,065	102,859,201	13,291,261	97,621,490

9.1 Reconciliation of the accounting profit to income tax expense

For the year ended 31st December,	Group		Company	
	2025 Rs.	2024 Rs.	2025 Rs.	2024 Rs.
Profit before taxation	2,829,918,186	1,895,321,855	2,149,416,072	1,124,765,786
Consolidation adjustments	425,643,160	7,045,256	-	-
Profit after adjustments	3,255,561,346	1,902,367,111	2,149,416,072	1,124,765,786
Less : Income not liable for income tax	(247,584,160)	(284,376,417)	(247,584,160)	(284,376,417)
Less : Allowable expenses	(1,179,081,481)	(919,779,709)	(969,636,821)	(723,428,435)
Less : Income from other sources	(893,757,236)	(467,610,349)	(618,827,538)	(212,289,371)
Add : Disallowable expense	1,058,643,348	1,342,117,633	853,552,741	1,154,629,544
Business income	1,993,781,817	1,572,718,269	1,166,920,294	1,059,301,107
Add : Income from other sources	893,757,236	473,923,611	618,827,538	218,602,633
Taxable income	2,887,539,052	2,046,641,880	1,785,747,832	1,277,903,740
Tax on final withholding payment	-	-	-	-
Income tax at 14%	-	-	-	-
Tax on taxable Income at 24%	-	-	-	-
Tax on taxable Income at 30%	866,261,716	613,992,564	535,724,350	383,371,122
Taxation on profits for the year	866,261,716	613,992,564	535,724,350	383,371,122

9.2 Reconciliation of effective tax rate

	Group				Company			
	%	2025	%	2024	%	2025	%	2024
Profit before tax	30%	848,975,456	30.0%	568,596,557	30%	644,824,822	30%	337,429,736
Consolidation adjustments	4.5%	127,692,948	0.1%	2,113,577	-	-	-	-
Tax effects (less)								
Income not liable for income tax	(2.6%)	(74,275,248)	(4.5%)	(85,312,925)	(3.5%)	(74,275,248)	-7.6%	(85,312,925)
Less : Allowable expenses	(12.5%)	(353,724,444)	(14.6%)	(275,933,913)	(13.5%)	(290,891,046)	-19.3%	(217,028,531)
Less : Income from other sources	(9.5%)	(268,127,171)	(7.4%)	(140,283,105)	-8.6%	(185,648,261)	-5.7%	(63,686,811)
Add : Disallowable expense	11.2%	317,593,004	21.2%	402,635,290	11.9%	256,065,822	30.8%	346,388,863
Add : Income from other sources	9.5%	268,127,171	7.5%	142,177,083	8.6%	185,648,261	5.8%	65,580,790
	30.6%	866,261,716	32.4%	613,992,564	24.9%	535,724,350	34.1%	383,371,122

9.3 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 has computed the current tax based on the appropriate rates. The Lanka Hospitals Corporation PLC is liable to income tax at 30% for the year ended 31st December 2025.

10. Earnings and Dividend per share

10.1 Basic earnings per share

Basic earnings 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.

For the year ended 31st December,	Group		Company	
	2025 Rs.	2024 Rs.	2025 Rs.	2024 Rs.
Profit attributable to the shareholders (Rs.)	1,944,365,367	1,345,226,193	1,596,129,855	800,166,659
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.)	8.69	5.99	7.13	3.32

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 2025 (2023 -2024 - Nil). Hence, diluted earnings per share is the same as basic earnings per share as per note 10.1

11. Dividend per share

For the year ended 31st December,	Group		Company	
	2025 Rs.	2024 Rs.	2025 Rs.	2024 Rs.
Dividend (Rs.)	783,062,591	-	783,062,591	-
Number of ordinary shares in issue	223,732,169	223,732,169	223,732,169	223,732,169
Dividend per share (Rs.)	3.50	-	3.50	-

Notes to the Consolidated Financial Statements Contd.

12. Property, plant and equipment

12.1 Group

	Freehold land	Buildings on leasehold land	Medical equipment	Furniture and fittings	Office equipment	Computer equipment	Other equipment	Kitchen equipment	Medical vehicles	Motor vehicles- Others	Capital work in progress	Total
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Cost or valuation												
Balance as at 1st January 2024	86,000,002	2,954,093,603	3,988,711,297	595,483,249	127,193,238	407,625,870	1,029,856,552	47,097,742	94,839,677	41,574,961	156,319,715	9,528,795,903
Additions during the year	-	106,989,813	963,818,193	78,589,381	30,660,001	157,440,187	98,263,517	1,858,941	-	1,416,000	8,831,793	1,447,867,827
Revaluation surplus	18,999,998	97,402,515	-	-	-	-	-	-	-	-	-	116,402,513
Transfer from capital work in progress	-	84,834,905	-	-	-	-	-	-	-	-	(127,652,620)	(42,817,715)
Disposals during the year	-	-	(24,864,457)	(186,329)	-	(134,400)	(7,638,616)	(723,863)	-	-	-	(33,547,664)
Balance as at 31st December 2024	105,000,000	3,243,320,836	4,927,665,034	673,886,301	157,853,239	564,931,657	1,120,481,452	48,232,820	94,839,677	42,990,961	37,498,889	11,016,700,864
Accumulated depreciation												
Balance as at 1st January 2024	-	163,169,208	2,382,139,406	348,863,675	82,830,430	306,176,484	720,825,714	41,045,323	57,457,655	41,574,961	-	4,144,082,856
Charge for the year	-	154,603,725	295,154,994	48,263,874	11,764,773	35,059,458	63,898,200	1,722,765	17,680,430	291,929	-	628,440,148
Disposals during the year	-	-	(21,195,680)	(186,329)	-	(134,400)	(6,809,967)	(700,793)	-	-	-	(29,027,170)
Transfers on revaluation during the year	-	(309,561,606)	-	-	-	-	-	-	-	-	-	(309,561,606)
Balance as at 31st December 2024	-	8,211,328	2,656,098,720	396,941,221	94,595,203	341,101,542	777,913,946	42,067,294	75,138,085	41,866,890	-	4,433,934,228
As at 31st December 2024	105,000,000	3,235,109,508	2,271,566,314	276,945,080	63,258,036	223,830,115	342,567,506	6,165,526	19,701,591	1,124,071	37,498,889	6,582,766,634
Cost or valuation												
Balance as at 1st January 2025	105,000,000	3,243,320,836	4,927,665,034	673,886,301	157,853,239	564,931,657	1,120,481,452	48,232,820	94,839,677	42,990,961	37,498,889	11,016,700,864
Additions during the year	-	81,756,993	530,242,614	27,348,176	12,364,730	25,936,540	89,074,285	4,520,887	-	-	170,959	771,415,184
Transfer from capital work in progress	-	-	-	344,840	200,995	-	1,378,125	-	-	-	(1,923,960)	(0)
Disposals during the year	-	-	(25,300,305)	(1,502,126)	(1,050,798)	(3,228,600)	(1,508,481)	(1,968,083)	-	-	-	(34,558,395)
Balance as at 31st December 2025	105,000,000	3,325,077,829	5,432,607,343	700,077,191	169,368,166	587,639,597	1,209,425,381	50,785,623	94,839,677	42,990,961	35,745,888	11,753,557,653
Accumulated depreciation												
Balance as at 1st January 2025	-	8,211,328	2,656,098,720	396,941,221	94,595,203	341,101,542	777,913,946	42,067,294	75,138,085	41,866,890	-	4,433,934,228
Charge for the year	-	159,976,563	362,834,958	46,260,059	12,621,495	54,528,992	80,169,556	94,760	17,680,428	354,002	-	734,520,813
Disposals during the year	-	-	(20,476,143)	(1,435,443)	(1,026,671)	(3,228,600)	(1,289,777)	(1,968,083)	-	-	-	(29,424,717)
Balance as at 31st December 2025	-	168,187,891	2,998,457,535	441,765,838	106,190,027	392,401,934	856,793,725	40,193,971	92,818,513	42,220,892	-	5,139,030,325
As at 31st December 2025	105,000,000	3,156,889,937	2,434,149,808	258,311,353	63,178,139	195,237,662	352,631,656	10,591,653	2,021,163	770,069	35,745,888	6,614,527,327

There were no capitalised borrowing costs related to the acquisition of property, plant and equipment during the year 2025 (2024 – 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 81 Mn.

12.1.4 Fully-depreciated property, plant and equipment

Property plant and equipment as at 31st December 2025 includes fully depreciated assets having a gross carrying amount (cost) of Rs.3.05 Bn (2024- 2.61 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 2024 on current replacement cost basis.

