

CHALLENGING CHALLENGES



CEYLINCO INSURANCE PLC
Annual Report 2020

|| Sri Lanka, We Always Believe



CHALLENGING CHALLENGES

"Every change is a challenge to become who we really are."

– Marianne Williamson

At Ceylinco Insurance PLC, we are founded on a spirit of challenging the norm, to achieve far beyond what anyone can envision or imagine. Year on year, we have relied on a spirit of innovation, determination and relentless energy to stay ahead of an intensely competitive operating environment, and to deliver consistent value to the people at all times.

We believe that incredible challenges result in extraordinary transformation and growth – a belief that was brought to the forefront amid an incredibly challenging year. As always, we have continued to champion change and meet challenges head on; defending the needs of the people, while ensuring continuity amid times of adversity and uncertainty.

Today, as we transition into a period of remarkable transformation that will undoubtedly revolutionize the way we live, we are poised to serve you, the people, by challenging the challenges the future holds.

Ceylinco Insurance PLC.

CONTENTS

| | |
|---|----|
| About Ceylinco Insurance PLC | 3 |
| How We Performed | 4 |
| Corporate Information | 6 |
| Performance Highlights | 7 |
| Executive Chairman/Chief Executive Officer's Review | 10 |
| Deputy Chairman's Message | 14 |
| Board of Directors | 18 |

MANAGEMENT DISCUSSION & ANALYSIS

| | |
|---------------------------------|----|
| Sector Review | |
| General Insurance | 26 |
| Life Insurance | 30 |
| Power & Energy | 33 |
| Education | 35 |
| Share Information | 39 |
| Corporate Social Responsibility | |
| General insurance | 40 |
| Life insurance | 41 |
| Events of the year | |
| General insurance | 43 |
| Life insurance | 44 |
| Education | 47 |
| Awards & Accolades | 48 |

CORPORATE GOVERNANCE

| | |
|---|----|
| Corporate Governance | 51 |
| Board Audit Committee Report | 58 |
| Report of the Remuneration Committee | 60 |
| Report of the Related Party Transactions Review Committee | 61 |
| Nomination Committee Report | 62 |
| Statement of Directors' Responsibility | 63 |
| Financial Calendar - 2021 | 64 |

FINANCIAL INFORMATION

| | |
|---|-----|
| Report of the Directors | 66 |
| Independent Auditor's Report | 75 |
| Statement of Financial Position | 78 |
| Income Statement | 79 |
| Statement of Comprehensive Income | 80 |
| Statement of Changes In Equity | 81 |
| Statement of Cash Flows | 83 |
| Insurance Revenue Account | 84 |
| Notes to the Financial Statements | 85 |
| Quarterly Analysis 2020 | 181 |
| Quarterly Analysis 2019 | 182 |
| Ten Year Summary | 183 |
| Glossary of Financial & Insurance Terms | 186 |
| Notice of Meeting | 189 |
| Notes | 190 |

ABOUT US

At Ceylinco Insurance, we have always been proud of our pedigree, our heritage and our constantly re-affirmed position as one of the most respected and diversified groups in Sri Lanka. Our history can be traced as far back as 1939, when the company was originally registered as 'The Ceylon Insurance Company' which was in fact, the first Ceylonese (Sri Lankan) company ever registered.

Since inception, our company has always been formed around a spirit of partnership – forging lasting bonds with every stakeholder we serve. In order to be an industry leader and stay a step ahead of the people's needs, we have consistently played a strong role in their lives; listening to their pulse and empowering them to lead lives assured of protection, care and growth.

Built on a dynamic and vibrant disposition, we are a company that is firmly entrenched in the hearts and minds of the Sri Lankan people. We persist in constantly evolving according to the changing Sri Lankan psyche, pursuing originality and inspiring change through a spirit of constant innovation.

The awards and accolades we garner every year are a testament to the powerful brand ethos we have built over the years. With attributes of convenience, innovation, and customer-centricity that echo down through every product and service we provide, we truly are a company that stands out as the people's choice.

As a pioneering entity in multiple sectors covering General and Life Insurance, Hydropower, Education, Development Banking and Healthcare, our economic impact knows no bounds. Yet, we continue to explore new opportunities to grow even closer to the people; providing a wide-ranging portfolio of innovative solutions built for a future of development and progress. Our journey continues to be fruitful and fulfilling, as we take our brand to new heights and cover even more Sri Lankans under our umbrella of security, loyalty and trust.

VISION

To achieve leadership through competitive excellence in every business we undertake.

MISSION

To contribute to the socio-economic development of our country through our financial viability, diversity and innovative value addition in all the sectors within our group thereby adding to shareholder wealth and being a catalyst in providing the highest standards of customer excellence, and recognising, rewarding and valuing the dignity of our staff in all our sectors.

CREATING HOLISTIC VALUE

Agile and well-focused strategies were imperative to ensure we rose above the debilitating impact of the pandemic and a declining economy, while maintaining the performance of the diverse sectors we serve.

At Ceylinco Insurance PLC we are driven by our vision, mission and strategies that have ensured exceptional performance- enabling us to surmount challenges on multiple fronts effectively, nurture our people, seek opportunities amid challenges, while managing consistent operations to create holistic value.



Enablers



- Economic and Business Environment**
Despite the adverse impacts of the pandemic on individuals, businesses and the economy- our realigned strategies enabled a commendable performance.
- People Focus**
People-centricity has enabled us to create value in all we do.
- Sustainable Strategies**
People and planet are a core focus- and every operation reflects our remarkable sustainability.
- Innovation and Knowledge**
We are driven by years of expertise and knowledge to deliver value to our customers.
- Operational Excellence**
Driven by consistent determination, we performed well amid challenging terrains.
- Consumer Loyalty / Market Dynamics**
We adapted ourselves to thrive in an evolving market- paying tribute to the loyalty of our consumers.

Rs. 56 Bn

Revenue

Rs. 9.4 Bn

Profit




Pioneered
Ceylinco VIP
Drive-Thru
Claims Centers

over
685

Customer touch points

Uninterrupted
service during
lockdown

38,370  MWh
**renewable
energy**

Generated during the year

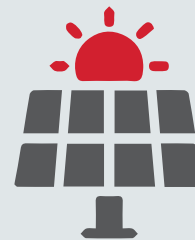
Claims & Benefits Paid
Rs. 22 Bn



Invested Rs. 212 million in
building three environment-
friendly 'Green Building'
projects for Ceylinco Life.

Highest ranked Insurance
Company in the

LMD 100



First
Solar Power
Project
Commissioned

No.

6

Ranked No. 6
amongst
Sri Lanka's top
30 companies
by Business
Today

SLIM 'People's Insurance
Service provider' for the

14 **th**

consecutive
year

CORPORATE INFORMATION

REGISTERED OFFICE

"Ceylinco House"
No. 69, Janadhipathi Mawatha,
Colombo 1, Sri Lanka.

COMPANY WEBSITE

www.ceylincoinsuranceplc.com

COMPANY REGISTRATION NUMBER

PQ 24

LEGAL FORM

A Quoted Public Company with limited liability, incorporated in Sri Lanka in 1987.

MAIN PLACES OF BUSINESS

Life Insurance

"Ceylinco Life Tower",
No. 106, Havelock Road,
Colombo 5, Sri Lanka.
Telephone : 2461000
Call Centre : 2461461 (Hotline)
Fax : 2555959
E-mail : service@ceylife.lk
Website : www.ceylincolife.com

General Insurance

"Ceylinco House",
No. 69, Janadhipathi Mawatha,
Colombo 1, Sri Lanka.
Telephone : 2485757-9
Call Centre : 2393939
Fax : 2485701
E-mail : ceylincoinsurance@ceylins.lk
Website : www.ceylinco-insurance.com

THE STOCK EXCHANGE LISTING

The Ordinary Shares (Voting and Non Voting) of the Company are listed with the Colombo Stock Exchange of Sri Lanka.

PRINCIPAL ACTIVITIES

Management of Investment, Insurance Operations, Health Care Operations, Education and Power Generation.

AUDITORS

Ernst & Young,
Chartered Accountants,
No. 201, De Saram Place,
Colombo 10.

CONSULTING ACTUARIES

Life Insurance

Willis Towers Watson India Private Limited
Unitech Business Park, 2nd floor,
Tower - B, South City - 1, Sector 41
Gurgaon-122002, India.

General Insurance

M/s. K. A. Pandit
Consultants & Actuaries,
2nd Floor - "Churchgate House",
Veer Nariman Road,
Fort, Mumbai - 400 001, India.

BOARD OF DIRECTORS

Mr. A.R. Gunawardena F.C.I.C., Honorary Fellow -
ICBT Campus, Associate Collage of Cardiff Metropolitan
University, U.K.
- Executive Chairman / Chief Executive Officer
(Executive Director)

Mr. R. Renganathan F.C.A., F.C.M.A.
(Non-Executive Deputy Chairman)

Mr. H.D.K.P. Alwis F.C.I.C.
(Non-Executive Director)

Mr. E.T.L. Ranasinghe M.B.A., (Sri J.), F.C.I.M.
(U.K.),
Director/Chief Operations Officer
(Executive Director)

Dr. W.C.J. Alwis B.Sc., F.I.I.I., F.C.I.I. (Lond.), F.I.o.D.
(U.K.)
(Non-Executive Director)

Mr. P.D.M. Cooray LUTCF (U.S.A.), C.I.A.M., C.I.I.
(AWARD)
Director/Head of Training (Executive Director)

Mr. K.I. Dharmawardena Attorney-at-Law
(“Independent” Non-Executive Director)

Mr. D.H.J. Gunawardena F.C.M.A. (U.K.), CGMA
(“Independent” Non-Executive Director)

Mr. P.A. Jayawardena F.C.A., F.C.M.A.
(Non-Executive Director)

Mr. N.D. Nugawela F.C.I.C.
(Non-Executive Director)

Mr. T.N.M. Peiris B.A. (Econ.) (Hons.), F.C.A.,
F.C.M.A., F.C.I.C.
- Director (Finance) / Head of Finance
(Executive Director)

Mr. U. Witharana F.C.A., M.B.A., F.C.M.A.
(Non-Executive Director)

Mr. S.R. Abeynayake F.C.A., M.B.A. (Sri J.),
F.C.M.A.
(Non-Executive Director)

Mr. S.H.J. Weerasuriya B.Sc. (Lond.), M.I.C.E.,
F.I.E. (S.L.), F.S.S.E. (S.L.), C. Eng.
(“Independent” Non-Executive Director)

Mr. Yu Kitai
(Non-Executive Director)

Mr. N. Vasantha Kumar M.B.A.
(“Independent” Non-Executive Director)

COMPANY SECRETARY

Mrs. Nilika Abhayawardhana A.C.I.S. (U.K.)
A.C.C.S (S.L.)

BANKERS

Bank of Ceylon
Cargills Bank Limited
Commercial Bank of Ceylon PLC
DFCC Bank
DFCC Vardhana Bank
Hatton National Bank PLC
Hongkong & Shanghai Banking
Corporation Ltd
National Development Bank PLC
National Savings Bank
Nations Trust Bank PLC
NDB Bank PLC
Pan Asia Banking Corporation PLC
People's Bank
Regional Development Bank
Sampath Bank PLC
Seylan Bank PLC
Standard Chartered Bank
Union Bank of Colombo PLC

PERFORMANCE HIGHLIGHTS

RESULTS FOR THE YEAR

| Group | 2020 | 2019 | Change % |
|-----------------------------------|--------------|--------------|-------------|
| | Rs.'000 | Rs.'000 | |
| Gross Written Premium | 43,896,576 | 40,217,891 | 9.15 |
| Net Earned Premium | 35,208,695 | 32,672,321 | 7.76 |
| Investments and Other Income | 17,403,602 | 16,111,017 | 8.02 |
| Revenue From Subsidiaries | 3,312,190 | 3,756,530 | (11.83) |
| Net Income | 55,924,487 | 52,539,868 | 6.44 |
| Benefits, Claims & Other Expenses | (44,940,092) | (41,982,657) | 7.04 |
| Profit Before Share of Associates | 10,984,395 | 10,557,211 | 4.05 |
| Share of Profit of Associates | 928,097 | 493,980 | 87.88 |
| Profit Before Taxation | 11,912,492 | 11,051,191 | 7.79 |
| Profit After Taxation | 9,378,004 | 8,783,088 | 6.77 |

Position at the Year End

| | | | |
|---|-------------|-------------|-------|
| Shareholders' Funds | 61,098,561 | 53,056,002 | 15.16 |
| Life Insurance Contract Liabilities | 105,883,025 | 95,349,737 | 11.05 |
| Non - Life Insurance Contract Liabilities | 13,033,217 | 12,470,431 | 4.51 |
| Investments | 154,616,448 | 134,973,999 | 14.55 |
| Total Assets | 201,139,763 | 179,900,040 | 11.81 |
| Market Capitalisation | 46,510,316 | 45,126,160 | 3.07 |

Profit Before Taxation



Premium Income- Life & Non Life



PERFORMANCE HIGHLIGHTS

INVESTOR INFORMATION

| | 2020 | 2019 |
|---|---------|---------|
| | Rs. | Rs. |
| Per Ordinary Share | | |
| Earnings (Basic) | 351.2 | 323.5 |
| Dividends - Proposed | * | 38.0 |
| Net Assets (Shareholders' Equity) | 2,313.1 | 2,008.6 |
| Market Value at the Year End - Voting | 1,997.8 | 1,986.9 |
| Market Value at the Year End - Non Voting | 1,021.8 | 840.0 |
| Ratios | | |
| Return on Equity % | 14.8 | 16.1 |
| Dividend Cover (Times) | * | 8.5 |
| Price Earning (Times) - Voting | 5.7 | 6.1 |
| Price Earning (Times) -Non Voting | 2.9 | 2.6 |

* Two main subsidiary companies being M/S Ceylinco Life Insurance Ltd. and Ceylinco General Insurance Ltd. are awaiting Insurance Regulatory Commission of Sri Lanka (IRC SL) clearance to declare their respective dividends for year ended 31st December 2020.

Hence, Directors recommendation with regard to dividend per share for the year ended 31st December 2020 is yet to be decided as at date of finalising this Annual Report.

RS. BN

43.9

9% ↑

GROSS WRITTEN PREMIUM

RS. BN

9.4

7% ↑

PROFIT AFTER TAX

RS. BN

61.1

15% ↑

SHAREHOLDERS' FUND

RS. BN

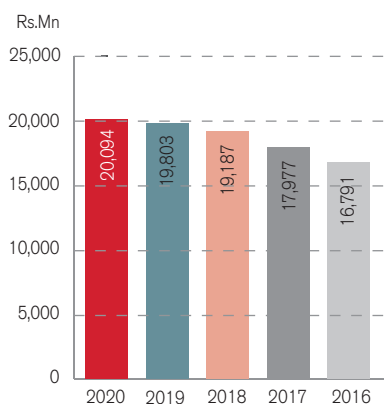
105.9

11% ↑

LIFE INSURANCE FUND

| | Non-Life Insurance | | | Life Insurance | | |
|--|--------------------|-------------|----------|----------------|--------------|----------|
| | 2020 | 2019 | Change % | 2020 | 2019 | Change % |
| | Rs.'000 | Rs.'000 | | Rs.'000 | Rs.'000 | |
| Gross Written Premium | 20,094,192 | 19,802,995 | 1.47 | 22,076,250 | 18,718,553 | 17.94 |
| Net Claims / Net Benefits | (6,635,199) | (8,253,594) | (19.61) | (12,266,513) | (10,604,065) | 15.68 |
| Increase in Long Term Insurance Funds | - | - | - | (9,423,994) | (7,189,811) | 31.07 |
| Investments and Other Income (including reinsurance commission) | 2,009,735 | 2,332,061 | (13.82) | 14,912,201 | 13,392,554 | 11.35 |
| Profit Before Taxation | 1,862,479 | 1,734,516 | 7.38 | 8,766,512 | 8,211,938 | 6.75 |
| Profit After Taxation | 1,471,800 | 1,377,122 | 6.88 | 6,934,121 | 6,671,669 | 3.93 |

Premium Income - Non Life



Premium Income - Life



RS. BN

46.5

3%



MARKET CAPITALISATION

EXECUTIVE CHAIRMAN/CHIEF EXECUTIVE OFFICER'S REVIEW



Mr. A.R. Gunawardena



Fittingly, the theme for this year's annual report is 'Challenging Challenges' - as the scope of the challenges ushered in by the pandemic were enormous and we combated them by focusing on our core businesses while maintaining optimal risk and governance frameworks and leveraging on brand equity to steer our ship to safe harbour, all the while delivering a strong financial performance.