Freehold land of the Company was revalued by Mr A.A.M. Fathihu (FIV), Independent Chartered Valuer in December 2024 on current market value basis.

12.2 Company

	Freehold land	Buildings on leasehold land	Medical equipment	Furniture and fittings	Office equipment	Computer equipment	Other equipment	Kitchen equipment	Medical vehicles	Motor vehicles- Others	Capital work in progress	Total
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Cost or Valuation												
Balance as at 1st January 2024	86,000,002	2,715,772,767	3,754,718,634	423,214,494	71,290,230	303,340,368	984,027,172	47,097,739	94,839,677	41,574,961	156,319,715	8,678,195,757
Additions during the year	-	106,989,813	913,992,637	12,848,943	3,277,911	151,450,791	72,789,022	1,858,941	-	1,416,000	5,803,354	1,270,427,413
Revaluation surplus / (loss)	18,999,998	97,402,515	-	-	-	-	-	-	-	-	-	116,402,513
Transfer from capital work in progress	-	84,834,905	-	-	-	-	-	-	-	-	(127,652,620)	(42,817,715)
Disposals during the year	-	-	(24,864,457)	(186,329)	-	(134,400)	(7,638,616)	(723,863.16)	-	-	-	(33,547,664)
Balance as at 31st December 2024	105,000,000	3,005,000,000	4,643,846,815	435,877,108	74,568,141	454,656,759	1,049,177,578	48,232,817	94,839,677	42,990,961	34,470,449	9,988,660,304
Accumulated depreciation												
Balance as at 1st January 2024	-	136,889,555	2,222,103,637	283,718,204	65,289,753	226,673,256	696,906,870	41,045,323	57,457,655	41,574,961	-	3,771,659,215
Charge for the year	-	142,701,784	272,383,652	26,512,435	4,768,850	28,386,663	58,624,732	1,722,765	17,680,430	291,929	-	553,073,240
Disposals during the year	-	-	(21,195,680)	(186,329)	-	(134,400)	(6,809,967)	(700,793)	-	-	-	(29,027,170)
Transfers on revaluation during the year	-	(279,591,339)	-	-	-	-	-	-	-	-	-	(279,591,339)
Balance as at 31st December 2024	-	-	2,473,291,609	310,044,311	70,058,603	254,925,520	748,721,634	42,067,294	75,138,085	41,866,890	-	4,016,113,946
Carrying amounts												
As at 31st December 2024	105,000,000	3,005,000,000	2,170,555,206	125,832,799	4,509,538	199,731,239	300,455,944	6,165,523	19,701,591	1,124,071	34,470,449	5,972,546,359
Cost or valuation												
Balance as at 1st January 2025	105,000,000	3,005,000,000	4,643,846,815	435,877,108	74,568,141	454,656,759	1,049,177,578	48,232,817	94,839,677	42,990,961	34,470,449	9,988,660,304
Additions during the year	-	81,756,993	526,766,286	12,014,056	4,429,835	19,214,662	77,345,283	4,520,887	-	-	-	726,048,002
Disposals during the year	-	-	(25,300,305)	(1,502,126)	(1,050,798)	(3,228,600)	(1,508,481)	(1,968,083)	-	-	-	(34,558,395)
Balance as at 31st December 2025	105,000,000	3,086,756,993	5,145,312,796	446,389,038	77,947,177	470,642,821	1,125,014,379	50,785,620	94,839,677	42,990,961	34,470,449	10,680,149,912
Accumulated depreciation												
Balance as at 1st January 2025	-	-	2,473,291,609	310,044,311	70,058,603	254,925,520	748,721,634	42,067,294	75,138,085	41,866,890	-	4,016,113,946
Charge for the year	-	148,250,361	344,924,885	26,288,301	4,126,183	47,949,051	65,407,816	94,760	17,680,428	354,002	-	655,075,788
Disposals during the year	-	-	(20,476,143)	(1,435,443)	(1,026,671)	(3,228,600)	(1,289,777)	(1,968,083)	-	-	-	(29,424,717)
Balance as at 31st December 2025	-	148,250,361	2,797,740,351	334,897,169	73,158,116	299,645,972	812,839,672	40,193,971	92,818,513	42,220,892	-	4,641,765,017
Carrying amounts												
As at 31st December 2025	105,000,000	2,938,506,632	2,347,572,445	111,491,870	4,789,063	170,996,849	312,174,707	10,591,649	2,021,163	770,069	34,470,449	6,038,384,895

There were no capitalised borrowing costs related to the acquisition of property, plant and equipment during the year 2025 (2024 – 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 81 Mn.

12.2.4 Fully-depreciated property, plant and equipment

Property plant and equipment as at 31st December 2025 includes fully depreciated assets having a gross carrying amount (cost) of Rs 2.82 Bn (2024 - 2.39 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 2024 on current replacement cost basis.

Freehold land of the Company was revalued by Mr A.A.M. Fathihu (MRICS), Chartered Valuer in December 2024 on current market value basis.

Notes to the Consolidated Financial Statements Contd.

12.2.6 Freehold land carried at revalued amount

Location	Method of valuation	Effective date of revaluation	Property valuer	Extent	Significant unobservable input	Carrying amount as at 31.12.2025 Rs.	Revaluation surplus Rs.	Carrying amount at cost Rs.
Hathbodiya, Kirula Road, Narahenpita, Colombo 05	Open market value method	31st December 2024	Mr. A A M Fathihu (MRICS), Chartered Valuer	10.35 Perches	Estimated price per perch Rs.6,325,000.00	53,402,948	46,934,502	6,468,447
Hathbodiya, Kirula Road, Narahenpita, Colombo 05	Open market value method	31st December 2024	Mr. A A M Fathihu (MRICS), Chartered Valuer	10 Perches	Estimated price per perch Rs.6,325,000.00	51,597,052	45,347,345	6,249,706
				20.35 perches		105,000,000	92,281,847	12,718,153

12.2.7 Carrying amount if buildings on leasehold measured using cost model

Location	Method of valuation	Effective date of revaluation	Property valuer	Extent	Significant unobservable input	Carrying amount as at 31.12.2025 Rs.	Revaluation surplus Rs.	Carrying amount at cost Rs.
578, Elvitigala Mawatha, Colombo 05	Current replacement cost basis	31st December 2024	Mr. A A M Fathihu (MRICS), Chartered Valuer	Estimated value per square foot Rs.7,500 - 17,500		2,176,166,580	599,867,756	1,576,298,823

12.2.8 Capital work in progress

As at 31st December,	Balance as at 01.01.2025 Rs	Additions during the year Rs	Transfers during the year Rs	Balance as at 31.12.2025 Rs
Building on leasehold land	34,470,449	-	-	34,470,449
	34,470,449	-	-	34,470,449

13. Intangible asset

As at 31st December,	Group		Company	
	2025 Rs.	2024 Rs.	2025 Rs.	2024 Rs.
Cost				
Balance at the beginning of the year	309,264,495	241,660,458	236,639,513	169,035,476
Additions during the year	115,356,713	24,786,322	115,356,713	24,786,322
Addition Capital work in progress	9,661,976	-	9,661,976	-
Transfer from Property Plant & Equipment	-	42,817,715	-	42,817,715
Balance as at the end of the year	434,283,184	309,264,495	361,658,202	236,639,513
Accumulated amortisation				
Balance at the beginning of the year	185,218,697	162,600,178	125,392,353	106,464,274
Amortisation charge for the year	32,774,998	22,618,519	29,618,163	18,928,079
Balance as at the end of the year	217,993,695	185,218,697	155,010,516	125,392,353
Carrying amount	216,289,489	124,045,799	206,647,686	111,247,160

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 2025 (2024– Nil).

14. Investment property

As at 31st December,	Group		Company	
	2025 Rs.	2024 Rs.	2025 Rs.	2024 Rs.
Balance at the beginning of the year	-	-	167,000,000	170,000,000
Change in fair value	-	-	-	(3,000,000)
Balance as at the end of the year	-	-	167,000,000	167,000,000

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

14.1 Income earned from investment property

The investment property consists of value attributable to the 7th floor of the building constructed on leasehold land at 578, Elvitigala Mawatha, Colombo 5. It is leased to The Lanka Hospitals Diagnostics (Private) Limited, a subsidiary, for a monthly rental of January to October 2025 Rs 724,730/- & Rs 1,901,612 November to December 2025.

Notes to the Consolidated Financial Statements Contd.