Dear Shareholders

The year under review was unprecedented in unimaginable ways as the world scrambled to respond to the health and economic consequences of the rapidly-spreading outbreak of the COVID-19 global pandemic. As borders closed and economies ground to a halt, businesses were adversely affected the world over. The situation seemed to improve with the scaling back of lockdowns and lifting of border restrictions, but the second wave towards the end of the year eroded the sense of optimism setting in around the world with viable vaccines on the horizon.

Sri Lanka too felt the impact hard, with lockdowns and curfews hampering normal business and commercial activity while stifling the travel and tourism sector on which many other sectors depend. Nonetheless, as a country, Sri Lanka was lauded for its capable management of the pandemic, with the case count of infections and deaths being some of the lowest in the world, which needs to be commended.

As one of the leading diversified groups in Sri Lanka with interests across diverse sectors, we faced the challenges head-on. By sheer dint of prudent management, employee commitment and close monitoring, the organisation was able to successfully challenge the challenges that prevailed through 2020 while gearing up to face the new normal with the pandemic situation still remaining fluid.

Fittingly, the theme for this year's annual report is 'Challenging Challenges' – as the scope of the challenges ushered in by the pandemic were enormous and we combated them by focusing on our core businesses while maintaining optimal risk and governance frameworks and leveraging on brand equity to steer our ship to safe harbour, all the while delivering a strong financial performance.

ROBUST GROUP PERFORMANCE

Though macro conditions were extremely unfavourable and even hostile at times, your company recorded excellent results during the year across the sectors we operate in. The business continuity plans put in place five years ago and the strategic and timely moves taken by companies helped us to navigate the most trying times without much difficulty. However, all our moves were centred on the nation and people as our core focus was to ease the burden on people.

Ceylinco Insurance PLC recorded a gigantic consolidated Profit After Tax of Rs. 9.38 billion for the year ended 31st December 2020 while the Profit Before Tax stood at Rs. 11.91 billion. In the midst of such a devastating and unimaginable crisis situation which affected both our operations and the external environment, we sustained our operations admirably, which is a commendable achievement by any means.

Notably, the Group as a whole did not retrench a single staff member across any of our companies and sectors. In fact, all salaries, bonuses and other allowances to staff were paid in a timely manner. The company provided them with adequate health protection as per guidelines laid down by health authorities.

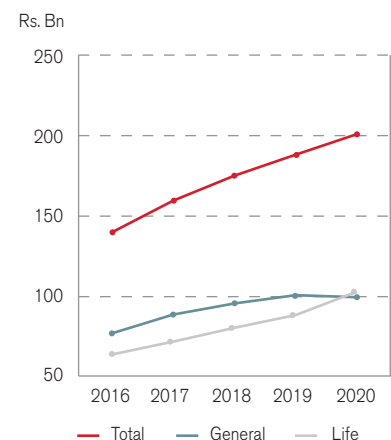
SECTOR PERFORMANCE

Insurance

Repeating its success year after year, both our General and Life Insurance companies yet again remained on top as the most vibrant and sought after insurers regardless of external challenges. In an environment where competition is aggressive and premium discounting has become a norm amongst many industry players, remaining on top is a tough task by any measure. The commanding leadership of Mr. R. Renganathan, Executive Chairman of Ceylinco Life, and Mr. Patrick Alwis, Managing Director/ CEO of Ceylinco General, has been instrumental in leading the two organisations to thrive amidst challenging conditions. Our customers looked to us for comfort and support during this time which we were pleased to respond to, staying true to our word and delivering as promised at the time of claims payout.

In the year under review, the insurance industry, both Life and General, recorded a Gross Written Premium of Rs. 202 billion in 2020, which resulted in a year-on-year growth of 6% over 2019. This is an increase of Rs. 12 billion when compared to 2019. Value of gross written premiums earned by the General Insurance industry for the year under review was Rs. 99.5 billion against the Rs. 100.9 billion recorded in 2019 which reflects a negative growth

GWP Life & General (Industry)



EXECUTIVE CHAIRMAN/CHIEF EXECUTIVE OFFICER'S REVIEW

//

We are greatly encouraged by the performance of our insurance, education and power generation companies amidst the turbulent environment. It is clear that these three sectors are critical pillars of society with enormous potential for growth into the future which we will actively harness in the year ahead.

//

of 1.3%, whilst the GWP of Life Insurance reached Rs. 103 billion against the Rs. 88.8 billion recorded in 2019 which indicates a growth of 16.6% over 2019.

Ceylinco General Insurance recorded a premium income of Rs. 20.1 billion (Rs. 20,094 million), marking a growth of 1.5%, which amounted to an increase of Rs. 291 million over 2019. Profit After Tax of Ceylinco General Insurance stood at Rs. 1.47 billion, whilst profit Before Tax was Rs. 1.86 billion. Ceylinco Life Insurance recorded a Premium Income of Rs. 22.1 Billion (Rs. 22,076 Million) with a growth of 17.9% year on year. The Profit After Tax of Ceylinco Life Insurance stood at a mammoth Rs. 6.9 billion, whilst profit Before Tax was Rs. 8.8 billion.

The real test of an insurance partner is at the time of paying claims to customers, and as always, Ceylinco General Insurance delivered on its pledge by settling all claims arising from the September floods within a short period of 7 days. The company honoured a claim of Rs. 525 million by an oil mill in Gampaha which was paid in record time even with the most difficult conditions experienced during the first lockdown. Gross claims paid by Ceylinco General Insurance during the year under review amounted to

Rs. 9.1 Billion and we believe our willingness to pay claims within the shortest possible times has enhanced our brand equity. Ceylinco General Insurance successfully operates one of the largest networks in the country - with over 540 outlets covering even remote towns. It is this relationship we build with our valuable stakeholders that strengthens our loyal customer base.

Our Reinsurance partnerships were strengthened during the year and we maintained adequate cover limiting our exposure in line with our risk appetite. Our Reinsurance arrangements are with the world's best reinsurers and where necessary we have partnered with specialised reinsurers with expertise in such segments and markets.

GLOBAL REACH

With operations in United Arab Emirates, Bahrain, Oman, Qatar and Kuwait through strategic partnerships, the Ceylinco brand is entrenching its credentials across the globe. The company's subsidiary in the Maldives, its associate company in Nepal and the strategic alliance in Mauritius are progressing steadily, delivering sound financial results year after year. It is pertinent to note that Ceylinco General Insurance provides technical expertise and knowledge in product innovation to these entities while localizing its winning solutions to conditions in those markets.

Our partnership with Mitsui Sumitomo Insurance of Japan gives us a strong competitive edge in providing reinsurance support to Japanese clients in Sri Lanka. We are also progressing steadily in the development of digital networks by harnessing the expertise of Mitsui Sumitomo.

POWER AND ENERGY SECTOR

The power and energy sector achieved another significant milestone by diversifying into solar power during the year 2020. A ground mounted solar power generation capacity of 4MW was added during the year. In this regard, I am proud to announce that above projects are the first 4 projects to be grid connected among 70 other developers.

The sector contributed a profit after tax of Rs. 268 Million to the overall group profit whilst the total revenue of the sector was Rs. 754 Million.

With his indomitable leadership, the Director/CEO of the sector, Mr. Upali Witharana, has expanded our footprint into renewable energy by entering solar power generation. Today the Power and Energy Sector of the group comprises of 4 small hydro power plants with a combined capacity of 15MW and said four ground mounted solar power projects. The plants are located at Rajjamma, Kumburuthaniwala, Loggal Oya (Phase 1 & 2) while the solar power plants are located in Mathugama and Galle.

During the year, Kumburuthaniwala and the Loggal Oya Phase 1 & 2 which are reliant on ample rainfall, performed approximately 25% below the projected targets. The Rajjamma plant performed well and achieved 100% of its performance targets. Although the demand for electricity was less during the year, we expect the demand to rise concurrently with economic recovery and a return to normal operational levels.

EDUCATION SECTOR

The education sector was one of the worst impacted sectors as a result of the pandemic as schools shut down for fears of infections spreading rapidly. Schools and Higher Education Institutions were closed for most of 2020 while examinations were postponed on several occasions and results delayed by months. Around the world education shifted online – with online education seeing an exponential boom during this period. Ceylinco's education sector was agile and quickly transferred its students to the online system smoothly. It was remarkable to see how fast and efficiently the students starting from the kindergarten to higher education including the teachers adapted to the new digital platforms. Considerable investment was made in digital platforms but we believe these online platforms will be helpful even once normalcy returns.

Against this challenging backdrop, Dr Jagath Alwis, Chairman of the Education sector

companies, provided inspiring leadership and upheld the relevance of Ceylinco's two iconic institutions in Sri Lanka's higher education sector - making ICBT and ANC market leaders. The total revenue of the Education sector companies stands at Rs. 2.9 Billion while a Profit After Tax of Rs. 244 million contributed to overall Group profit.

The ICBT Campus obtained permission to offer its own degrees in Business Management from the Ministry of Higher Education. This is a four-year Honours Degree which will start from 2021 based on results of 2020 A/L examination. The demand for Higher Education, Private Higher Education is increasing both at Bachelors Level and Post Graduate level.

CEG Education Holdings (Pvt) Ltd., the Education subsidiary of Ceylinco Insurance Plc is continuing to offer wide range of opportunities both in Sri Lanka and overseas for its students to acquire knowledge in vital sectors of Technology, Engineering, Science, Medicines and Business. It is an investment for the future of our country in order to provide the proper foundation for Graduates and Post-graduates courses. In addition to higher education The Ceylinco Education Sector also owns and manages internationally recognized pre-schools and primary and secondary schools.

RECOGNITION & REWARDS

Our noteworthy performance regularly receives accolades and the year 2020 was no exception, various independent awarding bodies bestowed coveted awards on companies in the group. In the year under review, Ceylinco Insurance was ranked in the 25th position in the prestigious LMD 100 edition from amongst all listed companies in the island - the first insurance company to lead the sector. Ceylinco Insurance has been a permanent fixture in the LMD 100 hall of fame since the inception of the ranking 27 years ago.

Ceylinco Insurance made its mark as the only insurance company amongst the

'Business Today Top 30' companies in Sri Lanka, retaining its 6th position for the second consecutive year.

In 2020, Ceylinco General Insurance and Ceylinco Life Insurance were selected as the unanimous choice for 'People's Insurance Brand of The Year' awards 2019 for a record 14th consecutive year, reflecting the favourable public perception of the two brands.

In an exclusive survey carried out on service providers by LMD magazine amongst the general public for over a period of 12 weeks, Ceylinco General Insurance had the honour of being chosen as the most popular insurer in terms of Service Excellence in the general insurance industry.

Ceylinco Life Insurance was named among the '10 Most Admired Companies in Sri Lanka' at the 2020 awards presented by the International Chamber of Commerce in collaboration with the Chartered Institute of Management Accountants.

FUTURE PROSPECTS

Despite the immense challenges during the year, Ceylinco Insurance PLC displayed extraordinary dedication to extending support to enhance the lives of Sri Lankans. With the worst of the pandemic behind us by year-end and the start of the vaccination drive, we expect to see a slow but steady national economic recovery and return to normal. Our dedication to Sri Lankans through the crisis year will enhance our brand perception and entrench us more firmly as a beloved household brand.

We are greatly encouraged by the performance of our insurance, education and power generation companies amidst the turbulent environment. It is clear that these three sectors are critical pillars of society with enormous potential for growth into the future which we will actively harness in the year ahead.

APPRECIATION

At the outset I want to take the opportunity to congratulate the President of Sri Lanka, His Excellency Gotabhaya Rajapakse for providing the bold leadership in navigating the pandemic followed by vaccinating the masses, which augurs well for the country and the economy.

My gratitude also goes to the Chairman, the Director General and officials of the Insurance Regulatory Commission Sri Lanka for their unstinted support. The insurance ombudsman, Dr. Ranjith Ranarajah, is invaluable to us for his wise counsel which support our operations.

We remain committed to our valued reinsurers and reinsurance brokers and actuaries who are our strongest support system. All our partner universities and the local authorities whom we work closely with need our gratitude and appreciation.

The confidence placed in us by our shareholders inspires us to sustain our performance despite economic headwinds. I thank them profoundly for their unstinted support.

Our valued customers remain at the core of our operations as we everything in our power to enhance the service we offer them. We thank them for their loyalty and for selecting us as their preferred insurer year after year. And finally, the company owes a heartfelt thanks to its entire team of Ceylinco Family group-wide for their sense of duty, advanced skills and tireless efforts to meet and exceed expectations against the external challenges.

Challenging the Challenges came easy to us during the year – and we will build on our strong performance to build bigger and better.



Mr. A.R. Gunawardena

Executive Chairman/Chief Executive Officer

DEPUTY CHAIRMAN'S MESSAGE



Mr. R. Renganathan



Despite the disruption caused by COVID-19, Ceylinco Life successfully retained its profitability, recording a 17.9% growth in GWP, the highest since 2008, while posting profit before tax of Rs.8.8 Bn compared to Rs. 8.2 Bn in the previous year and a profit after tax of Rs.6.9 Bn as against Rs. 6.7 Bn in 2019.



It gives me great pleasure to welcome you to the 34th Annual General Meeting of Ceylinco Insurance PLC.

CONTEXT TO PERFORMANCE

The year under consideration proved to be one of the most challenging in recent history for the nation and indeed the world. The COVID-19 outbreak took the world by surprise as it disrupted the global economy and almost every country in varying degrees. The extent to which this may affect the world economy in the next couple of years is yet uncertain. With the International Monetary Fund (IMF) projecting a global growth contraction by 4.4%, the worst recession since World War II, the challenges in curtailing the virus continue to further cloud the near-term outlook. In the midst of these unforeseen challenges, almost all companies went through a drive of digitization, due to the initial mandatory lockdowns imposed by governments.

The Sri Lankan economy was severely impacted particularly due to the country being caught amidst recovery from the Easter Sunday attacks of 2019. Several measures were introduced by the Central Bank with the aim of easing monetary conditions, yet the Sri Lankan economy is expected to contract by around 3.9% in 2020 compared to the growth projection of 3.7- 4.5% made at the beginning of 2020, with mobility restrictions dampening economic activity during the first wave.

PERFORMANCE OF THE INSURANCE INDUSTRY IN 2020

Despite the uncertainties in 2020 caused by the pandemic, Sri Lanka's insurance industry saw a growth in the first three quarters of 2020 compared to the corresponding period in 2019. During the first six months of 2020 many players in the industry had to re-look at their operating models whilst adapting to the emerging realities. This created an environment for many insurers to increase digitisation of their operations and work out ways to remotely connect with clients.