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	167,000,000	2025-12-31
Income on Investment property				
As at 31st December,	Group		Company	
	2025 Rs	2024 Rs	2025 Rs	2024 Rs
Rental income	-	-	11,050,524	8,696,760
Changes in fair value	-	-	-	(3,000,000)

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 2025, 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: <ul style="list-style-type: none"> • Depreciation rate was lesser / (higher) • Square feet value was higher / (lesser)

There were no restrictions on the realisability of any investment property or on the remittance of income proceeds of disposal. No contractual obligations to purchase, construct or develop investment property or enhancement.

15. Investment in subsidiary

As at 31st December,	Group		Company	
	2025 Rs.	2024 Rs.	2025 Rs.	2024 Rs.
The 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

	2025	2024
Ownership Percentage	100%	100%
Non-current assets	607,955,460	639,572,124
Current assets	4,525,884,725	3,685,405,162
Non-current liabilities	255,559,822	247,480,746
Current liabilities	1,040,540,538	603,253,905
Net Assets	3,837,739,825	3,474,242,635
Revenue	3,586,615,696	3,177,953,465
Profit/(loss)	773,878,669	544,237,207
Other comprehensive income	3,618,542	(8,757,862)
Total comprehensive income	777,497,211	535,479,345
Profit attributable to equity holders	773,878,669	544,237,206
OCI attributable to equity holders	777,497,211	535,479,344
Cash flows from/ (used in) operating activities	1,423,935,308	617,610,708
Cash flows from/ (used in) investing activities	(808,554,916)	(588,637,789)
Cash flows from/ (used in) financing activities	(481,603,050)	(54,785,439)
Net increase/ (decrease) in cash and cash equivalents	133,777,342	(25,812,520)

16. Inventories

As at 31st December,	Group		Company	
	2025 Rs.	2024 Rs.	2025 Rs.	2024 Rs.
Medical items	938,802,153	872,294,340	686,800,749	607,563,929
Non medical items	24,917,545	31,124,528	24,917,545	31,124,528
Engineering stocks	8,851,882	17,608,648	8,851,882	17,608,648
Food and beverages	18,203,167	12,111,895	18,203,167	12,111,895
	990,774,747	933,139,411	738,773,343	668,409,000
Less; Impairment of inventories (Note 16.1)	(12,824,008)	(11,938,359)	(3,896,332)	(2,592,510)
	977,950,739	921,201,052	734,877,012	665,816,490

Rs 55Mn worth of Pharmaceutical items received by way of bonus stocks is included in the purchases of medical items. There were no inventories pledge as a securities for liabilities by the group and the company as at the reporting date.

16.1 Provision on inventories

As at 31st December,	Group		Company	
	2025 Rs.	2024 Rs.	2025 Rs.	2024 Rs.
Balance at the beginning of the year	11,938,359	9,343,077	2,592,510	3,386,110
Reversal / (Provision) during the year	885,649	2,595,282	1,303,822	(793,600)
Balance as at the end of the year	12,824,008	11,938,359	3,896,332	2,592,510

Notes to the Consolidated Financial Statements Contd.

17. Trade and other receivables

As at 31st December,	Group		Company	
	2025 Rs.	2024 Rs.	2025 Rs.	2024 Rs.
Trade receivables (Note 17.1)	454,243,599	440,198,918	386,385,668	340,363,144
Impairment loss on trade receivables (Note 17.2)	(42,653,552)	(44,890,770)	(26,429,391)	(29,432,477)
	411,590,047	395,308,148	359,956,277	310,930,667
Deposits and prepayments	149,553,970	194,758,844	96,207,428	140,971,576
Advances and other receivables	453,363,221	661,951,444	836,847,456	637,140,652
Interest income receivable	120,305,905	117,049,905	67,056,766	66,663,040
	1,134,813,143	1,369,068,340	1,360,067,927	1,155,705,935

17.1 Trade receivables

Trade receivable - Sri Lanka Insurance Corporation General Limited	40,095,856	12,657,278	40,095,856	12,657,278
Trade receivable - Sri Lanka Insurance Corporation Life Limited	10,744,211	7,843,401	10,744,211	7,843,401
Trade receivable - Other debtors	331,813,482	366,225,584	263,955,551	266,389,811
Patients not yet discharged	71,590,051	53,472,655	71,590,051	53,472,655
	454,243,599	440,198,918	386,385,668	340,363,144

17.2 Impairment loss on trade receivables

Balance at the beginning of the year	44,890,770	57,534,061	29,432,477	29,988,640
(Reversal of Provision) / Impairment recognised during the year	(382,392)	(7,604,427)	(1,148,260)	4,482,701
Write off during the period	(1,854,826)	(5,038,864)	(1,854,826)	(5,038,864)
Balance as at the end of the year	42,653,552	44,890,770	26,429,391	29,432,477

18. Amounts due from related companies

As at 31st December,	Group		Company	
	2025 Rs.	2024 Rs.	2025 Rs.	2024 Rs.
Sri Lanka Insurance Corporation Limited	-	229,044	-	229,044
Lanka Hospitalas Diagnostics (Pvt) Ltd	-	-	40,499,363	76,997,938
	-	229,044	40,499,363	77,226,982

19. Financial assets measured at amortized cost

As at 31st December,	Group		Company	
	2025 Rs.	2024 Rs.	2025 Rs.	2024 Rs.
Fixed deposits- Foreign Exchange Earners Account (FEEA)	4,591,649,499	3,950,968,193	4,591,649,499	3,950,968,193
Fixed deposits- Sri Lankan Rupees	5,199,995,479	3,917,068,110	1,299,999,999	1,052,327,789
	9,791,644,978	7,868,036,303	5,891,649,498	5,003,295,982

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

20. Cash and cash equivalents

As at 31st December,	Group		Company	
	2025 Rs.	2024 Rs.	2025 Rs.	2024 Rs.
Favourable balances				
Repo Investment	306,816,362	133,198,902	306,816,362	133,198,902
Cash in hand and at bank	875,624,705	962,005,308	701,450,703	845,666,678
	1,182,441,067	1,095,204,209	1,008,267,065	978,865,580
Unfavourable balances				
Bank overdraft	(366,214,321)	(400,017,944)	(302,664,329)	(260,525,984)
Cash and cash equivalents for the purpose of statement of cash flows,	816,226,746	695,186,265	705,602,735	718,339,596

21. Stated capital

As at 31st December,	Group		Company	
	2025 Rs.	2024 Rs.	2025 Rs.	2024 Rs.
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.

22. Revaluation reserve

As at 31st December,	Group		Company	
	2025 Rs.	2024 Rs.	2025 Rs.	2024 Rs.
Balance at the beginning of the year	1,549,582,982	1,306,246,491	1,441,921,339	1,215,823,026
Surplus on revaluation of freehold land	-	18,999,998	-	18,999,998
Surplus on revaluation of Leasehold Building	-	406,964,121	-	376,993,854
Depreciation transfer on revaluation of building	(64,263,238)	(54,838,392)	(60,522,230)	(51,097,384)
Deferred tax on surplus of revaluation of land & building	-	(127,789,236)	-	(118,798,156)
Balance as at the end of the year	1,485,319,744	1,549,582,982	1,381,399,109	1,441,921,339

The revaluation reserve relates to the revaluation of Building 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 benefits that employees have earned in return for their service in the current and prior periods, and discount that benefit using the Projected Unit Credit Method in order to determine the present value of the retirement benefit obligations and the current service cost. This requires an entity to determine how much benefit is attributable to the current and prior periods and to make estimates about demographic and financial variables that will influence the cost of the benefit. The provision for retirement benefits obligations for the year is based on the actuarial valuation carried out by professionally qualified actuaries, Actuarial and Management Consultants (Pvt) Ltd, as at 31st December 2025. The liability is not externally funded.

Notes to the Consolidated Financial Statements Contd.