Profit Before Tax

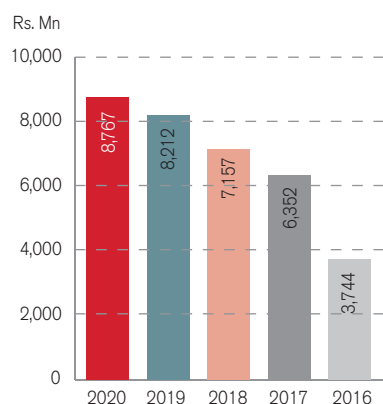


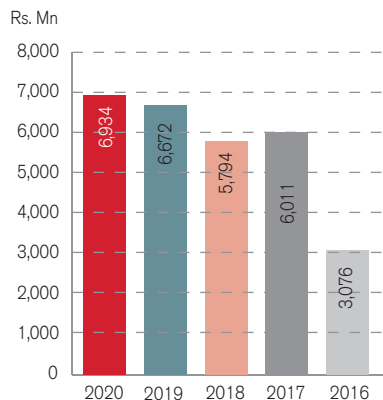
Table 1: Sri Lanka Insurance Industry Performance

All figures in Rs. Millions

| | 2019 End of Q3 | 2020 End of Q3 |
|--|-------------------|-------------------|
| Gross Written Premium | | |
| Long Term Insurance | 63,913 | 72,297 |
| Insurance Industry | 140,160 | 145,391 |
| Total Assets | | |
| Long Term Insurance | 480,332 | 556,157 |
| Insurance Industry | 675,093 | 747,489 |
| Claims* | | |
| Long Term Insurance | 26,570 | 27,521 |
| Insurance Industry | 63,361 | 55,965 |
| Profitability (profit before tax) | | |
| Long Term Insurance | 12,220 | 9,978 |
| Insurance Industry | 18,119 | 20,159 |

DEPUTY CHAIRMAN'S MESSAGE

Profit After Tax



DELIVERING A RESILIENT PERFORMANCE

Despite the disruption caused by COVID-19, Ceylinco Life successfully retained its profitability, recording a 17.9% growth in GWP, the highest since 2008, while posting profit before tax of Rs.8.8 Bn compared to Rs. 8.2 Bn in the previous year and a profit after tax of Rs.6.9 Bn as against Rs. 6.7 Bn in 2019. More significantly, the Company's Life Fund passed the Rs. 100 Bn mark in 2020 for the first time in its history, thereby successfully consolidating its position at the forefront of the life insurance industry.

The Company's robust performance amidst economic uncertainty can be attributed to its sound business model and risk management framework that surmounted the challenges posed by the pandemic. The immediate concern on the outbreak of the COVID-19 pandemic was the health and safety of our people. A cross-functional Health and Safety Committee was formed to monitor and manage employees' health and safety concerns, which was personally supervised by the Executive Directors. Navigating through this unprecedented crisis we experienced the power of collective human ingenuity not just to survive through a global crisis but also to thrive by innovating and adapting to the emerging realities. The need to

constantly evolve and learn is imperative in the dynamic business environment. Our successful journey bears testimony to our ability to innovate by using technology as a key differentiator in an intensely competitive market.

That crisis intensified awareness about the importance of life and health globally and influenced the way people perceive the importance of protection of family members against life's uncertainties. We also observed that when policy holders were within a home setting with family it was more fitting to approach and talk about life insurance. Given the low penetration levels of life insurance in Sri Lanka, a vast untapped opportunity is available to be tapped. We are well equipped to unlock this immense potential, with our comprehensive portfolio, innovative products, unparalleled reach, and robust digital platforms.

COMPLIANCE WITH REGULATORY STANDARDS

IFRS 17: Insurance Contracts, the Accounting Standard for insurance contracts, will be implemented with effect from 01st January 2023 which would mean that financial statements should be prepared for the year 2022 applying the same Standard. At Ceylinco Life, we are well positioned to smoothly transition to IFRS 17 to keep to the implementation dates. We have ensured compliance with the Regulation of Insurance Industry Act, No. 43 of 2000 and the applicable Rules, Determinations and Directions issued by the IRCSL. We have also taken steps to comply with applicable rules and regulations on prevention of money laundering and terrorist financing.

CORPORATE GOVERNANCE

We, in spirit, comply with the Code of Best Practice on Corporate Governance, issued by the Institute of Chartered Accountants of Sri Lanka. We also comply with Direction 17 – Corporate Governance Framework



One of the greatest lessons learnt from the pandemic is that Business Continuous Planning has become a critical pillar for organizations. Ceylinco Life's advanced Business Continuity systems and processes enabled the company to ensure uninterrupted operations even during the lockdown.



for Insurers issued by the IRCSL. The relevant disclosures under these reporting frameworks have been provided in this annual report.

PERFORMANCE OF CEYLINCO LIFE SUBSIDIARIES

Ceylinco Healthcare Services Limited (CHSL) continues to provide much-needed radiotherapy, chemotherapy and iodine therapy for treatment of cancer patients. Understanding the value of these services, Ceylinco Life is committed to invest in this sector. However, the devaluation in the rupee will be challenging because maintenance payments of these high value and specialised medical equipment has to be made in US dollars.

Subsequent to the COVID-19 pandemic, the retirement resort, La Serena, has received a host of inquiries from locals and Sri Lankans living abroad who wish to come back and spend their retirement in Sri Lanka.

RS. BN

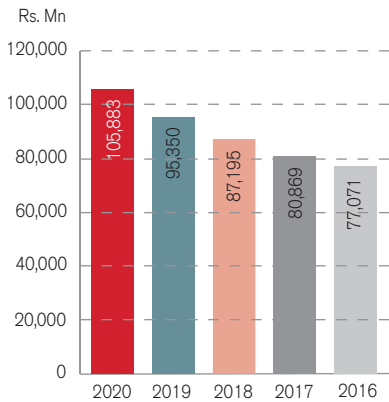
105.9

11%



LIFE INSURANCE FUND

Long Term Insurance Fund



SHAPING THE FUTURE

The impact of the pandemic on the insurance industry renewals is yet to be determined and is evolving and will be apparent only after a few months into the next financial year. Whilst the 'new normal' era is still being defined it is still unclear how economies the world would be affected. The economic impact of this crisis will have a significant toll on livelihoods and will have a strong effect on disposable incomes thereby affecting the life insurance industry directly as well.

One of the greatest lessons learnt from the pandemic is that Business Continuous Planning has become a critical pillar for organizations. Ceylinco Life's advanced Business Continuity systems and processes enabled the company to ensure uninterrupted operations even during the lockdown.

As observed the 'new normal' era has created a dramatic behavioural change, increasing the need for protection against the vagaries of life and living in volatile and uncertain environment. With our leadership position and customer focus, we are well positioned to absorb these emerging opportunities by leveraging our wide physical reach, complemented by our digital channels. Developing new solutions through innovation and automation will always remain our priority in driving growth and wealth creation potential.

In this unprecedented situation continuous innovation takes on added importance to ensure market share, especially when it comes to capturing the younger generation market segment which opts for ease of buying and exercises a strong social consciousness about brands they purchase, both parameters against which Ceylinco Life scores high. Plans are also being drawn up to conduct research to determine the needs of the Millennial and Generation Z segments. All these factors and emerging trends need to be tracked continuously to ensure Ceylinco Life continues to have its finger on the pulse on evolving trends.

It must however be mentioned that the budget proposals included the provision where the contribution to an approved pension scheme would be considered as a qualifying payment up to Rs.100,000/- per month. I deem this as a positive first step in encouraging retirement planning in Sri Lanka.

Making rapid strides in environmental sustainability, Ceylinco Life has embarked on installing solar panels on all its new buildings to harness renewable solar energy. Recycling of wastewater is another project underway. At the same time, the company plans to measure its carbon footprint in an effort to devise strategies to become carbon neutral in the future.

APPRECIATION

I wish to extend my sincere appreciation to the Chairman and Board of Directors of Ceylinco Insurance PLC.

I have the greatest confidence that the dedication to sustain excellence and serve customers puts us in an even stronger position now that our resilience has been tried and tested. Our policyholders, shareholders and regulators have been exceptional partners in our strong performance this year.

R Renganathan
Deputy Chairman

BOARD OF DIRECTORS

MR. A.R. GUNAWARDENA

Executive Chairman/Chief Executive Officer



Mr. Ajith Gunawardena joined the Ceylinco Group in 1978 as a Sales Manager, attached to the Polonnaruwa Branch of The Finance, speedily rising to the position of Assistant General Manager – City Office.

At The Finance, Mr. Gunawardena was instrumental in initiating the first-ever leasing and project financing division in Sri Lanka. Moreover, he set up the hire purchase scheme for consumer durables and import financing; pioneering concepts in the sphere of finance companies in Sri Lanka. Furthermore, the first ever venture capital company to be established in Sri Lanka, was also his brainchild.

He was appointed Director in charge of the General Division of Ceylinco Insurance in 1987. He introduced the visionary concept of a direct sales force for the insurance industry in Sri Lanka. His was the idea that transformed the sphere of insurance forever more – On The Spot Claim Settlement! This unprecedented idea, which amounted to a global first, has been embraced and adopted by many other insurers the world over. In fact, this very concept won the coveted Innovation of the Year Award at the Asian Insurance Industry Awards in 2003. Under his able leadership, Ceylinco Insurance received a rare accolade that of being among the

top four General Insurance Companies in Asia, in 2000 and once again clinched the Innovation of the Year Award at the Asia Insurance Industry Awards in 2006. Under his guidance Ceylinco Insurance has held the position of market leader in Sri Lanka, continuously since 2004. Mr. Ajith Gunawardena was also behind the first ever overseas joint venture for Ceylinco Insurance – Sagarmatha Insurance of Nepal, the concept of which, later on, extended to the Maldives. Several strategic alliances were also formed under his leadership with insurance companies in the Middle East, in countries such as the United Arab Emirates, Bahrain, Kuwait, Oman and Qatar.

He successfully negotiated key joint ventures with Indian giants Larsen & Toubro and the Aditya Birla Group; alliances which resulted in the cement brand – Ultra Tech, abundantly available throughout Sri Lanka. Under the aegis of these joint ventures, the L & T Infocity, the largest ever Call Centre in Asia, was established.

Mr. Ajith Gunawardena has been the unyielding strength behind numerous other projects for Ceylinco, including power and energy projects in Belihuloya, Loggaloya and Rajjamma.

He was conferred with a Honorary Fellowship from the ICBT Campus, Associate College of Cardiff Metropolitan University, U.K. in 2016.

MR. R. RENGANATHAN

Non - Executive Deputy Chairman



Mr. Renganathan joined the Ceylinco Group in 1983. He is a Fellow of the Institute of Chartered Accountants of Sri Lanka and a Fellow of the Institute of Certified Management Accountants of Sri Lanka.

He has had a long career in the Insurance business and has been responsible for setting up the Life Division of Ceylinco Insurance after the Government of Sri Lanka permitted private insurers to enter the Insurance Industry in 1987.

He functioned as the MD/CEO of the Life Insurance business of Ceylinco Insurance PLC until the segregation became fully operational in 2015 and currently is the Executive Chairman of Ceylinco Life Insurance Limited. He is also the Chairman of Ceylinco Healthcare Services Limited and Serene Resorts Limited.

MR. H.D.K.P. ALWIS

Director



Commencing his association with Ceylinco Insurance - General Division - on 15th May 1990 as a Regional Manager, Mr. Patrick Alwis blazed a dynamic career, rapidly rising to the position of Deputy General Manager by 1998. He was subsequently appointed to the Board on 10th January 2001 and currently serves as Director of Ceylinco Insurance PLC and served as the Managing Director/Chief Executive Officer of Ceylinco General Insurance Limited until February 2021. In March 2021, he was appointed as Executive Chairman/Chief Executive Officer of Ceylinco General Insurance Ltd

He was instrumental in spearheading strategic alliances with leading insurance companies in the Middle East (United Arab Emirates, Bahrain, Oman, Qatar, Saudi Arabia and Kuwait), providing valuable management expertise in promoting unique Ceylinco General Insurance solutions to migrant workers of all nationalities residing in the Gulf.

Also, he is credited with setting up the branch network for Ceylinco General Insurance in Sri Lanka, which has become one of the key factors in the Company's exponential growth in a fast-

paced economy. Today, Ceylinco General Insurance can claim the largest branch network in the industry.

His initiative and drive resulted in the successful implementation of a unique system for the sales force to accurately prospect for clients. His visionary methodology practiced by the gamut of the sales force at all levels has resulted in stupendous results for individual sales personnel as well as the Company. The system in question has also paved the way to monitor and manage the direct sales force of Ceylinco General Insurance efficiently.

He also spearheaded the setting-up of a 24-hour call centre which facilitates on-the-spot claims settlement process of the company. The nerve centre, which has become the nucleus of the company's claim settlement providing speedy solutions, is another concept initiated by Mr. Alwis. He was also responsible for setting-up an island-wide network of Automobile Engineers and Assessors who play a major role in on-the-spot inspections. To-date, he personally monitors the operations of this unit. His hands-on involvement and able leadership has become the key strength of Ceylinco General Insurance Ltd.

In a proactive approach to career development and enhancement of skills and professionalism of the staff, he initiated the introduction of an online Staff Performance Management System in 2019 which is a methodical process that enables the company to evaluate the performance and contribution of each and every staff member in a fair and a systematic manner - leaving out bias and personal preferences, a prudent step with the growing number of employees.

Under his initiative, a sales force dashboard was also introduced in 2019 which facilitates the close monitoring of the movement of sales personnel, customer visits, etc. of the entire sales force by the superiors on a real-time basis. This has also given the opportunity to digitalize areas such as customer information, including renewal details, follow-up info, prospects and monthly sales plans.

Prior to joining the Company, he began his illustrious career in 1978 at M/s.Hatton National Bank and subsequently served at Lever Brothers (Ceylon) Limited and Richard Peiris & Company in the field of Sales and Marketing.

MR. E.T.L. RANASINGHE

Director/Chief Operations Officer



Mr. Ranasinghe has over 40 years of experience in the mercantile sector in sales, marketing and strategic planning. He holds a MBA from the Postgraduate Institute of Management (PIM), University of Sri Jayawardenepura. He is a Fellow of the Chartered Institute of Marketing, UK. He joined Ceylinco Limited as a Product Manager in September, 1986 and is one of the pioneer members of the team to set up Ceylinco Insurance PLC, when the Company commenced operations in 1988.

BOARD OF DIRECTORS

He is a Founder Member of the Chartered Institute of Marketing, Sri Lanka Region and has held several positions in the Executive Committee, including that of the Senior Vice Chairman.

He currently serves as Managing Director/ Chief Executive Officer of Ceylinco Life Insurance Limited and also a Director of Ceylinco Healthcare Services Limited and Serene Resorts Limited.

DR. W.C.J. ALWIS

Director



Dr. Jagath Alwis graduated as a Bachelor of Science (B.Sc) majoring in mathematics and physics and joined the National Insurance Corporation in 1982 as a Trainee. He became an Associate Member of the Chartered Insurance Institute, London (ACII) in 1985 and a Fellow (FCII) in 1990. Also a Fellow of the Indian Insurance Institute (FIII), he is a Chartered Insurer by profession. Dr. Alwis is a Fellow of the Institute of Directors, UK also.

Dr. Alwis joined Ceylinco Insurance Company in March 1988 as the Reinsurance Manager and was appointed to the Board as the Director (Technical) in January 1993.

He is also heading the Education Sector of Ceylinco Insurance PLC as the Chairman of CEG Education Holdings which is the largest private education conglomerate in Sri Lanka, in addition to his responsibilities as Director (Technical) /Chief Technical Officer of Ceylinco General Insurance Limited.

He is one of the past Presidents of the Insurance Association of Sri Lanka (IASL) and is presently an Executive Committee Member.

Dr. Alwis was also the President/ Chairman of the Executive Board of the Association of Insurers and Reinsurers of Developing Countries (AIRDC) for the years 2012 to 2014 and is presently a member of the Board of Trustees.

He was conferred a Doctorate from the University of Middlesex, United Kingdom in 2013.

Dr. Alwis won the Award for the 'Personality of the Year' at the 18th Asia Insurance Industry Awards Ceremony held in Taipei in November 2014 and also won the Awards for 'Outstanding Contribution for Education' and 'Educational Entrepreneur of the year' at the World Private Universities Awards held in Mumbai, India in 2014.

Dr Alwis has also presented Technical Papers at many International Insurance/ Reinsurance Conferences and is a regular contributor to the International Insurance/ Reinsurance press.

MR. P. D. M. COORAY

Director/Head of Training



Starting his career in the Sri Lanka Air Force as a commissioned officer, he joined Key Security Services Limited in 1985. He was transferred to Ceylinco Insurance on 1st July 1987 at its inception, and has served the Company ever since. He commenced his Insurance career as Assistant Manager (Training), and was promoted as Manager Human Resource Development on 1st January 1990. Subsequently, he held the posts of Assistant General Manager (Administration, Training and Human Resources). In 1998 He was promoted as Deputy General Manager (Training). In September 2001 Mr. Cooray was appointed to the Board of Ceylinco Insurance. Currently he serves as Director/Head of Human Resources and Training of Ceylinco Life Insurance Limited and as a Director of Serene Resorts Limited.

Mr. Cooray is a Fellow of the Life Underwriters Training Council (LUTCF) U.S.A., a Chartered Insurance Agency Manager (CIAM), a Certified Manager of Financial Advisors (CMFA), CII (Award) on Financial Planning from the Chartered Institute of Insurance, London and has an Executive Diploma in Business Administration from the University of Colombo. He played a key role in setting up the Sales Force of Ceylinco Life. He is an internationally reputed speaker who has addressed several Life Insurance

Conventions and was the first South Asian non-member to address the Million Dollar Round Table (MDRT), the most Prestigious Life Insurance convention in the world.

MR. K.I. DHARMAWARDENA

Director



An Attorney-at-Law by profession Mr. Dharmawardena was admitted to the Bar in 1976 with first class honours and thereafter joined the Attorney General's Department in 1978 where he served until his retirement in 1999 holding the positions of State Counsel, Senior State Counsel and Deputy Solicitor General. He has a Masters Degree in International and Comparative Law from the Brussels University and is a Fellow of the Nuffield Foundation and Japan Foundation. Mr. Dharmawardena has undertaken extensive legal research at the Institute of Advanced Legal Studies, University of London and the United Nations Far Eastern Institute in Tokyo, Japan. He has specialized in ICT and Business Law and held many prestigious positions in Sri Lanka and overseas. In Sri Lanka he served as a Visiting Lecturer at the Sri Lanka Open University and Informatics Institute of Computer Studies and pioneered many research projects in Sri Lanka leading to Law reform in the fields of ICT Law, Evidence and Criminal Law. He has extensive legal experience in Public Law, Criminal Law, ICT Law and Business Law and has provided legal consultancy services to several large scale ICT and Business Projects both in Sri Lanka and

abroad. Presently he practices as a Legal Consultant in ICT and Business Law. He is the Chairman of Wanasevana Pvt Ltd. He is the Chairman of the Remuneration Committee and a member of the Audit Committee of Ceylinco Insurance PLC. Mr. Dharmawardena is an "Independent" Non Executive Director.

MR. D.H.J. GUNAWARDENA

Director



Mr. Herschel Gunawardena is a Fellow of the Chartered Institute of Management Accountants, U.K. and a Chartered Global Management Accountant. He has over 46 years of experience, both local and overseas, in various industries including shipping, airline, mining, export/import trading and financial Services with over 20 years of General Management experience prior to serving on the Board of Directors of several companies, over the past 11 years.

Mr. Gunawardena was the Non-Executive Chairman of Citizens Development Business Finance PLC until he retired in September 2019 on reaching the age of 70. He is presently the Senior Independent Non-Executive Director of Ceylinco Insurance PLC and a Non-Executive Director of Ceylinco Life Insurance Ltd. and Pelwatte Dairy Industries Ltd. He is also a Director of Hunter & Company PLC, Lanka Canneries (Private) Ltd. and Heath & Co. (Ceylon) Ltd.

Mr. Gunawardena is the Chairman of the Audit Committee, the Related Party Transactions Review Committee and the Nominations Committee of Ceylinco Insurance PLC. He is also a member of the Remuneration Committee of Ceylinco Insurance PLC.

MR. P.A. JAYAWARDENA

Director



Mr. Paliitha Jayawardena counts over 30 years of experience in the field of finance. He is a Fellow Member of the Institute of Chartered Accountants of Sri Lanka and of the Institute of the Certified Management Accountants of Sri Lanka. He joined the Life Division of the Company in 1990 as Chief Accountant (Branches) and was invited to the Board in 2005.

He currently serves as the Director/Chief Financial Officer of Ceylinco Life Insurance Limited and also as a Director of Ceylinco Healthcare Services Limited and a Director Serene Resorts Limited.

BOARD OF DIRECTORS

MR. N.D. NUGAWELA

Director



Mr. Nugawela was appointed to the Board in September, 2001 and overlooks the administration of the Company's General Insurance branches. Having had over 10 years experience at Insurance Corporation where he obtained a Diploma in Insurance, he joined Ceylinco Limited as a Liaison Officer in late 1980. In April, 1989 he joined Ceylinco Insurance (General Insurance Division) as a Branch Manager and was promoted as a Regional Sales Manager in 1991, as an Assistant General Manager in 1994 and as a Senior Assistant General Manager in 1998. He held the post of Deputy General Manager (Branches) with effect from 2001.

He served as Director/Chief Operations Officer of Ceylinco General Insurance Limited and retired from the post w.e.f. 31st December 2017.

Mr. Nugawela monitored the Technical and Claims functions of General Insurance and was overall in-charge of the "Nerve Centre" for claims processing.

MR. T.N.M. PEIRIS

Director (Finance) / Head of Finance



Mr. Peiris graduated from the Sri Jayawardenapura University with a Bachelor of Arts Honors Economic Degree in 1982. He is a Chartered Accountant by Profession and a Fellow Member of the Institute of Chartered Accountants since 1984. He is also a Fellow Member of the Institute of Certified Management Accountants of Sri Lanka.

He started his carrier at M/s Associated Motorways PLC as an Accountant and left the Organization after 1 ½ years to join The Finance Company PLC. He started as a Chief Accountant at The Finance Company and worked his way up to Deputy Chief Executive Director and was on the Board till 2010.

Mr. Peiris joined Ceylinco Insurance as a Finance Manager in 1989 and was appointed to the Board in August 1990. After the segregation of Ceylinco Life and Ceylinco General he served Ceylinco General Insurance Ltd as the Head of Finance up until his retirement in 2019. During this period he headed the Finance Division of the Company, Investments of the Company and the Internal Audit Team was under his total supervision working as an Independent body. He introduced the profit center concept where all branches and units are monitored according to their performance and the finances are documented under an IT platform.

He has also introduced the Finance & Administrative Manual of the Company which indicates all procedures, principles and systems adopted by the Company. In 2014 Mr. Peiris took over the City Office Departments directly under his supervision and showed unprecedented growth in all spheres.

Apart from serving the Ceylinco Insurance Plc Board as the Director Finance he also serves on the Board of Subsidiary Companies of Ceylinco Insurance PLC.

MR. U. WITHARANA

Director



Mr. Upali Witharana joined Ceylinco Insurance PLC as an Assistant General Manager – Finance (General Insurance Division) on 04th January, 1999 He is a Fellow of the Institute of Chartered Accountants of Sri Lanka and a Fellow of the Institute of Certified Management Accountants of Sri Lanka. He also holds a Master of Business Administration Degree from the University of Colombo. Mr. Witharana has over 30 years of management experience in the Insurance industry both in Sri Lanka and overseas.

He is a past Chairman of the Finance Technical Sub Committee of the Insurance Association of Sri Lanka (IASL).

Mr. Witharana was appointed to the Board of Ceylinco Insurance PLC on the 25th of October, 2005. He also serves as the Finance Director/Director in other Associate and Subsidiary Companies of Ceylinco Insurance PLC. He served in the capacity of Deputy Managing Director/Director Finance/Chief Operations Officer of Ceylinco General Insurance Ltd. until February 2021. He was appointed as Managing Director of Ceylinco General Insurance Ltd. in March 2021.

In addition to his contribution to the financial management of the Ceylinco Insurance Group, he extends his capabilities by leading a team of professionals in the capacity of the CEO, to successfully develop and manage a number of hydro power projects within the group.

MR. S.R. ABEYNAYAKE

Director



Mr. Ranga Abeynayake counts over 21 years of experience in handling key management positions in the areas of Finance, Risk Management, Strategic Planning, Treasury Management and Project Planning. He holds a Master of Business Administration (MBA) from the Postgraduate Institute of Management (PIM), University of Sri Jayawardenepura. He is also a Fellow Member of the Institute of Chartered Accountants of Sri Lanka and, of the Institute of Certified Management Accountants of Sri Lanka.

He joined the Life Division of the Company in March 1998 as a Financial Accountant and held many senior positions before appointing to the Board. He was appointed to the Board of Ceylinco Insurance PLC on 1st February 2011.

He currently serves as the Director / Deputy Chief Financial Officer of Ceylinco Life Insurance Limited and also serves as a Director of Serene Resorts Limited. He formerly served as the Chairman / Non-Executive Director of Citizens Development Business Finance PLC.

MR. S.H.J. WEERASURIYA

Director



Mr. Weerasuriya is a Civil Engineer possessing a Bachelor of Science Degree in Civil Engineering from the University of Kingston, England. Having worked for four years in England as a Civil Engineer, he counts many years of wide experience holding the posts of Structural Engineer and Chief Engineer in Architectural and Engineering firms in Sri Lanka. He has also served as a visiting lecturer of the University of Moratuwa and is a Founder Member and Fellow of the Sri Lanka Society of Structural Engineers – Sri Lanka and has served in the Executive Committee as well. He also serves as a member of the Board of Examiners of the Institution of Engineers – Sri Lanka.

Mr. Weerasuriya is a Member of the Institution of Civil Engineers, U.K. (Chartered Engineer) and a Fellow Member of the Institution of Engineers – Sri Lanka and of the Society of Structural Engineers – Sri Lanka and is a Professional Engineer of The Engineering Council of England. He is the fellow of the institute of Project Managers-Sri Lanka. He was a former Chairman of Mercantile Investments and Finance PLC, a Director of International Civil Engineering Consultants PL. and a Director of Kognosceti (Pvt.) Ltd.

Mr. Weerasuriya is the Proprietor of Saro Weerasuriya Associates.

MR. YU KITAI

Director



Mr. Yu Kitai holds a bachelor's degree in Economics from RIKKYO (St. Paul's) University in Japan.

Mr. Kitai joined Mitsui Sumitomo Insurance Company Limited in 1976 immediately after graduated RIKKYO University. For 12 years in Tokyo Commercial Business Division, he was a specialist of Commercial business, especially in Plant engineering business which actively pursued in South East Asian and Middle East Countries at that time. In 1988, Mr. Kitai was dispatched to Former Mitsui Marine Indonesia, and appointed to the Board as youngest Board of Director. After 5 years' tenure, He held various director position at Mitsui Sumitomo Insurance Group

BOARD OF DIRECTORS

Companies. 2001 – 2004, Director Executive Vice President of Mitsui Sumitomo Seguros (Brazil), 2004 - 2007, Director of American Appraisal Japan Inc., 2007 - 2010, Whole-time Director of Cholamandaram MS General Insurance (India), 2011 – 2014, Director of PT. Asuransi Jiwa Sinarmas MSIG (Indonesia). From 2014, he was assigned as an advisor of Mitsui Sumitomo Insurance to develop South Asian countries market and started feasibility studies. He visited Ceylinco Insurance LC in April 2015 to conduct a feasibility study and review the long years' relationship between Ceylinco Insurance and Mitsui Sumitomo Insurance.

He represented Mitsui Sumitomo Insurance had a rare opportunity to acquire a 5% stake in Ceylinco Insurance. It took 4 years of twists and turns to become true to our name as partners. In 2018, the ownership of Mitsui Sumitomo Insurance reached to 15%, and Mr. Kitai was appointed a director Ceylinco Insurance PLC to serve as a bridge for successful partnership and harmonious growth between Ceylinco Insurance and Mitsui Sumitomo Insurance Group.

MR. N. VASANTHA KUMAR

Director



Mr. N Vasantha Kumar holds a Master's Degree in Business Administration and Diploma in Professional Treasury Management. He joined People's Bank in 2001, prior to which he served as Treasurer at ANZ Grindlays Bank, Colombo for many years and retired as CEO/General Manager of People's Bank in April 2019.

He currently serves as a Director of Senkadagala Finance PLC, and Asset Trust Management Pvt Ltd and as the Chairman of SAFE Holding Pvt Ltd.



CONFRONTING ADVERSITY

Management Discussion & Analysis

MANAGEMENT DISCUSSION & ANALYSIS

SECTOR REVIEW: GENERAL INSURANCE



Review by the Managing Director/CEO

H.D.K.P. Alwis

Ceylinco General Insurance Ltd



Notwithstanding the turbulent macro conditions that prevailed through the year under review, Ceylinco General Insurance delivered yet another outstanding year with an impressive performance and outstanding financial results. During the period under review, the company's premium income rose to Rs. 20.1 billion.



As always, Motor Insurance remained the largest contributor followed by Fire and Engineering (14.6%), Health products (13.3 %), General Accident (7.3%) and Marine (2.3%) as at end 2020. Together with the Life Insurance industry the overall insurance industry recorded Gross Written Premiums valued at Rs.202.5 billion in 2020, which reflects an increase of 6% year-on-year. Of this combined performance, General Insurance accounted for 49% of total premiums, a drop of 4% compared to the previous year while Life premiums accounted for 51 %.

OUR STRATEGIC APPROACH

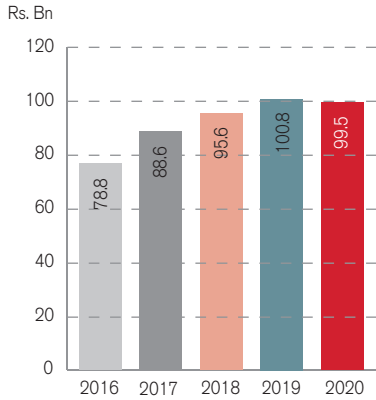
In our indomitable style, we faced the challenges courageously and never allowed the grim situation to overwhelm our business or our people. The staff rallied round the company as it has always done in the past. The company sustained its customer services without



GENERAL INSURANCE INDUSTRY

The adverse effect of the pandemic was clearly evident in the premium income figures recorded by the general insurance industry. The overall year-on-year growth fell to a negative of 1.3 % in 2020 with a premium income of Rs. 99.5 Billion against the premium income of Rs. 100.9 billion recorded in 2019. Motor Insurance premiums, which amounted to 62.5 % of the General Insurance industry stood at Rs. 62.2 billion, marking a drop of 3.7% against Rs. 64.6 billion recorded in 2019.