23.2 Movement in defined benefit obligations

As at 31st December,	Group		Company	
	2025 Rs.	2024 Rs.	2025 Rs.	2024 Rs.
Balance as at 1st January	490,125,100	369,816,913	419,609,656	318,883,389
Included in Income statement				
Current service cost	48,219,736	39,745,592	38,888,462	32,833,581
Interest cost	51,463,136	48,076,199	44,059,014	41,454,841
	99,682,872	87,821,791	82,947,476	74,288,422
Included in other comprehensive income				
Actuarial gain / (loss) recognised	(49,473,549)	83,100,117	(44,304,203)	70,588,885
	(49,473,549)	83,100,117	(44,304,203)	70,588,885
Other				
Contributions paid by the employer	(45,826,097)	(50,613,721)	(38,965,147)	(44,151,041)
	(45,826,097)	(50,613,721)	(38,965,147)	(44,151,041)
Balance at 31st December	494,508,327	490,125,100	419,287,782	419,609,656

23.3 Actuarial assumptions

As at 31st December,	Group		Company	
	2025 Rs.	2024 Rs.	2025 Rs.	2024 Rs.
The following were the principal actuarial assumptions at the reporting date;				
Discount rate	10.50%	10.50%	10.50%	10.50%
Future salary growth	10%	10.00%	10%	10%
Staff turnover rate	15%	15.00%	16%	16%
Retirement age	60 Years	60 Years	60 Years	60 Years

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

23.4 Sensitivity analysis

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

As at 31st December,	Group		Company	
	2025	2024	2025	2024
Change in:	+1%	+1%	+1%	+1%
	Rs	Rs	Rs	Rs
Discount rate	(28,280,602)	(29,352,394)	(23,340,703)	(24,352,737)
Future salary growth	33,814,863	35,131,108	27,863,437	29,104,775
Change in:	-1%	-1%	-1%	-1%
	Rs	Rs	Rs	Rs
Discount rate	31,706,801	33,052,472	26,084,330	27,327,656
Future salary growth	(30,657,992)	(31,713,929)	(25,342,986)	(26,364,935)

23.5 Maturity Analysis of the payments

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

As at 31st December,	Group		Company	
	2025 Rs.	2024 Rs.	2025 Rs.	2024 Rs.
within the next 12 months	64,554,153	61,952,541	54,807,838	53,169,310
Between 1-2 years	126,386,708	120,336,163	109,342,053	109,664,614
Between 2-5 years	186,850,723	169,422,237	163,171,339	145,337,773
Beyond 5 years	810,625,061	884,142,622	647,692,807	711,160,666
	1,188,416,645	1,235,853,563	975,014,037	1,019,332,363

24. Deferred tax liabilities

24.1 Deferred taxation

As at 31st December,	Group		Company	
	2025 Rs.	2024 Rs.	2025 Rs.	2024 Rs.
Net deferred tax liability				
Deferred tax liability (Note 24.1.1)	1,377,080,027	1,341,824,831	1,322,626,558	1,292,107,242
Deferred tax assets (Note 24.1.2)	(164,935,768)	(164,086,272)	(134,884,050)	(135,490,393)
	1,212,144,259	1,177,738,559	1,187,742,508	1,156,616,849

24.1.1 Deferred tax liability

Balance at the beginning of the year	1,341,824,831	1,265,828,900	1,292,107,242	1,169,024,169
Originated during the year- recognised in profit or loss	35,255,196	(51,793,305)	30,519,316	4,284,917
(Originated)/ reversal during the year- recognised in other comprehensive income	-	127,789,236	-	118,798,156
Balance at the end of the year	1,377,080,027	1,341,824,831	1,322,626,558	1,292,107,242

24.1.2 Deferred tax asset

Balance at the beginning of the year	(164,086,272)	(131,008,219)	(135,490,393)	(105,677,443)
Originated during the year- recognised in profit or loss	(15,691,561)	(8,148,018)	(12,684,918)	(8,636,284)
(Originated)/ reversal during the year- recognised in other comprehensive income	14,842,065	(24,930,035)	13,291,261	(21,176,666)
Balance at the end of the year	(164,935,768)	(164,086,272)	(134,884,050)	(135,490,393)

Notes to the Consolidated Financial Statements Contd.

24.2 Recognised deferred tax assets and liabilities

24.2.1 Group

	Net Balance as at 1st January 2025 Rs	Recognised in profit or loss Rs	Recognised in OCI Rs	Net balance at 31st December 2025 Rs	Deferred tax liability Rs	Deferred tax asset Rs
Property, plant and equipment	1,248,725,812	34,624,335	-	1,283,350,147	1,283,350,147	-
Employee benefits	(147,037,533)	(16,157,032)	14,842,065	(148,352,500)	-	(148,352,500)
Intangible assets	22,155,073	(7,067,304)	-	15,087,769	15,087,769	-
Impairment loss on inventory	(3,581,508)	(265,694)	-	(3,847,202)	-	(3,847,202)
Impairment loss on trade receivables	(13,467,231)	731,166	-	(12,736,065)	-	(12,736,065)
Leases	70,943,945	7,698,165	-	78,642,110	78,642,110	-
	1,177,738,559	19,563,636	14,842,065	1,212,144,258	1,377,080,027	(164,935,768)

	Net Balance as at 1st January 2024 Rs	Recognised in profit or loss Rs	Recognised in OCI Rs	Net balance at 31st December 2024 Rs	Deferred tax liability Rs	Deferred tax asset Rs
Property, plant and equipment	1,174,603,579	(53,667,003)	127,789,236	1,248,725,812	1,248,725,812	-
Employee benefits	(110,945,077)	(11,162,421)	(24,930,035)	(147,037,533)	-	(147,037,533)
Intangible assets	1,076,918	21,078,155	-	22,155,073	22,155,073	-
Impairment loss on inventory	(2,802,923)	(778,585)	-	(3,581,508)	-	(3,581,508)
Impairment loss on trade receivables	(17,260,218)	3,792,987	-	(13,467,231)	-	(13,467,231)
Leases	90,148,403	(19,204,457)	-	70,943,945	70,943,945	-
	1,134,820,681	(59,941,323)	102,859,201	1,177,738,559	1,341,824,831	(164,086,272)

24.2.2 Company

Recognised deferred tax assets and liabilities

	Net Balance as at 1st January 2025 Rs	Recognised in profit or loss Rs	Recognised in OCI Rs	Net balance at 31st December 2025 Rs	Deferred tax liability Rs	Deferred tax asset Rs
Property, plant and equipment	1,165,820,074	28,254,778	-	1,194,074,852	1,194,074,852	-
Investment property	25,467,000	-	-	25,467,000	25,467,000	-
Employee benefits	(125,882,897)	(13,194,698)	13,291,261	(125,786,334)	-	(125,786,334)
Intangible assets	20,786,590	(7,069,762)	-	13,716,828	13,716,828	-
Impairment loss on inventory	(777,753)	(391,146)	-	(1,168,899)	-	(1,168,899)
Impairment loss on trade receivables	(8,829,743)	900,926	-	(7,928,817)	-	(7,928,817)
Leases	80,033,578	9,334,300	-	89,367,878	89,367,878	-
	1,156,616,849	17,834,398	13,291,261	1,187,742,508	1,322,626,558	(134,884,050)

	Net Balance as at 1st January 2024 Rs	Recognised in profit or loss Rs	Recognised in OCI Rs	Net balance at 31st December 2024 Rs	Deferred tax liability Rs	Deferred tax asset Rs
Property, plant and equipment	1,055,689,786	(8,667,868)	118,798,156	1,165,820,074	1,165,820,074	-
Investment property	13,950,000	11,517,000	-	25,467,000	25,467,000	-
Employee benefits	(95,665,017)	(9,041,214)	(21,176,666)	(125,882,897)	-	(125,882,897)
Intangible assets	4,646,828	16,139,763	-	20,786,590	20,786,590	-
Impairment loss on inventory	(1,015,833)	238,080	-	(777,753)	-	(777,753)
Impairment loss on trade receivables	(8,996,592)	166,849	-	(8,829,743)	-	(8,829,743)
Leases	94,737,556	(14,703,978)	-	80,033,578	80,033,578	-
	1,063,346,727	(4,351,368)	97,621,490	1,156,616,849	1,292,107,242	(135,490,393)

25. Trade and other payables

As at 31st December,	Group		Company	
	2025 Rs.	2024 Rs.	2025 Rs.	2024 Rs.
Trade payables (Note 25.1)	972,544,420	905,620,498	916,440,423	1,097,315,457
Other payables				
- Accrued expenses	50,335,080	56,512,200	-	-
- Advance received	-	-	-	-
- Withholding tax payable	1,207,746	762,719	-	-
- Other payables & Provision	1,169,611,105	687,994,879	1,044,229,806	570,975,637
	2,193,698,351	1,650,890,296	1,960,670,228	1,668,291,094

Notes to the Consolidated Financial Statements Contd.

25.1 Trade payables

As at 31st December,	Group		Company	
	2025 Rs.	2024 Rs.	2025 Rs.	2024 Rs.
Trade payables - Lanka Hospitals Diagnostics (Pvt) Ltd	-	-	19,896,279	237,385,484
Trade payables - Sri Lanka Insurance Corporation Limited	232,538	-	232,538	-
Trade payables - Other creditors	972,311,882	905,620,498	896,311,606	859,929,973
	972,544,420	905,620,498	916,440,423	1,097,315,457

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 is presented under 'Current liabilities and Non current liabilities' in the Statement of Financial Position as at 31 December 2025.