GWP General Insurance Industry



interruption, even during the height of the lockdown. The call centre was operational throughout and accident inspections were carried out seamlessly. Customers were provided with many options to renew or obtain new policies and digitalised services were strengthened and new online options were introduced for the purpose. The comprehensive business continuity plan put in place four years ago, which had factored in worst-case scenarios such as the current pandemic, proved highly valuable to the management of the crisis to ensure smooth operations whilst safeguarding our employees and customers. These measures proved to be fruitful and despite the unfavourable business environment, the company fared reasonably well and ended the year on a positive note.

COMPANY PERFORMANCE

Notwithstanding the turbulent macro conditions that prevailed through the year under review, Ceylinco General Insurance delivered yet another outstanding year with an impressive performance and outstanding financial results. During the period under review, the company's premium income rose to Rs. 20.1 billion, recording a growth of 1.5% which marks an increase of

Rs. 291 million over the previous year. The company's Profit Before Tax was recorded as Rs. 1.86 billion while Rs. 1.47 billion was recorded as Profit After Tax for the year under consideration.

SPEARHEADING THE INDUSTRY

Even in a scenario where the prices were dropping due to the economic impact of the pandemic, the company maintained its premiums at the correct pricing without engaging in a price war. Since the company believes in competing on superior service offerings rather than discounting, it stood firm by this principle, thereby distinguishing its value proposition on the basis of true value addition, unparalleled customer service and reliability at the time of making claims payouts. This strategy has proved effective because Ceylinco VIP On The Spot remains the most sought-after motor insurance brand in the market today. We believe this is because customers have understood that it offers the best value-for-money with innovative and superior benefits.

PRODUCT INNOVATION

Potential for home insurance is enormous in Sri Lanka as according to the available statistics the number of households obtained insurance remains marginal. Also the affordability and the strain on disposable incomes of our population is another factor for the low penetration of home insurance. With all this in mind we introduced 'Ceylinco Gedara' a unique benefit for all Sri Lankan Home Owners with a cover of Rs. 5,000,000/- covering the House and its valuable contents. This cover also comes with medical benefits for the policy holder and spouse in case of Serious Illnesses. The uniqueness of this product is that for all these benefits the annual premium will be only Rs.5,000/- inclusive of all taxes which is affordable to many.

DELIVERING ON OUR PROMISES

The company prides itself on speedy settlement of claims. During the year under review, Rs.9.1 Billion in claims were paid, the majority of them for On The Spot. Notable amongst these was the claim paid to Randeniya Oil Mills which amounted to Rs 520 million. This claim was paid during height of the lockdown in April 2020 and the claim recipient in return placed an advertisement in the national newspapers appreciating our service.

BRANCH AND CHANNEL EXPANSION

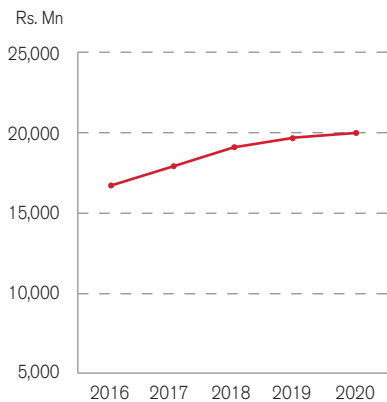
Despite the slowdown in the economy, the company succeeded in widening its islandwide presence to 540 branches and sales outlets during the year. The evolving circumstances through the year required the company to be agile and respond appropriately by constantly adjusting and managing our channel network to ensure customer convenience. The company has already partnered with all leading banks of the country for our specialist insurance services through bancassurance platforms for customers. These strategic partnerships allow us to customise products to the benefit of the banks' customers.

Adding further value to our portfolio of valuable partnerships with corporate clients, during the year under review we tied up with the Laugfs supermarket chain in addition to the many mobile, utility, service and transport providers in our network, such as Sri Lanka Telecom, and Mobitel - to offer their customers simple and affordable insurance products.

MANAGEMENT DISCUSSION & ANALYSIS

SECTOR REVIEW: GENERAL INSURANCE

Premium Income - Non Life



DIGITALISATION DRIVE

As a company that has consistently invested in enhancing its IT framework, systems and processes, the rapid shift to digital platforms due to the 'work from home' mode during the year was smooth for our employees.

During the year, our IT Division facilitated several programmes to support the digitalisation efforts of the company such as developing in-house digital signature systems, platform for drive thru claims facility, providing a revamped application for the motor engineers containing multiple state of the art features, improving cloud based document handling, developing a Broker Information System, a Spare Parts Inventory System etc. Improved cyber security systems for Fortigate and Palo alto were introduced by adding additional layers of security and updating firewalls and state-of-the-art encryption protocols.

STRONG PARTNERSHIPS

The strong bonds we enjoy with the world's leading Reinsurers provides optimal support and catapults us to the forefront of the industry as an insurer that always honours its claims amidst any catastrophe. The company maintained the highest

reinsurance coverage during the year, even beyond the norms stipulated by the regulator. Also, due to the ever-increasing natural disasters, our catastrophic risks are comprehensively covered through Natural Catastrophic reinsurance from world-renowned 'A' rated reinsurers.

SUPPORTING EMPLOYEES IN THE NEW NORMAL

Our Relationship with our employees is a key pillar of our success. Despite the disruption during the year, our employees adapted quickly to the new normal, amid 'work from home' mode and other safety measures, all the while ensuring customers were not inconvenienced in any manner. Most of the staff members were given all the support and facilities to work from home. The dedication and focus of our team has shown us that if we work together with common goals we can overcome any obstacle. The company went one step ahead to support employees and boost morale by paying a performance bonus covering the entire employee cadre in October 2020 to reward them for their relentless efforts and the high level of commitment displayed during the lockdown.

No staff retrenchments or salary cuts were effected even during the height of the lockdown. Team members reporting to work were provided with transport from their doorstep to ensure an extremely safe working environment. Any employee who tested positive for COVID-19 was accommodated by the company at designated quarantine hotels or other facilities while the company remained in constant touch with them until they were fully recovered. We looked after not only our employees but their dependents too in every possible way, financially, as well as their health and well-being.

//
In our indomitable style, we faced the challenges courageously and never allowed the grim situation to overwhelm our business or our people. The staff rallied round the company as it has always done in the past. The company sustained its customer services without interruption, even during the height of the lockdown.
//

In addition, clear cut policies have been formulated to look after the staff by providing financial assistance over and above the health insurance scheme at the time of illness for staff and their dependents coupled with a staff retirement policy with special benefits for those retiring after long years of service and financial assistance at a time of distress and so on.

GIVING BACK TO SOCIETY

The company is deeply engaged with the fabric of the local communities in operates in, engaging closely with local religious and cultural events and supporting healthcare needs. During the year under review:

AWARDS & ACCOLADES

Ceylinco General Insurance was anointed 'People's Insurance Brand of The Year' yet again at the 2020 SLIM Nielson People's Awards for an unprecedented 14th consecutive year. This accolade is ample testimony of the company's close relationship with people and the brand's strength and stature. The People's Award is the most coveted award for corporates

because it reflects the voice of the people and indicates the brand they love and respect. The winner is selected after a nation-wide survey conducted in all 9 provinces, with over 5,500 respondents interviewed one-to-one, making it representative, unbiased and relevant. Therefore, the winners of the People's Awards reflect the true voice of Sri Lankans from across communities, regions and social strata.

Further, in an exclusive survey carried out on service providers by LMD magazine amongst the general public for over a period of 12 weeks, Ceylinco General Insurance had the honour of being chosen as the most popular insurer in terms of Service Excellence in the general insurance industry.

LOOKING AHEAD

It is our fervent belief that the economic conditions of the country and world over will improve in the shortest possible time and that life will return to 'normal'. As a company, we have every reason to be optimistic about the Company's short, medium and long term prospects as it continues to deliver a notable financial performance year after year. Plans have been formulated to face any eventuality and the company is on a strong footing and ready to take on any challenge.

MANAGEMENT DISCUSSION & ANALYSIS

SECTOR REVIEW: LIFE INSURANCE



*Adversity reveals genius,
prosperity conceals it*

- Horace



Review by the Managing Director/CEO
Mr. Thushara Ranasinghe
Ceylinco Life Insurance Ltd.

A NOTEWORTHY PERFORMANCE

Despite the headwinds posed by the outbreak of the COVID-19 pandemic in Sri Lanka, Ceylinco Life recorded a Gross Written Premium growth of 17.9%, the highest in over a decade in the history of the company, slightly short of the 20% goal set for the year. This extraordinary financial performance is particularly noteworthy during a difficult year in which national measures taken to fight COVID-19 such as the lockdown brought the economy to a standstill in the first half of the year.

The Life Fund of the Company reached Rs. 106.7 Bn while the shareholders' fund grew up to Rs. 38.1 Bn, which signifies an increase of 21.1% compared to the preceding year. The Return on Equity (ROE) of Ceylinco Life stood at 18.2% in 2020 while the Capital Adequacy Ratio (CAR), computed according to the Risk Based Capital (RBC) Regulations imposed by the Insurance Regulatory Commission of

Sri Lanka, stood at 424% as at end 2020. During the year under review, we honoured claims and benefits to the value of Rs. 12.5 Bn.

The group insurance and the retirement planning segments were the two salient contributors to our robust GWP growth. Although the main individual life business did not experience much growth, these two business segments made up for the rest by growing at higher rates than anticipated so that an overall GWP growth of 17.9% was achieved.

Demonstrating equanimity under pressure, the team at Ceylinco life achieved a modest new business growth which is commendable as it seemed highly unlikely,

given the general depressed economic conditions in the market coupled with salary cuts, layoffs and reduced disposable incomes, that any new business growth could be achieved. The profitability of the Company considering the circumstances is commendable as the financial results achieved are on par with some of the largest conglomerates in the country.

STRATEGIC AND OPERATIONAL PROGRESS

One of the pillars for the company's success against a bleak operating environment was the manner in which the Ceylinco team rallied around each other and the corporate goals, remaining strongly focused on achieving profitability without being weighed down by the enormity of

challenges facing them. Despite the initial decline in collections in the first month of the lockdown, the sales force was supported by the Company by enhancing their digital marketing skills through videos and other innovative means. Optimizing the existing customer base, greater emphasis was placed on up-selling to the customers through insights via data analysis and by communicating customised quotations directly to customers.

Managing staff and keeping high team morale were critical to our success during the year. A pandemic of this nature understandably causes fear and concern for the health and financial safety of their families, but we assured the staff that the company has built up adequate financial reserves over the years to meet such an event.

INVESTING PRUDENTLY

With most of our investments in treasury bills and bonds, fixed deposits and debentures issued by banks with high credit worth and real estate, Ceylinco Life has ensured adequate provisioning for a worst-case scenario. As a responsible life insurer, we place significant emphasis on investing prudently. We have focused on building a solid investment portfolio over the years, which generates sustainable returns to safeguard the interests of all stakeholders.

Our investment portfolio grew by 19.6% over the year to Rs. 139.8 Bn as against Rs. 116.9 Bn as 31st December 2019. The investment portfolio earned an investment income of Rs. 14.9 Bn. At the end of the year under review, the Ceylinco Life investment portfolio comprised of Government Securities (38%); Fixed Deposits (34%); Corporate Debt (19%); Real Estate (8%); and others (1%). These investments are made in conformity with the investment guidelines stipulated under the Regulation of the Insurance Industry Act, No. 43 of 2000 and are subject

to regular monitoring by the Insurance Regulatory Commission of Sri Lanka (IRCSSL). Most of our investments are secured in AA + institutions as we do not invest in high return investments which could prove to be risky.

FULFILLING EMPLOYEE NEEDS

As a result of our prudent management of the consequences of the pandemic, we are proud to note that all salaries were paid on time and no staff member was laid off. Going a step further, even advances were extended for Avurudu and staff bonuses were maintained. Considering the uncertain operating environment, the company remained focused on increasing the top line to maintain cash flow while keeping expenses low.

Going digital en masse was a seamless transition for Ceylinco Life, since we had already set in place the digital platforms to facilitate convenience for customers and enhance the efficiency of our sales force. We had commenced an initiative of equipping our staff with digital devices several years ago. For teams working from home, the company's IT team ensured they had the necessary firewalls and cyber security measures in place on their workstations. We introduced several awareness videos in all three languages on how premiums could be paid online which encouraged our policyholders to use online payment methods. This had a positive impact of creating a marked increase in online payments of premiums during the year.

Despite all the disruptions, Ceylinco Life diligently paid claims and maturity benefits without delay. A total of Rs. 12.5 Bn was disbursed to customers during the year as against Rs.10.7 Bn in the previous year. While adhering to the IRCSSL directive to grant an extended grace period of 3 months to customers to pay their premiums, we further incentivised customers to keep

their policies active by offering an additional free life cover worth up to Rs. 1 Mn against deaths due to COVID-19.

The pandemic gave rise to fear and uncertainty. However, we focussed on keeping our team members morale high. The senior management team led from the front – attending office themselves to demonstrate that if all safety measures were taken there was no need to fear. Internally, senior management made calls to branch managers to enquire about their well-being in order to maintain a connection and keep the teams motivated.

DRIVING CUSTOMER CARE

In the absence of face-to-face interactions due to the pandemic, the company engaged with customers via social media – conveying messages to stay safe and enquire about their well-being. We already have an e-submission platform in place, and we are now in the process of implementing digital signatures for greater security to complete the proposal form at the customer's doorstep.

Our online platform was enhanced to improve user friendliness for customers. Further, in the early days of the first lockdown, we launched 'Contactless Life Insurance' with uncomplicated Online Life Insurance and Retirement plans that could be purchased as well as paid for, via the Ceylinco Life website, offering life insurance protection or an investment in retirement that could be obtained in a matter of minutes without venturing out of one's home. The online plans are easy to access, understand and purchase and are available 365 days of the year. We activated web, mobile-phone and app-based payment options to ensure policies would remain active during the period of curfew and self-quarantine. The Company's call centre was active and we continuously monitored our social media messaging sites to respond to customer queries on a timely manner.

MANAGEMENT DISCUSSION & ANALYSIS

SECTOR REVIEW: LIFE INSURANCE

We made a conscious effort to ensure that our policyholders would not lose out on the benefits of our unique customer rewarding programs such as the Family Savari mega promotion or the Pranama scholarships program. Conceding that going on overseas tours or local excursions was not possible, we modified the Family Savari promotion which was in its 14th year, to provide policyholders an opportunity to win Rs. 30 Mn in gold instead. We also continued with the Pranama scholarships programme in 2020, where we hope to present another 160 scholarships to high-achieving students in the first half of 2021.

Additionally, we conducted several mass communication campaigns highlighting the importance of adhering to safety guidelines and expressing our appreciation for workers at the front-line of the battle against the spread of COVID-19. We introduced a 'Health Insurance Awareness Month' to raise awareness of the importance of having adequate insurance covers against health issues such as critical illnesses.

During the year, we commissioned an independent anonymous survey review about how the company's employees perceive its policies, and I am pleased to say, our team has given very a favourable feedback, with highest in the industry when it comes to trustworthiness, credibility and other parameters.

BUILDING ON SUSTAINABILITY

The Company sustained its strategy of setting up new branches on rented premises until profitable before buying land to build its own premises. Taking a step further, Ceylinco Life is developing environmentally friendly premises with solar panelled roofs to harness renewable energy. The Divulapitiya and Nelliady branches boast zero electricity consumption from the national grid, generating solar energy along with water recycling, rainwater harvesting etc.

We extended our hands in community initiatives, including supporting regional hospitals with essential equipment. The Point Pedro Base Hospital and the Velvettithurai Divisional Hospital benefited in 2020, and we sustained our programme of building classrooms for needy schools with two classroom buildings being built and donated during the year.

Additionally, we made a series of donations of equipment and materials related to the COVID-19 pandemic. These included a donation of surgical boots to the Infectious Diseases Hospital, surgical masks for the use of medical staff at the Jaffna Teaching Hospital, the donation of two non-invasive ventilators to the COVID-19 Presidential Task Force and the distribution of Personal Protective Equipment to 111 police stations in the Western Province.

LOOKING AHEAD

We are proud of the fact that the company continued to generate employment and support families, increasing recruitment of sales agents by 22% during the year. Our direct and indirect employment generation is contributing towards economic recovery.

Following our success in digitalising operations during the year, we will continue to explore Artificial Intelligence, Robotic Process Automation and data analytic to enhance our business. Our e-submission platform for digital policy proposals is a success and eventually we aim to garner about 50% of the proposals in electronic format. Ceylinco Life will continue to take the message of life insurance and retirement planning to every home.

The pandemic has accelerated the shift onto digital platforms and going ahead we will enhance our platforms and encourage our customer base to adopt digital payments to the greatest extent possible. Greater use of data analytic will help to tailor solutions to meet additional

existing needs of policyholders thereby generating new business from the present data base. Since the company has already acknowledged and implemented digitalisation as a key enabler, we are moving fast to becoming a digitally driven insurer.

SECTOR REVIEW: POWER & ENERGY



We welcome the present government policy which clearly outlines the need to shift to renewable energy sources and thereby to achieve a target of supplying 80% of the country's electricity demand in 2030 through renewable energy sources.



*Review by Director/CEO
Mr. Upali Witharana*

The diversification of the power sector from hydro power generation to solar power is a major milestone achievement during the calendar year 2020. A ground mounted solar power generation capacity of 4MW was added during this year. The Power and Energy Sector of the group now comprise of 4 small hydro power plants with a combined capacity of 15MW and four ground mounted solar power projects with a combined capacity of 4MW.

The 4 hydro power plants, namely Rajjammana, Kumburuthaniwala, Loggal Oya Phase 1 & Phase 2 fared well during the year. As an overview, Kumburuthaniwala, Loggal Oya Phase 1 & Phase 2 which rely on rainfall, performed approximately 25% below the projected targets. Rajjammana plant, performed well as usual by achieving 100% of our forecast. The projects had lower breakdowns and periodical maintenance works were carried out as per technical requirements. The plants are maintained well and spare parts and related technical services are available for 24X365 operation of the plants.

| 2020 | Ceypower Cascades (Pvt) Ltd. | Ceyhydro Developers (Pvt) Ltd. | Energy Generators (Pvt) Ltd. |
|--------------------|------------------------------|--------------------------------|------------------------------|
| Capacity | 2.4 MW | 5.6 MW | 6 MW |
| Revenue (Rs.) | 72,331,514 | 168,100,356 | 517,865,064 |
| PAT (Rs.) | 2,687,644 | 385,590 | 283,834,935 |
| Total Assets (Rs.) | 496,864,861 | 1,237,354,223 | 1,920,394,336 |

MANAGEMENT DISCUSSION & ANALYSIS

SECTOR REVIEW: POWER & ENERGY

During the year under review, Kumburuthaniwala project, which was the first small hydro power plant of the group completed its initial 15 years of operations. Thereafter, a new SPPA was signed in the year 2020 for a further period of 20 years at a new tariff.

The Solar Power Projects, namely, EGHL Mathugama (2MW) and EGHL Galle (2MW) commenced commercial operation in September and December 2020 respectively. The usual teething problems at the commencement of commercial operations were experienced during the first few months. We are confident that the solar power plants will perform well in the coming months as our technical staff have managed to overcome the challenges faced.

In this regard, we are proud to announce that above projects are the first 4 projects to be grid connected among 70 other developers. This clearly shows the efficiency and commitment of our staff and proper directions given by the Board of Directors to reach such targets.

Due to the lower economic activities in the country and resultant less usage of electricity for industries, commercial and residential users, the requirement for emergency power through high cost thermal power was not required during 2020. Thus, in the year 2020, CEB has reduced its operational losses. However, anticipated post COVID boom in economy and specially in tourism could require sudden demand for electricity in the coming months. Therefore, in our view, non-preparation and not having firm plans in place to meet such energy demands might lead to the same crisis situation.

We welcome the present government policy which clearly outlines the need to shift to renewable energy sources thereby to achieve a target of supplying 80%

of the country's electricity demand in 2030 through renewable energy sources. However, the very slow approach by CEB and Ministry of Power & Energy in floating sufficient number of solar and wind tenders and also not processing the tenders within the set timelines have resulted in losing the momentum and excitement within the participants expecting to invest in the sector.

As a serious player in the industry, our company has participated in almost all CEB tenders for development of Renewable Energy in the last 3 years. We are surprised by very low tariffs offered by certain competitors in the last solar power tender floated in July 2020 to procure 150MW ground mounted solar projects. We as a company are committed and determined to provide a reasonable return to our shareholders. Therefore, our offered tariffs may not have been the lowest, however are in compatible with the global market trends. Although there is a lower probability to win projects in this tender, we will continue to participate in future tenders and will do our level best to secure projects at reasonable tariffs.

Overall performance of power sector companies has been satisfactory compared to year 2019. We plan to further expand the sector in the direction of solar and wind power in the coming years.

SECTOR REVIEW: EDUCATION



Even though we expected digitalization to impact the education sector, eventually the pandemic expedited the process at an unbelievable speed.



The impact of the COVID-19 has changed the landscape of all businesses, and the knowledge industry is no exception. Schools and Higher Education Institutions were closed from March to August 2020 and again closed in September for the second wave and not opened up until the end of the year. All examinations were postponed and the A/L results were not out even by the end of the year.

Online education boomed during this period, and almost all our educational institutions moved online and soon adapted to the system. It was remarkable to see how fast and efficiently the students, starting from the kindergarten, to higher education including the teachers adapted to the new digital platform. Even though we expected digitalization to impact the education sector, eventually the Pandemic expedited the process at an unbelievable speed.

There were, of course, many ups and downs while shifting to the digital platform. Tracking the students' knowledge, learning and performance needed change from the traditional tutorial methods in order to assess the students. In addition it is inevitable that most parents worry about



Review by the Chairman
Dr. Jagath Alwis

hand phones being misused by their offspring. This was a genuine concern of parents where children will have access to any type of information on a digital platform. In the meantime as it was a total new method of teaching as well as learning, the shift was challenging.

The lifestyles of families changed. Specially where both parents worked, one parent had to stay back from work or shift to WFH to supervise the children. Overall it was a massive transition from school, playgrounds, swimming pools, extra curricular activities such as drama, music to simply be "safe" staying home and following "online" classes. This was the reality - the "new normal" every child, family had to adopt to. Nevertheless, we took the utmost efforts not to deprive our children totally of the spirit of camaraderie and fellowship.

Wherever possible our Institutes conducted online events such as Vesak Bakthi Gee & Christmas Carols to lift their spirits up.

While the existing students continue their studies online, there was an impact on the new intakes. However, Online marketing of Education Institutions were successful compared to marketing of other products. For example about 12,000 students choose to pursue their higher studies abroad each year. Popular study destinations include, Australia, New Zealand, USA, United Kingdom, Russia, East European countries, East Asia and China. Due to the pandemic these students remained in our Country. This has created additional demand for the local institutions who are providing pathway programs. These students have the opportunity to enrol into recognized foreign universities and locally approved

MANAGEMENT DISCUSSION & ANALYSIS

SECTOR REVIEW: EDUCATION

degree programs offered in Sri Lanka by private higher education institutes. In addition, there are a number of entry routes for university degree completion through local and international higher National Diploma programs and other professional qualifications, offered by both state and private higher education institutions.

The government should consider improving the education provided and the infrastructure of technical colleges located all over the country and affiliate them as University Colleges to existing 15 State Universities so that they could offer University Degree Programs under the supervision and guidance of the respective State Universities to the students who have passed A/L but couldn't enter local State Universities. This could be extended to private higher education institutions too as an alternative to approve them as degree awarding institutions.

It is a great achievement of ICBT Campus to obtain permission to offer their own Degrees in Business Management from Ministry of Higher Education. This is a 04 year Honours Degree which will start from 2021 based on results of 2020 A/L examination.

The demand for Higher Education, Private Higher Education is increasing both at Bachelors Level and Post Graduate level.

Both state and private higher education institutes compete in the market for postgraduate qualifications. This is due to the fact that the postgraduate qualifications are not offered free of charge in state universities. Also, the private sector offers a wide variety of qualifications in different disciplines at attractive prices with flexible study options for young professionals. Almost all postgraduate studies are pursued by young working professionals in part-

time mode with classes conducted during evenings and weekends. The CEG Group companies have combined market share of about 45% of the Postgraduate market where they offer various British MBAs and other Masters programmes particularly in IT, Psychology, Engineering to name few areas of studies.

CEG Education Holdings (Pvt) Ltd., the Education subsidiary of Ceylinco Insurance PLC, is continuing to offer a wide range of opportunities both in Sri Lanka and overseas to acquire knowledge in vital sectors of Technology, Engineering, Science, Medicines and Business. It is an investment for the future of our country in order to provide the proper foundation for Graduates and Post-graduates courses.

The industry has a significant market potential in attracting large numbers of foreign students, especially to pursue international degree programs in Sri Lanka at a fraction of the cost compared to travelling to the country of the respective partner Universities. However the numbers were badly affected due to Easter Sunday bombing and further deteriorated due to COVID-19. In the meantime current Sri Lankan immigration policies need to be improved to facilitate inbound student mobility in this segment. The industry players believe that the present Government will take the necessary steps towards promoting Sri Lanka as an "education hub" to attract foreign students to study in Sri Lanka which could be a major foreign exchange earner.

In addition to higher education. The Ceylinco Education Sector also owns and manages international recognized pre-schools and primary and secondary schools.

It is very unfortunate that we could not have a single Graduation this year even though a

large number of students have passed out and got their certificate without celebrating the event with their parents and loved ones.

The following Educational Institutes are under the CEG Group umbrella

ANC EDUCATION:

ANC Education is the largest US education provider in Sri Lanka, which is an ISO 9001; 2015 Certified Company, and offers widest range of opportunities for students transferring to US Universities. In its capacity as the largest transnational education provider ANC Education has through its student placement arm enabled thousands of students to benefit from higher education by placing them in the best universities in USA, UK, Germany, Canada, Australia, Malaysia and Armenia.

Their medical students placement arm, ANC Medical Placement of ANC Future Centre is the most preferred medical students placement entity in Sri Lanka which has links with Medical Universities in USA, UK, Europe, Australia, India, Malaysia and Armenia.

ANC Australian Foundation Program has been specially designed for those who wish to complete their undergraduate studies in Australia and their Diploma Program enable students to enter the second year of Degree Program in selected Australian Universities.

The US Business Degree offered by ANC that could be completed in Sri Lanka is the biggest US Degree completion program available in Sri Lanka.

ANC Education who are specialized and leading in Transnational Education have partnered with couple of highly ranked Canadian Universities this year. Which is a new destination for their students. In addition their partnership with Medical



The construction of the new 14-storey state of the art building of ICBT next to their 8-storey building at the Duplication Road, Colombo 03 is continuing and will be ready to occupy towards the end of 2021.



Universities in Armenia is also a new destination for students. These Universities are approved by Sri Lankan Medical Council and offer their Medical Degrees in English.

ANC has further developed a program with one of their partner Universities and Executive MBA. The program will be completely delivered online and plans are underway to attract students from other Countries.

ANC Modern Montessori International (MMI):

This is an extended collaboration of Modern Montessori International (London) Group which has an estimated 100 pre-schools and teacher training centres in 16 countries of which 12 are in Asia, thus making it one of Asia’s leading pre-school education providers. MMI won the ‘Top Brand’ award for the pre-school sector in 2015.

It needs to be mentioned that Montessori is a unique educational approach which nurtures a child’s intrinsic desire to learn by focusing on the child’s cognitive, social, emotional and physical development. Educationalists have accepted that the Montessori method places a child on the right path to become a confident and self-motivated learner.

The biggest challenge this year was to teach the kids below five years who are learning their ABC for the very first time to teach them online. Nevertheless it was astonishing to learn that the experience in reality was one of the easiest transitions to make. Young minds who have barely got used to any other method of learning adapted faster and better to a new method of teaching.

Currently the Institute is operating from 3 locations, namely, Colombo 05, Dehiwela and Kotte. Plans have been made to expand this network to other major towns in the island.

Net Assist International:

It was established in 2002 as a BOI approved joint venture between Singapore Net Assist Services and CEG for providing IT training and professional certification. Currently Net Assist International is managed by the American Education Centre thereby bringing advanced IT training and internationally accredited certifications within the reach of Sri Lankan students at an affordable cost.

Net Assist through its affiliation with VUE Authorized Test Centre offers on-line examination facilities for Microsoft, Oracle, Cisco, CIW, VMware, CPA Australia, Red Hat, EMC, Novel, HP ITIL and Kryterion. Microsoft recognized Net Assist International as a Gold Certified Partner for learning solutions and for many successive years received the award as Best Learning Partner. In 2007 Oracle appointed Net Assist as its Authorized Education Centre for Sri Lanka and Maldives. Net Assist also provides valuable IT consultancy services such as software development, network designing, network security, data storage, communication servers and all Microsoft certification and project management certification products.

Wycherley International School Gampaha:

Formally known as Regent International School, it is newest addition to ANC Education which is located in Gampaha and was established in 2001. The school is a fully equipped international school which conducts classes from Nursery to Advanced Level and offers the Edexcel International syllabus. 96% of the entities acquired by Wycherley International School in December 2018.

Wycherley International School:

Founded in 1985 makes it one of the first of international schools in the country. It is housed in what can be described as a ‘heritage building’ since it was once the Wycherley Nursing Home built in 1922 and owned and managed by the celebrated physician and author Dr. R.L. Spittle.

Wycherley is the first and only comprehensive centre for Cambridge Education from Year 1 to 13 and has achieved a quality of educational excellence which is on par with global standards.

International College of Business & Technology Ltd (ICBT Campus)

Established in 1999 to provide affordable and internationally recognized educational qualifications in Sri Lanka it has over the years proved to be one of the leading institutions of its kind providing students with a truly campus type of environment. This has been confirmed by the fact that ICBT has been the overall winner of the National Business Excellence Awards in 2014, 2015, 2016, 2018 and 2019. In addition to this recognition ICBT has also been selected as the ‘Partner of the Year’ of the British Council since 2011.

MANAGEMENT DISCUSSION & ANALYSIS

SECTOR REVIEW: EDUCATION

The Institute is an ISO 9001; 2015 Certified Company

ICBT Campus offers Diplomas, Higher Diplomas, Bachelor Degrees and Masters Degrees in association with the leading British Universities.

The ICBT Higher Diplomas are also benchmarked as being equivalent to the 2nd year of a British degree by the National Recognition Centre (NRC) of UK. This is the British national agency responsible for providing information and expert opinion on qualifications and skills globally.