Further, the amortisation charge on Right-of-use assets 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 2025.

The relevant disclosures to be made under "Notes to Consolidated the Financial Statements" in the Annual Financial Statements for the year ended 31 December 2025 are illustrated below.

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

As at 31st December,	Group		Company	
	2025 Rs.	2024 Rs.	2025 Rs.	2024 Rs.
Cost				
Balance at the beginning of the year	891,709,819	903,470,764	617,161,866	613,882,406
Additions during the year	45,699,220	180,462,427	18,928,519	70,641,027
Disposals during the year	(5,703,142)	(192,223,372)	-	(67,361,567)
Balance as at the end of the year	931,705,897	891,709,819	636,090,385	617,161,866
Accumulated amortisation				
Balance at the beginning of the year	340,940,021	353,108,084	242,719,441	193,891,890
Charge for the year	93,854,114	112,356,439	32,020,148	48,827,551
Disposal during the year	-	(124,524,502)	-	-
Accumulated amortisation as at 31st December	434,794,135	340,940,021	274,739,589	242,719,441
Net book value as at 31st December	496,911,762	550,769,798	361,350,796	374,442,426

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

As at 31st December,	Group		Company	
	2025 Rs.	2024 Rs.	2025 Rs.	2024 Rs.
Balance at the beginning of the year	314,289,980	249,095,432	107,663,833	104,198,664
Additions during the year	45,684,034	142,321,943	18,928,519	32,500,543
Accretion of interest	54,542,034	57,943,680	14,707,490	19,107,753
Payments	(173,847,771)	(134,350,669)	(77,841,973)	(48,143,127)
Disposal during the year	(5,703,142)	(337,304)	-	-
Gain on Disposals	-	(383,102)	-	-
Balance as at the end of the year	234,965,135	314,289,980	63,457,869	107,663,833
Current	52,174,817	98,325,089	36,821,735	47,759,193
Non-current	182,790,318	215,964,891	26,636,134	59,904,640
	234,965,134	314,289,980	63,457,869	107,663,833

26.3 Maturity analysis of the contractual undiscounted cashflows:

For the year ended 31st December,	Group		Company	
	2025 Rs.	2024 Rs.	2025 Rs.	2024 Rs.
Less than one year	136,436,110	143,507,841	40,495,811	47,567,541
One to Five Years	283,074,999	282,495,143	79,364,449	78,784,593
Total cashflows as at 31st December	419,511,109	426,002,984	119,860,260	126,352,134

26.4 The amounts recognised in the statement of Profit or Loss for the year ended 31st December

For the year ended 31st December,	Group		Company	
	2025 Rs.	2024 Rs.	2025 Rs.	2024 Rs.
Amortisation expenses on right-of-use assets	93,854,114	112,356,439	32,020,148	48,827,551
Interest expenses on lease liabilities	54,542,034	57,943,680	14,707,490	19,107,753
Amounts recognised in the statement of profit and loss	148,396,149	170,300,119	46,727,638	67,935,304

26.5 The amounts recognised in the statement of Cash flows for the year ended 31st December

For the year ended 31st December,	Group		Company	
	2025 Rs.	2024 Rs.	2025 Rs.	2024 Rs.
Payments on lease instalments	(173,847,771)	(134,350,669)	(77,841,973)	(48,143,127)
Amount recognised in statement of cash flows	(173,847,771)	(134,350,669)	(77,841,973)	(48,143,127)

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

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

Notes to the Consolidated Financial Statements Contd.

27. Related party transactions GRI 2-15

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.

27.1 Identification 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 ultimate parent entity) , Sri Lanka Insurance Corporation General Limited (fellow subsidiary), Sri Lanka Insurance Corporation Life Limited (fellow subsidiary), The 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 activities of the entity, directly or indirectly. The members of the Board of Directors & Executive Committee 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 2025 amounted to Rs.121,066,506.00- (2024 - Rs 131,651,126.00/-). While the compensation for Key Management Personnel of the group for the year ended 31st December 2025 amounted to Rs.135,088,806/- (2024 - Rs. 147,013,057/-).

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 2025.

27.4 Recurrent Related Party Transactions

Other than the transactions disclosed in Note 27.6.1, there were no recurrent related party transactions of which aggregate value exceeds 10% of the gross revenue of the Company, as per December 2024 Audited Financial Statements, which required additional disclosures in the 2025 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, whichever is lower, of the Company as per 31st December 2024 audited financial statements, which required additional disclosures in the 2025 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 2025 (Payable)/ Receivable (Rs.)	Balance as at 31st December 2024 (Payable)/ Receivable (Rs.)
Sri Lanka Insurance Corporation Limited	Ultimate Parent	Services provided	-	-	229,044
		Amount received	229,044	-	-
Sri Lanka Insurance Corporation General Limited	Fellow Subsidiary	Services provided	265,968,691	40,095,856	12,657,278
		Amount received	(238,530,113)	-	-
		Premiums paid for the insurance policy on fire, vehicle, professional indemnity, staff insurance, general insurance and vehicle hiring charges	77,139,579	(232,538)	-
		Amounts Paid	(76,907,041)	-	-
Sri Lanka Insurance Corporation Life Limited	Fellow Subsidiary	Services provided	110,490,583	10,744,211	7,843,401
		Amount received	(107,589,773)	-	-
The Lanka Hospitals Diagnostics (Private) Limited	Subsidiary Company	Reimbursement of expenses and the rent income received/receivable by the Company	100,919,425	40,499,364	76,956,020
		Amounts Received	(137,376,081)	-	-
		Services provided	(1,319,886,876)	(19,896,279)	(237,385,484)
		Amounts Paid	1,537,285,755	-	-

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
2025	The Lanka Hospitals Diagnostics (Private) Ltd	Subsidiary Company	Laboratory Services provided	1,319,886,876	12.60%	Arms Length Transactions
	Sri Lanka Insurance Corporation PLC	Parent Company	Medical Services provided	110,490,583	1%	Arms Length Transactions
2024	The Lanka Hospitals Diagnostics (Private) Ltd	Subsidiary Company	Laboratory Services provided	1,237,258,419	13.47%	Arms Length Transactions
	Sri Lanka Insurance Corporation PLC	Parent Company	Medical Services provided	72,925,570	2%	Arms Length Transactions

28. 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.

Notes to the Consolidated Financial Statements Contd.

29. Contingent liabilities and assets

Liabilities

Pending litigations against The Lanka Hospitals Corporation PLC with a maximum liability of Rs. 918.7 Mn exist as at the reporting date. Based on the information currently available company has been advised by its legal council that it is not probable the ultimate resolution of such legal procedures would not likely have a material adverse effect on the result of the operations, financial position or liquidity of the company. Accordingly, no provision for any liability has been made in these financial statements in this respect.

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

Assets

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

30. Capital commitments

Capital commitments of Group and Company in respect of the ongoing projects but not incurred as at the financial year end 31st December 2025 amounted to Rs.81 Mn. (2024 : Rs 232 Mn)

31. Events occurring after the reporting date

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

32. Financial risk management objectives and policies

32.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk and cash flow interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme 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 Chief Financial Officer and within the requirements of an approved treasury policy. The Risk Management Committee provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

32.2 Market risk management

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

Currency risk

The company is exposed to currency risk on foreign currency fixed deposits amounting to Rs. 4,591,649,495/- (USD 14,991,021.66) . Group and the Company's transactions (Hospital revenue, pharmacy revenue, cost of services and cost of purchasing of pharmacy items and other medical equipment) are mainly denominated in Sri Lankan Rupees.

As at 31st December,	Average Rate		Reporting Date Spot Rate	
	2025	2024	2025	2024
USD	300.35	302.12	306.29	288.33

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 2025.

As at 31st December,	2025		2024	
	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%	229,582,475	-	197,548,889	-
LKR appreciated against USD by 5%	(229,582,475)	-	(197,548,889)	-

As at 31st December,	2025		2024	
	Effect on profit or loss Rs.	Effect on equity Rs.	Effect on profit or loss Rs.	Effect on equity Rs.
Company				
LKR depreciated against USD by 5%	229,582,475	-	197,548,889	-
LKR appreciated against USD by 5%	(229,582,475)	-	(197,548,889)	-

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.

Notes to the Consolidated Financial Statements Contd.

32.3 Operational risk

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

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

32.4 Liquidity risk management

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

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

The table below summarises financial assets/liabilities.

As at 31st December,	Group		Company	
	2025 Rs.	2024 Rs.	2025 Rs.	2024 Rs.
Cash and cash equivalents	1,182,441,067	1,095,204,209	1,008,267,065	978,865,580
Trade and other receivables within 30 days	187,655,730	173,148,293	163,359,247	120,987,253
Financial assets measured at amortized cost	9,791,644,978	7,868,036,303	5,891,649,498	5,003,295,982
Total liquid assets	11,161,741,775	9,136,388,805	7,063,275,809	6,103,148,815
Less;				
Bank overdraft	366,214,321	400,017,944	302,664,329	260,525,984
Trade payables on demand	972,544,420	905,620,498	916,440,423	1,097,315,457
Other payables on demand	1,221,153,932	745,269,799	1,044,229,806	570,975,637
Total demand liabilities	2,559,912,672	2,050,908,241	2,263,334,558	1,928,817,078
Excess/short liquidity through operating cycle	8,601,829,102	7,085,480,564	4,799,941,252	4,174,331,737

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 2025,	Group			Company		
	Carrying amount Rs.	Less than 12 Months Rs.	Over one year Rs.	Carrying amount Rs.	Less than 12 Months Rs.	Over one year Rs.
Non current liabilities						
Lease liability	182,790,318	-	182,790,318	26,636,134	-	26,636,134
Current liabilities						
Trade and other payables	2,193,698,351	2,193,698,351	-	1,960,670,228	1,960,670,228	-
Lease liability	52,174,817	52,174,817	-	36,821,735	36,821,735	-
Bank overdraft	366,214,321	366,214,321	-	302,664,329	302,664,329	-

As at 31st December 2024,	Group			Company		
	Carrying amount	Less than 12 Months	Over one year	Carrying amount	Less than 12 Months	Over one year
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Non current liabilities						
Lease liability	215,964,891	-	215,964,891	59,904,640	-	59,904,640
Current liabilities						
Trade and other payables	1,650,890,296	1,650,890,296	-	1,668,291,094	1,668,291,094	-
Lease liability	98,325,089	98,325,089	-	47,759,195	47,759,195	-
Bank overdraft	400,017,944	400,017,944	-	260,525,984	260,525,984	-

32.5 Credit risk management

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

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

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

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

As at 31st December,	Group				Company			
	2025		2024		2025		2024	
	Rs.	Exposure %	Rs.	Exposure %	Rs.	Exposure %	Rs.	Exposure %
Trade and other receivables	1,134,813,143	9%	1,369,068,340	13%	1,360,067,927	16%	1,155,705,935	16%
Financial assets measured at amortized cost	9,791,644,978	81%	7,868,036,303	76%	5,891,649,498	71%	5,003,295,982	70%
Cash and cash equivalents	1,182,441,067	10%	1,095,204,209	11%	1,008,267,065	12%	978,865,580	14%
Total	12,108,899,188	100%	10,332,308,853	100%	8,259,984,490	100%	7,137,867,497	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

As at 31st December,	Group				Company			
	2025		2024		2025		2024	
	Gross Rs	Impairment Rs	Gross Rs	Impairment Rs	Gross Rs	Impairment Rs	Gross Rs	Impairment Rs
Past due 0-90 days	315,860,953	1,119,075	300,853,738	965,889	264,235,086	1,119,075	220,938,146	965,889
Past due 91-180 days	12,075,649	862,259	26,936,617	1,172,590	11,349,105	143,618	26,210,073	453,949
Past due 181-365 days	14,112,305	985,606	15,402,255	605,548	13,701,417	574,718	14,991,367	194,660
More than 365 days	40,174,141	39,486,612	43,160,980	42,712,611	25,279,509	24,591,980	28,266,348	27,817,979
	382,223,048	42,653,552	386,353,590	44,890,770	314,565,117	26,429,391	290,405,934	29,432,477

Notes to the Consolidated Financial Statements Contd.

33. Capital management

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

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

33.1 Capital management policy

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

As at 31st December,	Group		Company	
	2025 Rs.	2024 Rs.	2025 Rs.	2024 Rs.
Total Liabilities	5,040,246,990	4,332,923,925	4,262,821,001	3,804,303,880
Less: Cash and Cash Equivalents	1,182,441,067	1,095,204,209	1,008,267,065	978,865,580
Net Debt	3,857,805,924	3,237,719,716	3,254,553,937	2,825,438,300
Total Equity	15,374,331,514	14,178,397,255	11,959,923,259	11,115,843,053
Net Debt to Equity Ratio	25%	23%	27%	25%

34. Segment reporting

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

35. Classification of Financial Assets and Financial Liabilities

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

35.1 Group

As at 31st December 2025	Financial assets - amortised cost	Other financial liabilities	Non financial asset	Total carrying amount	Fair Value	Fair Value			Total
						Level 1	Level 2	Level 3	
						Rs.	Rs.	Rs.	
Non-financial assets									
Property, plant and equipment									
Freehold land	-	-	105,000,000	105,000,000	105,000,000	-	-	105,000,000	105,000,000
Leasehold building	-	-	3,156,889,937	3,156,889,937	3,156,889,937	-	-	3,156,889,937	3,156,889,937
Investment property	-	-	-	-	-	-	-	-	-
Total non-financial assets	-	-	3,261,889,937	3,261,889,937	3,261,889,937	-	-	3,261,889,937	3,261,889,937
Financial assets									
Trade and other receivables	1,134,813,143	-	-	1,134,813,143	1,134,813,143	-	-	-	1,134,813,143
Financial assets measured at amortized cost	9,791,644,978	-	-	9,791,644,978	9,791,644,978	-	-	-	9,791,644,978
Cash and cash equivalents	1,182,441,067	-	-	1,182,441,067	1,182,441,067	-	-	-	1,182,441,067
Total financial assets	12,108,899,188	-	-	12,108,899,188	12,108,899,188	-	-	-	12,108,899,188
Financial liabilities									
Trade and other payables	-	2,193,698,351	-	2,193,698,351	2,193,698,351	-	-	-	2,193,698,351
Bank overdraft	-	366,214,321	-	366,214,321	366,214,321	-	-	-	366,214,321
Total financial liabilities	-	2,559,912,672	-	2,559,912,672	2,559,912,672	-	-	-	2,559,912,672
As at 31st December 2024									
Non-financial assets									
Property, plant and equipment									
Freehold land	-	-	105,000,000	105,000,000	105,000,000	-	-	105,000,000	105,000,000
Leasehold building	-	-	3,235,109,508	3,235,109,508	3,235,109,508	-	-	3,235,109,508	3,235,109,508
Total non-financial assets	-	-	3,340,109,508	3,340,109,508	3,340,109,508	-	-	3,340,109,508	3,340,109,508
Financial assets									
Trade and other receivables	1,369,068,340	-	-	1,369,068,340	1,369,068,340	-	-	-	1,369,068,340
Financial assets measured at amortized cost	7,868,036,303	-	-	7,868,036,303	7,868,036,303	-	-	-	7,868,036,303
Cash and cash equivalents	1,095,204,209	-	-	1,095,204,209	1,095,204,209	-	-	-	1,095,204,209
Total financial assets	10,332,308,852	-	-	10,332,308,852	10,332,308,852	-	-	-	10,332,308,852
Financial liabilities									
Trade and other payables	-	1,650,890,296	-	1,650,890,296	1,650,890,296	-	-	-	1,650,890,296
Bank overdraft	-	400,017,944	-	400,017,944	400,017,944	-	-	-	400,017,944
Total financial liabilities	-	2,050,908,240	-	2,050,908,240	2,050,908,240	-	-	-	2,050,908,240

Notes to the Consolidated Financial Statements Contd.