In order to cater to the needs of students living in the provinces ICBT has established branch campuses in Kandy, Kurunegala, Galle, Matara, Jaffna and Batticaloa.

ICBT has received approval as a Degree awarding Institute from the Ministry of Higher Education and will offer their own Degree of Bachelors of Business Management Honours Degree from 2021.

The construction of the new 14-storey state of the art building of ICBT next to their 8-storey building at the Duplication Road, Colombo 03 is continuing and will be ready to occupy towards the end of 2021. Once the second building is completed, they will have a total sq. ft. area of around 200,000.

CEC Events (Pvt) Ltd

This is an event management company which has organized a wide range of mega events in Colombo and in major cities island-wide.

In addition, it provides key services such as research, planning, marketing, promoting, stall constructing, photography and all other pre and post event activities.

However this Company was very badly affected due to COVID-19 as large gathering for exhibitions were not allowed.

CSR ACTIVITIES

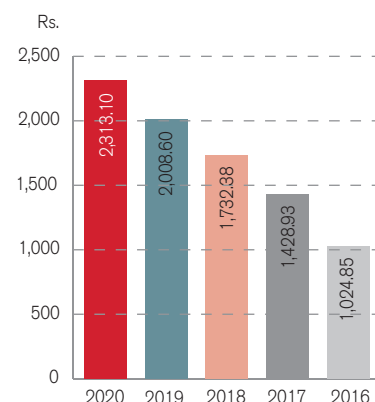
Corporate Social Responsibility is considered as part and parcel of academic activities of students. Raising funds for CSR projects and carrying out projects are embedded in the curriculum of the first year degree programmes.

| Operational risks | Mitigation action |
|--|---|
| Shortage of qualified academic staff members in specialist areas. | <ul style="list-style-type: none"> ➔ Sector is seeking to recruit suitably qualified academic staff from neighbouring countries. ➔ We are planning to introduce staff development programmes to retrain suitable existing staff members in specialised areas. ➔ New scholarship and staff support policies are in place to encourage junior academic staff members to pursue Masters and PhD programmes in specialist areas. |
| Possible changes in government legislation related to internationally franchised private higher education provision | ICBT has obtained the institutional approval as a degree awarding institution under the Ministry of Higher Education of Sri Lanka. Furthermore, ICBT is in the process of introducing a number of degree programmes with UGC approval. ANC is in the process of doing the same. |
| We are currently offering franchised degree programmes. There is a risk of partner university policy and strategic direction changes affecting ongoing partnerships. | <ul style="list-style-type: none"> ➔ This risk is mitigated by maintaining multiple university partnerships and having a good rapport with the top management of partner universities. ➔ The Group companies in the sector are in discussion with new University partners to introduce new degree programmes. |

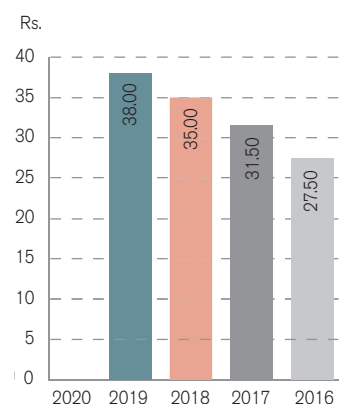
SHARE INFORMATION

| | | Year ended 31-Dec- 2020 | Year ended 31-Dec- 2019 |
|--|---------|-------------------------------|-------------------------------|
| Net Assets Per Share | | | |
| Book Value | Rs. | 2,313.10 | 2,008.60 |
| Earnings | | | |
| Earnings Per Share (Group) | Rs. | 351.18 | 323.45 |
| Price Earnings Ratio (times) – Voting | | 5.7 | 6.10 |
| Price Earnings Ratio (times) - Non Voting | | 2.9 | 2.60 |
| Dividends (Proposed) | | | |
| Final Dividend | Rs. | - | 38.00 |
| Share Price – Voting | | | |
| High | Rs. | 2,100.00 | 2,000.00 |
| Low | Rs. | 1,401.00 | 1,800.00 |
| Last Transaction | Rs. | 1,997.80 | 1,986.90 |
| Share Price - Non-Voting | | | |
| High | Rs. | 1,100.00 | 1,029.90 |
| Low | Rs. | 700.00 | 600.00 |
| Last Transaction | Rs. | 1,021.80 | 840.00 |
| Share Trading – Voting | | | |
| No. of Transactions | | 457 | 607 |
| No. of Shares Traded | | 98,527 | 1,396,057 |
| Value of Shares Traded | Rs. Mn. | 176 | 2,599 |
| Share Trading - Non – Voting | | | |
| No. of Transactions | | 1,254 | 1,330 |
| No. of Shares traded | | 135,878 | 635,718 |
| Value of Shares Traded | Rs. Mn. | 113 | 442 |
| Days Traded – Voting | | | |
| No. of days Traded | | 123 | 128 |
| Total no. of Market days | | 209 | 241 |
| Market days Traded | | 58.85 | 53.11 |
| Days Traded - Non – Voting | | | |
| No. of days Traded | | 156 | 162 |
| Total no. of Market days | | 209 | 241 |
| Market days Traded | | 74.64 | 67.22 |
| Market Capitalisation – Voting | | | |
| Value | Rs. Mn. | 39,956 | 39,738 |
| Market | % | 1.35 | 1.39 |
| Market Capitalisation - Non- Voting | | | |
| Value | Rs. Mn. | 6,554.32 | 5,388.16 |
| Market | % | 0.22 | 0.19 |
| Price Movements | | | |
| CSE All Share Price Index | | 6,774.22 | 6,129.21 |
| S&P SL 20 Index | | 2,638.10 | 2,936.96 |
| Ceylinco Insurance Share Price - Voting | Rs. | 1,997.80 | 1,986.90 |
| Ceylinco Insurance Share Price - Non- Voting | Rs. | 1,021.80 | 840.00 |

Net Assets Per Share



Dividends Per Share



Earning Per Share



MANAGEMENT DISCUSSION & ANALYSIS

CORPORATE SOCIAL RESPONSIBILITY: GENERAL INSURANCE

As a company that understands people's needs and reaches out to provide hope in the community, Ceylinco General Insurance has at times taken on unusual responsibilities that have left a positive impact on the beneficiaries.

TWO ICU VENTILATORS DONATED TO THE NATIONAL HOSPITAL

In support of the efforts taken to combat the Covid-19 pandemic, the management of Ceylinco General Insurance donated 2 units of the German-made ICU ventilators at a cost of Rs. 5.9 million to the National Hospital, Colombo, which will no doubt boost the capacity of the hospital.



TWO BLOOD DONATION CAMPS ORGANISED BY THE EMPLOYEES UNION OF CEYLINCO GENERAL INSURANCE

Ceylinco General Insurance staff joined hands with The Employees Union to host two Blood Donation Camp in its Head Office premises in February and July 2020. The camps witnessed participation from employees and their family members, customers, as well as people from surrounding offices, who volunteered to donate blood. The Blood Donation Camps were conducted under the supervision of the doctors of the Blood Bank, with many doctors and nurses in attendance and was a huge success with over 200 pints of blood collected in each event.



REFRESHMENTS FOR PILGRIMS

The Company has sustained its initiative to provide refreshments for pilgrims at various religious events across the country for the past 12 years. The staff plays an active role in this endeavor, providing devotees with refreshments at important places of worship where devotees gather, such as Nawam Perahara, Annual Theru Festival in Matale and Wesak Dansalas and so on. The company's effort has been appreciated by pilgrims who are able to quench their thirst and feel rested with the refreshments and a kind word from staff members who are always willing to volunteer for this initiative.



CUSTOM-MADE MOTOR-CYCLE FOR WAR VICTIM

The company is deeply engaged with the fabric of the local communities it operates. In 2020, a lady in Polonnaruwa who was disabled due to a gunshot injury during the war was donated a custom-made motor-cycle with a goods carrier, jointly by Ceylinco General Insurance and another donor, enabling her to transport the artificial flowers she makes in a cottage industry developed by her and sell at the weekly 'Pola'. Having added mobility has enhanced her independence and ability to earn a livelihood.



CORPORATE SOCIAL RESPONSIBILITY: LIFE INSURANCE

In striving to strengthen relationships with the community, Ceylinco Life has chosen the Sustainable Development Goals of Good Health and Wellbeing and Quality Education as focus areas for Corporate Social Responsibility (CSR) initiatives.

In 2020 too, despite the disruptions and challenges posed by the pandemic, the company strived to engage in scheduled endeavours to the best of its ability. During the year the company was unable to hold medical camps under the Waidya Hamuwa initiatives due to the lockdown in the country and health restrictions. However, the company managed to continue the construction of the classrooms to a certain extent.

Due to the overarching role the COVID-19 pandemic played in the areas of health and well-being of Sri Lankans, Ceylinco Life also contributed towards the Government of Sri Lanka and its efforts in pandemic control by donating two non-invasive ventilators and personal protective equipment (PPE).

QUALITY EDUCATION

During 2020, Ceylinco Life completed the construction of two classrooms, the 82nd and 83rd classrooms in a long-standing project. The total investment for these buildings amounted to over Rs. 1.9 million.

Before the construction of these classrooms, the children of these schools studied in the garden area or along with another classroom. With the donation of a separate well equipped classroom, the year 5 students who were preparing for the government scholarship exam were able to focus on their learning without disturbances.

The School Principal from the Sri Dhammajothi Primary School, Helamada, Kegalle mentioned that the classroom

was valuable for the school because most students in the village school were not going for tuition classes. Thus, their examination achievements were based on what they were taught in school. He stated that now it was possible to improve the quality of education with the new classroom.



GOOD HEALTH AND WELL-BEING

Day Chemotherapy Unit

In February 2020, Ceylinco Life donated a fully renovated and re-equipped Day Chemotherapy Unit to the District General Hospital Trincomalee for the treatment of cancer patients at a cost of Rs. 1.6 million.

The items donated included a new surgical bed, pulse oxymeter, sucker machine, recliner chair, dressing drum, oxygen cylinder stand, three air conditioners, a water dispenser and miscellaneous furniture. The company also renovated the building by installing new aluminium doors, new curtains and a stair railing.



Life supporting medical equipment to hospitals in the Vadamaarchchi region

Lifesaving medical equipment to the value of Rs. 2.5 million was donated to two hospitals in Jaffna's Vadamarachchi region by Ceylinco Life to coincide with the opening of the new branch building in Nelliady in September 2020.

YP-920 infant incubators to the Base Hospital in Point Pedro

The Company donated two YP-920 infant incubators to the Base Hospital in Point Pedro where premature births average approximately 5 per cent of deliveries.

An indispensable medical facility in the Jaffna peninsula, the Point Pedro Base hospital provides health related services to a population of 150,000 in the areas of Point Pedro, Karaveddy, and Marudankeni and has reported that it had an urgent need for incubators. With 292 beds, 40 doctors, 68 nurses, and 112 health staff, the Point Pedro Hospital treats an average of 13,000 patients a month.



MANAGEMENT DISCUSSION & ANALYSIS

CORPORATE SOCIAL RESPONSIBILITY: LIFE INSURANCE

Essential equipment for treating dengue patients to Valvettithurai Divisional Hospital

Ceylinco Life donated a Rad-97 Pulse CO-Oximeter® will with SpO2 sensor, pulse rate monitor, perfusion index, displays for continuous end-tidal carbon dioxide values, and an M20 patient cable -- all essential for the treatment of dengue patients to the Valvettithurai Divisional Hospital. Established in 1947, the Valvettithurai Hospital is ranked fifth among all hospitals in the peninsula and treats approximately 6,750 patients a month.

Before receiving these items, the hospital had to transfer approximately 15 patients to other hospitals on a monthly basis due the lack of equipment in its Emergency Treatment Unit (ETU). The Rad-97 Pulse CO-Oximeter® will help remedy this situation and offer more comprehensive treatment to dengue and emergency cases. On average, 25 patients are admitted to its ETU monthly.



Maintenance of the High Dependency Units previously donated

Over the years, Ceylinco Life had donated High Dependency Units (HDUs) to five government hospitals—the Lady Ridgeway Hospital (LRH), the National Hospital of Sri Lanka, the Jaffna Teaching Hospital, the Colombo South Teaching Hospital, Kalubowila and the Kandy Teaching Hospital. The Company reinforced its commitment to maintain these HDUs in 2020 as well. The company this year too will service the special helplines set up so that hospital staff can contact the company. There is a special team dedicated at Ceylinco Life to follow up on the upkeep and maintenance of these HDUs.



EVENTS OF THE YEAR: GENERAL INSURANCE

Despite the challenges faced during the year 2020, we introduced two new industry innovatons:

'CEYLINCO GEDARA' - AN AFFORDABLE COVER FOR HOME OWNERS



Announcing yet another unique benefit for all Sri Lankan Home Owners, Ceylinco General Insurance introduced a cover of Rs.

5,000,000/- to insure a home and its valuable contents. This cover also comes with medical benefits for the policyholder and spouse in case of Serious Illnesses. The cover for the house will be up to Rs. 4 Million against Fire and Allied Perils and the contents will be covered up to Rs. 500,000/- against same perils. A burglary cover for contents is also included up to Rs. 300,000/- and the insured and spouse are entitled for a Serious Illness cover of Rs. 100,000 each that will reimburse medical costs incurred for the treatment. The uniqueness of this product is that for all these benefits the annual premium will be only Rs. 5,000/- inclusive of all taxes.

'CEYLINCO VIP DRIVE THRU CLAIMS' - FOR CUSTOMERS WHO DO NOT OBTAIN ON THE SPOT CLAIMS

Ceylinco General Insurance introduced yet another amazing solution - 'Ceylinco VIP Drive Thru Claims' facility. This unique facility is offered to 'Ceylinco VIP' customers who have not obtained On the Spot claims due to various reasons such as the owner not being available at the time of the accident or in the event the vehicle is under a leasing facility. The advantage here is that customers can receive the claim while in the vehicle and drive off in the shortest possible time. Now all a customer has to do is just drive in, pick up their claim via cash or cheque with no hassle. Ceylinco VIP Drive Thru Claims' facility offers customer convenience and a time-saving solution when collecting claim settlements.

Staff at 'Ceylinco VIP Drive Thru' centres are equipped with hi-tech equipment and are empowered to offer the required services without red tape. Customers who do not opt to obtain claims using the On the Spot facility will be notified in advance via SMS of the pending items, if any, and documents required. Once the documents are handed over at the Dive Thru Centre, within a few minutes the cheque or cash will be given to the customer.

Located in Nugegoda, Kandy, Kurunegala and Galle, all four centres offer ample parking and specially reserved slots for Ceylinco VIP customers using the Drive Thru Claims facility. These centres are open six days of the week, from Monday through Saturday from 8.30 am to 6.00 pm. Customers insured with any branch, in any part of the island, can collect their claims from any of the 'Ceylinco VIP Drive Thru Claims' centres according to their convenience.



REWARDS & RECOGNITION - FELICITATING OUR SALES STAFF

Even though the Annual Sales Conference and the Awards Ceremony could not be held with its usual pomp and pageantry, a simple ceremony was held in June 2020 in keeping with health guidelines, to reward our Sales Staff for their exceptional achievements during the year 2019.

The selection process based on various performance criteria remained the same and the rewards too were given out as is customary.



MANAGEMENT DISCUSSION & ANALYSIS

EVENTS OF THE YEAR: LIFE INSURANCE

NEW BRANCH BUILDINGS

Ceylinco Life continued its investment in company owned branch buildings in the year 2020. The company was able to construct three new branches whilst laying the foundation stone for a building in Piliyandala.