35. Classification of Financial Assets and Financial Liabilities Contd.

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

35.2 Company

As at 31st December 2025	Financial assets - amortised cost	Other financial liabilities	Non financial asset	Total carrying amount	Fair Value	Fair Value				
						Level 1	Level 2	Level 3	Total	
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	
Non-financial assets										
Property, plant and equipment										
Freehold land	-	-	105,000,000	105,000,000	105,000,000	-	-	105,000,000	105,000,000	
Leasehold building	-	-	2,938,506,632	2,938,506,632	2,938,506,632	-	-	2,938,506,632	2,938,506,632	
Investment property	-	-	167,000,000	167,000,000	167,000,000	-	-	167,000,000	167,000,000	
Total non-financial assets	-	-	3,210,506,632	3,210,506,632	3,210,506,632	-	-	3,210,506,632	3,210,506,632	
Financial assets										
Trade and other receivables	1,360,067,927	-	-	1,360,067,927	1,360,067,927	-	-	-	1,360,067,927	
Financial assets measured at amortized cost	5,891,649,498	-	-	5,891,649,498	5,891,649,498	-	-	-	5,891,649,498	
Cash and cash equivalents	1,008,267,065	-	-	1,008,267,065	1,008,267,065	-	-	-	1,008,267,065	
Total financial assets	8,259,984,490	-	-	8,259,984,490	8,259,984,490	-	-	-	8,259,984,490	
Financial liabilities										
Trade and other payables	-	1,960,670,228	-	1,960,670,228	1,960,670,228	-	-	-	1,960,670,228	
Bank overdraft	-	302,664,329	-	302,664,329	302,664,329	-	-	-	302,664,329	
Total financial liabilities	-	2,263,334,558	-	2,263,334,558	2,263,334,558	-	-	-	2,263,334,558	
As at 31st December 2024										
Non-financial assets										
Property, plant and equipment										
Freehold land	-	-	105,000,000	105,000,000	105,000,000	-	-	105,000,000	105,000,000	
Leasehold building	-	-	3,005,000,000	3,005,000,000	3,005,000,000	-	-	3,005,000,000	3,005,000,000	
Investment property	-	-	167,000,000	167,000,000	167,000,000	-	-	167,000,000	167,000,000	
Total non-financial assets	-	-	3,277,000,000	3,277,000,000	3,277,000,000	-	-	3,277,000,000	3,277,000,000	
Financial assets										
Trade and other receivables	1,155,705,935	-	-	1,155,705,935	1,155,705,935	-	-	-	1,155,705,935	
Other financial assets	5,003,295,982	-	-	5,003,295,982	5,003,295,982	-	-	-	5,003,295,982	
Cash and cash equivalents	978,865,580	-	-	978,865,580	978,865,580	-	-	-	978,865,580	
Total financial assets	7,137,867,497	-	-	7,137,867,497	7,137,867,497	-	-	-	7,137,867,497	
Financial liabilities										
Trade and other payables	-	1,668,291,094	-	1,668,291,094	1,668,291,094	-	-	-	1,668,291,094	
Bank overdraft	-	260,525,984	-	260,525,984	260,525,984	-	-	-	260,525,984	
Total financial liabilities	-	1,928,817,078	-	1,928,817,078	1,928,817,078	-	-	-	1,928,817,078	

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 2025

Shareholder	2025		2024	
	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	1,400,000	0.63%	1,400,000	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	495,740	0.22%	350,368	0.17%
10 Peoples Leasing & Finance PLC/ Mr.D.M.P.Disanayake	440,078	0.20%	297,617	0.16%
11 Mr.M.S. Siraj	382,193	0.17%	382,193	0.38%
12 Mr.A.H. Munasinghe	253,900	0.11%	233,900	0.10%
13 Mr.M.J.T. Mohamed	250,000	0.11%	228,255	0.11%
14 Merchant Bank of Sri Lanka & Finance PLC/M.A. Panapitiya	164,422	0.07%	-	0.00%
15 Peoples Leasing & Finance PLC/DR.H.S.D.Soyso & MRS.G.Soyso	150,000	0.07%	200,000	0.09%
16 DFCC Bank PLC/N.G.N.Maduranga	150,000	0.07%	-	0.00%
17 Mr. H.L. Wijewardena	133,279	0.06%	-	0.00%
18 MAC Holdings PVT LTD	131,045	0.06%	131,045	0.00%
19 Senkadagala Finance PLC/Prempra Capital (PVT) LTD	126,000	0.06%	-	0.00%
20 Wintex Trims (PVT) LTD	104,000	0.05%	-	0.06%
	215,347,761	96.25%	214,390,482	96.09%

Individual/ Institution as at 31 December 2025

	No of Share	As %	No of Shares	As %
Individual	7,474	98.07	9,807,845	4.38
Institution	147	1.93	213,924,324	95.62
	7,621	100.00	223,732,169	100.00

Resident / Non-Resident as at 31 December 2025

	No of Shares	No of Shareholders		
		As %	As %	
Resident	7,601	99.74	159,080,535	71.10
Non-Resident	20	0.26	64,651,634	28.90
	7,621	100.00	223,732,169	100.00

Shareholder and Investor Information Contd.

Shareholder and Investor Information

Directors'/Senior management Shareholdings as at 31st December

Board of Directors	Position	2025		2024	
		No of shares	Holding %	No of shares	Holding %
Maj Gen (Dr.) Chrisantha Fernando (Retd.)	Group Chairman	-	-	-	-
Mr. Chaaminda Kumarasiri	Group Managing Director	-	-	-	-
Mr. Sirimal Senaratne	Director	-	-	-	-
Mr. Nusith Kumaratunga	Director	-	-	-	-
Ms. Shamalie Jayatunge	Director	-	-	-	-
Mr. Sajith Wickramaarachchi	Director	-	-	-	-
Mr. S.M.D.S Suriyakumara	Director	-	-	-	-
Mr. Susantha Ranasinghe	Director	-	-	-	-
Mr. Kavinda De Zoysa	Director	-	-	-	-
Dr. Puspananda Ratnasiri	Director	-	-	-	-
Ms. Richa Debgupta	Director	-	-	-	-
Mr. Ashish Bhatia	Director	-	-	-	-
Senior Management					
Mr. Chaaminda Kumarasiri	Group Managing Director	-	-	-	-

		Group		Company	
		2025	2024	2025	2024
Earning Per Share	Rs.	8.69	5.99	7.13	3.32
Dividend Per Share	Rs.	3.50	-	3.50	-
Net Asset Value Per Share	Rs.	68.72	63.37	53.45	49.68
Market Value per Ordinary Share					
Highest price	Rs.	-	-	115.00	83.70
Lowest price	Rs.	-	-	72.00	73.70
Closing Price	Rs.	-	-	106.00	79.50
Gearing Ratio	%	N/A	N/A	N/A	N/A
Interest Cover	Times	N/A	N/A	N/A	N/A
Quick Asset Ratio	Times	3.84	4.20	3.15	3.32

Summary of Share Ranges as at 31 December

Share Range	2025			2024		
	No of shareholders	No of shares	Holding %	No of shareholders	No of shares	Holding %
1. 1 -1,000	6,303	2,023,464	0.90	6,230	2,025,292	0.91
2. 1,001 - 10,000	1,185	3,391,048	1.52	1,230	3,393,911	1.52
3. 10,001 - 100,000	111	2,869,820	1.28	104	2,982,529	1.33
4. 100,001 - 1,000,000	15	3,405,454	1.52	14	3,266,736	1.46
5. 1,000,001 & above	7	212,042,383	94.78	7	212,063,701	94.78
	7,621	223,732,169	100.00	7,585	223,732,169	100.00

Public Shareholding

Public shareholding percentage as at 31st December 2025 - 20.00% (2024 - 20.00%)

Number of public shares as at 31st December 2025 - 44,749,303 (2024 - 44,748,803)

Number of public shareholders as at 31st December 2025 - 7,618 (2024 - 7,582)

Float adjusted Market Capitalization Rs. 4,743,426,118 (2024 - Rs. 3,557,569,588.50)

The Float adjusted market capitalization of the Company falls under Option 4 of Rule 7.13.1 (a), of the Listing Rules of the Colombo Stock Exchange and the Company has complied with the minimum public holding requirement applicable under the said option.

Ten Year Financial Summary

In Rs. Mn -	Group									
	Year ended 31 December									
	Audited									
	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Revenue from customer contracts	14,474	13,650	12,419	10,698	10,034	6,804	7,549	7,077	6,382	5,886
Cost of Services	(8,063)	(7,700)	(7,210)	(6,260)	(5,270)	(3,942)	(4,329)	(4,113)	(3,519)	(3,099)
Gross Profit	6,411	5,951	5,209	4,438	4,764	2,862	3,220	2,964	2,863	2,787
Other operating income	74	51	77	86	137	62	68	59	52	53
Administrative & Other operating Expenses	(4,521)	(4,292)	(4,083)	(3,315)	(3,042)	(2,729)	(2,635)	(2,380)	(2,186)	(1,941)
Finance income	920	244	740	2,882	406	250	226	479	193	183
Finance cost	(55)	(58)	(33)	(30)	(33)	(35)	(38)	-	-	-
Profit before tax	2,830	1,895	1,910	4,061	2,233	410	841	1,122	922	1,081
Income tax (expense) / release	(886)	(556)	(565)	(814)	(21)	(25)	(261)	(252)	(341)	(109)
Profit for the year	1,944	1,339	1,345	3,247	2,212	385	581	870	581	972
ASSETS										
Non current assets										
Property, plant and equipment	6,615	6,583	5,385	5,125	4,718	4,757	4,375	4,489	4,520	4,083
Right of use assets	497	551	550	531	533	552	639	-	-	-
Intangible asset	216	124	79	47	55	57	76	94	96	60
Investment in subsidiary	-	-	-	-	-	-	-	-	-	-
Advance lease premium	-	-	-	-	-	-	-	217	203	189
	7,328	7,258	6,014	5,703	5,307	5,365	5,089	4,800	4,819	4,332
Current assets										
Inventories	978	921	862	980	455	439	413	369	295	319
Trade and other receivables	1,135	1,369	1,457	1,016	1,032	676	915	726	554	503
Amounts due from related parties	-	0.2	10	-	2	4	6	5	7	4
Cash and cash equivalents & Other Financial Assets	10,974	8,963	7,976	7,635	5,204	3,398	3,004	3,050	2,475	2,194
	13,087	11,254	10,305	9,631	6,693	4,517	4,338	4,150	3,331	3,020
Total assets	20,415	18,511	16,319	15,334	12,000	9,882	9,427	8,950	8,150	7,352
EQUITY AND LIABILITIES										
Equity										
Stated capital	2,672	2,672	2,672	2,672	2,672	2,672	2,672	2,672	2,672	2,672
Revaluation reserve	1,485	1,550	1,306	1,361	1,331	1,093	982	1,029	1,066	1,284
Retained earning / (loss)	11,217	9,957	8,621	7,948	5,317	3,405	2,975	2,754	2,282	1,888
Total equity	15,374	14,178	12,599	11,981	9,319	7,169	6,629	6,455	6,020	5,844
Non current liabilities										
Employee benefit obligations	495	490	370	254	278	294	245	189	167	134
Deferred tax liabilities	1,212	1,178	1,135	1,212	509	1,053	1,102	1,004	998	426
Lease Liability	183	216	160	152	159	200	301	-	-	-
	1,889	1,884	1,665	1,618	946	1,547	1,648	1,193	1,165	560
Current liabilities										
Borrowings / Bank Overdraft	366	400	290	528	482	256	262	332	233	234
Amounts due to related parties	-	-	-	-	-	5	6	6	23	24
Lease Liability	52	98	89	87	89	72	77	-	-	-
Income tax payable	539	300	484	354	265	48	57	167	39	36
Trade and other payables	2,194	1,651	1,193	766	898	785	748	797	670	654
	3,151	2,449	2,055	1,735	1,734	1,166	1,150	1,302	965	948
Total liabilities	5,040	4,333	3,720	3,353	2,681	2,713	2,798	2,495	2,130	1,508
Total equity and liabilities	20,415	18,511	16,319	15,334	12,000	9,882	9,427	8,950	8,150	7,352

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the 27th Annual General Meeting of The Lanka Hospitals Corporation PLC(LHC) will be held as a **virtual meeting** on May 21, 2026, 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 for the Company for the year ended 31st December 2025 together with the Report of the Auditors' thereon.
2. To re-elect Mrs. Richa Singh Debgupta who retires by rotation and being eligible offers herself for re-election.
3. To re-elect Mr. N P Sirimal Kalyana Senaratne who retires by rotation and being eligible offers himself for re-election
4. To elect Mr. R A Susantha Kumara Ranasinghe who was appointed to the board during the financial year and eligible for election as a Director.
5. To elect Maj Gen (Dr.) Chrisantha Fernando (Retd.) who was appointed to the board during the financial year and eligible for election as a Director.
6. To elect Mr. Kavinda de Zoysa who was appointed to the board during the financial year and eligible for election as a Director.
7. To elect Dr. U D P Ratnasiri who was appointed to the board during the financial year and eligible for election as a Director.
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.
9. To authorize the Directors to determine donations for the year 2026 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



Deloitte Corporate Services (Private) Limited
Secretaries

10th April 2026

Form of Proxy

The Lanka Hospitals Corporation PLC * Integrated Annual Report 2025
 THE LANKA HOSPITALS CORPORATION PLC
 (Company Registration No PQ180-)
 No.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
 Maj Gen (Dr.) Chrisantha Fernando (Retd.) or failing him
 Mr. Chaaminda Kumarasiri or failing him
 Ms. Shamalie Jayatunge or failing her
 Mr. Sirimal Senaratne or failing him
 Mr. Sajith Wickramaarachchi or failing him
 Mr. Nusith Kumaratunge or failing him
 Mr. S M D Suriyakumara or failing him
 Mr. Ashish Bhatia or failing him
 Ms. Richa Singh Debgupta or failing her
 Mr. Kavinda de Zoysa or failing him
 Mr. R A Susantha Kumara Ranasinghe or failing him
 Dr. U D P Ratnasiri or failing him

as my/our Proxy to represent me/us** to vote for me/us on my/our behalf at the 27th Annual General Meeting of the Company to be held on 21st May 2026 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 2025 with the Report of the Auditors' thereon.	<input type="checkbox"/>	<input type="checkbox"/>
2. To re-elect Ms. Richa Singh Debgupta who retires by rotation	<input type="checkbox"/>	<input type="checkbox"/>
3. To elect Mr. N P Sirimal Kalyana Senaratne who retires by rotation	<input type="checkbox"/>	<input type="checkbox"/>
4. To elect Mr. R A Susantha Kumara Ranasinghe who was appointed to the board during the financial year	<input type="checkbox"/>	<input type="checkbox"/>
5. To elect Maj Gen (Dr.) Chrisantha Fernando Retd who was appointed to the board during the financial year	<input type="checkbox"/>	<input type="checkbox"/>
6. To elect Mr. Kavinda de Zoysa who was appointed to the board during the financial year	<input type="checkbox"/>	<input type="checkbox"/>
7. To elect Dr. U D P Ratnasiri who was appointed to the board during the financial year	<input type="checkbox"/>	<input type="checkbox"/>
8. To authorize the Directors to determine donations for the year 2026 and up to the date of the next Annual General Meeting.	<input type="checkbox"/>	<input type="checkbox"/>

In witness my/our** hands this- "....." day of Two Thousand and Twenty Six

.....
 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 Contd.

INSTRUCTIONS FOR COMPLETION

1. Kindly perfect the Form of Proxy by filling in legibly your full name, address and the National identity Card number and by signing in the space provided and filling in the date of signature.
2. A proxy need not be a shareholder of the Company. However, the proxyholder must be above 18 years of age.
3. The completed form of proxy must be deposited at the Deloitte Corporate Services (Private) Limited, No.100, Braybrooke Place, Colombo 2, not less than forty-eight hours before the time fixed for the meeting
4. If you wish to appoint a person other than the Chairman or a Director of the Company, please insert the relevant details at the space provided (above the names of the Board of Directors) on the Proxy Form.
5. If the Form of Proxy is signed by an Attorney, the relative Power of Attorney should accompany the Form of Proxy for registration, if such Power of Attorney has not already been registered with the Company.
6. If the appointor is a company/ incorporated body, this form must be executed in accordance with the Articles of Association/ Statute.

Corporate Information

Name of the Company

The Lanka Hospitals Corporation PLC

Company Registration No

PQ 180

Registered Office

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

Board of Directors

Maj Gen (Dr.) Chrisantha Fernando (Retd.)
(Appointed w.e.f 13th August 2025)

Mr. Chaaminda Kumarasiri

Mr. Sirimal Senaratne

Mr. Nusith Kumaratunga
(Appointed w.e.f. 10th January 2025)

Ms. Shamalie Jayatunge

Mr. Sajith Wickramaarachchi

Mr. S.M.D.S. Suriyakumara
(Appointed w.e.f. 03rd January 2025)

Mr. Susantha Ranasinghe
(Appointed w.e.f 24th July 2025)

Mr. Kavinda De Zoysa
(Appointed w.e.f 23rd October 2025)

Dr. Puspananda Ratnasiri
(Appointed w.e.f 20th November 2025)

Ms. Richa Debgupta

Mr. Ashish Bhatia

Secretaries & Registrars to Shares

Deloitte Corporate
Services (Private) Limited
No.100, Braybrooke Place, Colombo 02
Tel : +94 11 7719700

Auditors

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

Bankers

Bank of Ceylon
Hatton National Bank PLC
People's Bank PLC
Sampath Bank PLC

Concept & Designed by





LANKA
HOSPITALS

සුවේන් සැපේන් • CARING CURING • பராமரித்தல் குணமாக்கல்