Malabe

Ceylinco Life began 2020 on a Green note with the opening of a purpose-designed environment-friendly building in Malabe from which the Company's Malabe, Battaramulla and Kaduwela branches will henceforth operate.

The new three-storey edifice is the 37th company owned building and is located in No. 388/4, Kaduwela Road, Malabe. Built over the course of a year, this 6,400 square foot office adheres to environment-friendly specifications adopted by the Company for all new branches on owned land.

Features that make this a green building include being powered entirely by a 20kW solar power system that results in zero consumption of electricity from the national grid, and having its own rainwater harvesting facility.

The building is also designed for optimal use of natural light and minimum consumption of pipe-borne water, and is equipped with the latest energy-efficient lighting and air conditioning systems. The construction minimised the use of timber and a number of new trees were planted in the vicinity.



Nelliady

The eco-friendly building located at No. 293, Point Pedro Road, Nelliady, provides 8,692 square feet of floor space and is the 38th branch built by Ceylinco Life overall on company-owned land, and the first company-owned property in the Vadamarachchi region.

An investment of Rs. 67.5 million, the Nelliady branch is designed for optimal use of natural light, is entirely solar powered, and has its own sewerage recycling system. It is also equipped with the latest energy-efficient lighting and air conditioning systems and has a rainwater harvesting facility.

Constructed in conformity with the 'Green Building' specifications adopted by the life insurance leader, the building has its own car park, a multi-function room that can accommodate up to 60 people at a time, an elevator and porous interlocking blocks to increase green patches in the premises.



Divulapitiya

The 39th owned branch building of Ceylinco Life overall, and the fourth in that category in the Gampaha District alone, this two-storey, 5,500 square foot building conforms to the environment-friendly specifications adopted by the life insurance leader for all new branch buildings on company-owned real estate.

Located at No 131, Mirigama Road, Divulapitiya, the building is powered entirely by a 20kW solar power system, resulting

in zero consumption of electricity from the national grid, and has its own rainwater harvesting facility and its own waste water recycling plant, in keeping with Ceylinco Life's commitment to the environment.

The building has a training facility for up to 50 people at a time and ample dedicated parking space for customers.



Piliyandala

Ceylinco Life laid the foundation stone for a purpose-designed environment-friendly building for its branch in Piliyandala, continuing the greening of the Company's operations undeterred by the effects of the COVID-19 pandemic.

The new three-storey edifice will on completion be the Ceylinco Life's 40th building on land owned by the Company. Located at Nos. 190, 192 and 194 Horana Road, Piliyandala this 5,683 square foot office conforms to the environment-friendly specifications adopted by the Company for all new branches on owned land.



CEYLINCO LIFE EMBARKS ON ENTERPRISE-WIDE CARBON FOOTPRINT ASSESSMENT



Ceylinco Life announced that it had begun an assessment of the Carbon Footprint of its country-wide operations with The Carbon Consulting Company. Advancing Ceylinco Life's Green Agenda, this Level II Comprehensive Greenhouse Gas (GHG) Assessment will calculate all the major direct and indirect GHG emissions that are released as a result of the organisational operations of Sri Lanka's life insurance leader to help minimise the impact of its business on the environment.

Ceylinco Life has already implemented a number of measures across various branches to become more sustainable, such as the construction of eco-friendly branch offices that are solar-powered and setting up rainwater harvesting, wastewater recycling, and energy-efficient lighting and air-conditioning systems. This assessment will enable Ceylinco Life to set in place more stringent mechanisms to quantify and report on its Carbon Footprint, continue with its sustainability initiatives, and further strengthen its leadership in the industry.

CEYLINCO LIFE PRANAMA SCHOLARSHIPS



A milestone with the potential to influence the futures of 154 bright young Sri Lankans was reached when Ceylinco Life presented the 19th edition of the company's 'Pranama' scholarships at the BMICH, rewarding academic and extracurricular excellence with disbursements totalling Rs. 1.15 million.



Senior academics as well as past and present recipients of these scholarships who spoke at the event acknowledged the motivational impact of the programme on the lives of beneficiaries, and through them on the community, with many past Pranama scholarship winners now serving as doctors, engineers, lawyers and accountants and in many other fields.

Ceylinco Life Pranama scholarships are presented to policyholder's children who achieve the best results in their respective districts at the Year 5 scholarship examination, the GCE Ordinary Level, and the GCE Advanced Level as well as to those who excel at the national level in sports, invention, drama, cultural activities, or display other special skills. The Company also pays special cash awards to policyholder's children who are placed second, third and fourth at district level at the GCE Advanced Level examinations.

MANAGEMENT DISCUSSION & ANALYSIS

EVENTS OF THE YEAR: LIFE INSURANCE

CEYLINCO LIFE FAMILY SAVARI

Rs. 30 million worth of gold is what Ceylinco Life will be rewarding its loyal policyholders with, as an exciting alternative to its 'Family Savari' mega promotion, set back by travel restrictions necessitated by the COVID-19 pandemic.

Sri Lanka's life insurance market leader announced that more than 600 policyholders drawn from those who keep their life insurance or retirement plans active between September 2020 and August 2021 would be eligible to win this bonanza in gold, instead of the overseas holidays and local excursions they would normally win under this promotion.

Dispelling the gloom wrought by the pandemic in many aspects of life, Ceylinco Life said it will conduct six bi-monthly draws during the promotion period, selecting more than 100 policyholders at each draw for rewards in gold, with one grand winner winning Rs. 1 million in gold every two months and 99 others sharing Rs. 4 million in gold.



CEYLINCO LIFE PROMOTES HEALTH INSURANCE COUNTRYWIDE

Twenty years of savings can be wiped out by a single medical emergency, an alarming reality in Sri Lanka that prompted the country's leading life insurer Ceylinco Life to dedicate June 2020 to a countrywide campaign to promote personal health insurance.

With the state health system heavily overburdened, as evidenced by a waiting list of 5,000 for cardiac surgery alone, Ceylinco Life's campaign revolved around one thought-provoking question: What is more important – saving 20 minutes of your time or saving 20 years of your savings?

The focus of the campaign was to persuade the target audience – employed or self-employed adults – to give just 20 minutes of their time during June 2020 to talk to a representative of the Company about the health insurance products available, with the compelling argument that it could potentially save them as much as Rs. 1.8 million – the cost of kidney transplant surgery – in the foreseeable future.



CONTACTLESS LIFE INSURANCE & RETIREMENT PLANS

Ceylinco Life as a response to the COVID-19 mandated lockdown promoted contactless life insurance in the 1st half of 2020. Individuals were able to purchase Life insurance protection or invest in their retirement in a matter of minutes without venturing out of one's home. Contactless Life Insurance was sold through the company's website. The specialty of these online plans is that they are easy to access, understand and purchase and are available 365 days of the year. Ceylinco Life was the first local life insurer to introduce a comprehensive set of Online Life and Retirement solutions to the market. Ceylinco Life's Online Life Insurance plan is comprehensive with an optional Accidental Death Benefit as well as a Critical Illness option which covers 36 critical illnesses, which is the same as the standard Critical Illness Cover from the Company.



EVENTS OF THE YEAR: EDUCATION

ICBT Campus started a new phase in expanding its facilities in the Colombo campus. The new building consists of 78,000 square feet of area with state-of-the-art teaching and learning facilities, engineering labs and ample student parking facilities.



Software Engineering batch 84 students contributed School books, stationeries, school bags and school stationeries worth Rs. 120,000 to Ihala Divulwela Vidyalaya Kapugollewa, Anuradapura.



HND QS batch organized a blood donation camp in February 2020 at ICBT Nugegoda branch which was a great success.



MANAGEMENT DISCUSSION & ANALYSIS

AWARDS & ACCOLADES

Ceylinco Insurance PLC continued its legacy of being recognized and rewarded for its achievements across various prestigious platforms in 2020. These awards reflect the company's commitment to setting industry benchmarks while delivering best-in-class products and solutions to its customers. Some of the accolades during 2020 were:

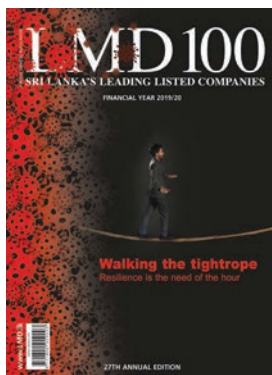
ONLY INSURER AMONG BUSINESS TODAY TOP 30 - PLACED 6TH POSITION

For the eight consecutive year, Ceylinco Insurance earned the honour of being the only insurance company amongst the 'Business Today Top 30' companies in Sri Lanka. As announced in its edition for 2019/20, Ceylinco Insurance retained the 6th position for the second consecutive year. Financial information reviewed for the selection process covered several aspects which included revenue, share turnover, PAT, growth in turnover, growth in profit, ROI, growth in earnings per share, market capitalization, value of shares transacted and value additions etc.



HIGHEST RANKED INSURANCE COMPANY IN LMD 100

The LMD 100 - 2020 listing announced in January 2021 placed Ceylinco Insurance in the 25th position, among all listed companies in the island. Ceylinco Insurance reiterated its position as the highest-ranked insurance company in Sri Lanka for the 27th consecutive year. Since the inception of the LMD ranking, Ceylinco Insurance has occupied the top position among insurance companies.



CEYLINCO GENERAL - 'PEOPLE'S INSURANCE BRAND' FOR THE 14TH CONSECUTIVE YEAR



Ceylinco General Insurance was anointed 'People's Insurance Brand of The Year' yet again at the 2020 SLIM Nielson People's Awards for an unprecedented 14th consecutive year. This accolade is ample testimony of the company's close relationship with people and the brand's strength and stature. The People's Award is the most coveted award for corporates

because it reflects the voice of the people and indicates the brand they love and respect. The winner is selected after a nation-wide survey conducted in all 9 provinces, with over 5,500 respondents interviewed one-to-one, making it representative, unbiased and relevant. Therefore, the winners of the People's Awards reflect the true voice of Sri Lankans from across communities, regions and social strata.

BEST IN SERVICE EXCELLENCE FOR GENERAL INSURANCE

In an exclusive survey carried out on service providers by LMD magazine amongst the general public for over a period of 12 weeks, Ceylinco General Insurance had the honour of being chosen as the most popular insurer in terms of Service Excellence in the general insurance industry.

CEYLINCO LIFE ONLY INSURER AMONG SRI LANKA'S MOST ADMIRED COMPANIES IN 2020

Ceylinco Life was named among the 'Most Admired Companies in Sri Lanka' in 2019-20 by the International Chamber of Commerce Sri Lanka (ICCSL) in collaboration with the Chartered Institute of Management Accountants (CIMA).

This is the second time the country's life insurance leader has been featured on this prestigious list. Ceylinco Life is also the only insurer among the Top 15 companies – the Top 10 and five 'Honourable Mentions' – recognised with the accolade.



CEYLINCO LIFE RANKED MOST VALUABLE LIFE INSURANCE BRAND IN SRI LANKA IN 2020

Ceylinco Life was ranked the most valuable life insurance brand in Sri Lanka and listed among the country's 10 strongest brands before the COVID-19 pandemic by Brand Finance in its 17th edition of the country's most valuable brands.

Ceylinco Life retained the title of Sri Lanka's most valuable life insurance brand, with a brand value of Rs. 3,658 million and with a brand rating of AA+, making it the strongest insurance brand. Ceylinco Life also moved up to No 33 in the overall brand value ranking.

CEYLINCO LIFE GREAT PLACE TO WORK CERTIFIED TM IN 2020

Ceylinco Life was certified as a 'Great Workplace' in Sri Lanka following an independent analysis of an assessment by Great Place to Work®, the global authority on workplace culture.



Sri Lanka's life insurance leader met the required ratings for this prestigious certification in its first participation in the Great Place to Work® assessment which included the Trust Index© survey, which covered 100 per cent of the Company's full-time employees.

CEYLINCO LIFE VOTED SRI LANKA'S MOST POPULAR LIFE INSURER FOR RECORD 14TH YEAR

Ceylinco Life was declared the 'Peoples Life Insurance Service Provider of the Year' at the 2020 SLIM-Nielsen Peoples Awards, in an emphatic reaffirmation of the company's unassailable status as the only life insurer to be voted the best by the country's citizens for 14 consecutive years – every year since the inception of the awards programme.

Considered the hallmark awards event of the Sri Lanka Institute of Marketing (SLIM), the SLIM-Nielsen Peoples Awards honours the country's top brands across multiple sectors each year. The selection of winners is based on a nationwide quantitative face-to-face survey covering males and females between the ages of 15 to 60, over a period of five months using a structured questionnaire.



CEYLINCO LIFE NAMED 'BEST LIFE INSURER IN SRI LANKA' FOR RECORD 7TH YEAR

Ceylinco Life retained its title as World Finance's 'Best Life Insurer in Sri Lanka' in 2020, reaffirming its consistency in performance in a year made adverse for business by the COVID-19 pandemic.

Bestowed on the Company for a record seventh consecutive year, the World Finance Global Insurance Award recognises Ceylinco Life as an organisation that is committed to continuously improving its overall processes, efficiency and relationships to serve customers better.

The accolade is based on an assessment of multiple aspects of operational performance by the UK-based international magazine that analyses the financial industry, international business and the global economy.



CEYLINCO LIFE'S 2019 ANNUAL REPORT RANKED AMONG 10 BEST INTEGRATED REPORTS BY CMA

Ceylinco Life's 2019 Annual Report was ranked among the 10 Best Integrated Reports at the 6th edition of the 'CMA Excellence in Integrated Reporting Awards 2020' presented by the Institute of Certified Management Accountants (CMA) of Sri Lanka.

MANAGEMENT DISCUSSION & ANALYSIS

AWARDS & ACCOLADES

Themed 'Derisking the Future,' this fifth integrated annual report of the life insurance leader reflected on the strength of its life insurance products, which enable its policyholders to achieve their potential and aspirations while the company safeguards them as they progress in life.

Ceylinco Life has adopted the Integrated Reporting Framework since 2015 subsequent to the segregation of Life and General Insurance into separate business entities under Section 53 of the Regulation of Insurance Industry (Amendment) Act No 3 of 2011, which came into effect that year. The Company said its intention in Integrated Reporting is to provide a holistic view of how it creates sustainable value for its diverse group of stakeholders.

the Teaching Hospital Kandy – the fifth such donation by the Company – and the maintenance of the previously donated HDUs as part of its commitment to the Sustainable Development Goals (SDGs) set by the UN for 2030.



CEYLINCO LIFE WINS 'CSR BRAND OF THE YEAR' SILVER AT SLIM BRAND EXCELLENCE AWARDS

The philanthropic and good citizenship commitments of Ceylinco Life were recognised by the Sri Lanka Institute of Marketing (SLIM) recently which presented the life insurance leader with a Silver award in the 'CSR Brand of the Year' category at the 2020 Brand Excellence Awards.

Ceylinco Life won this award for the Corporate Social Responsibility initiatives the Company completed in 2019. These included the construction of seven classrooms, the conduct of 12 'Waidya Hamuwa' free health camps, donation of a High Dependency Unit (HDU) in



WINNING SPIRIT

Corporate Governance

CORPORATE GOVERNANCE

We are facing one of the most challenging times for development due to the COVID-19 pandemic. The COVID-19 pandemic has spared no country or segment of society; it has gravely impacted the lives of millions, small and large businesses across the world.

With the beginning of COVID-19 in Sri Lanka and consequent restrictions to business and movement, the Group operations were disrupted from the end of month of March 2020. The full extent and duration of the impact on the Group's operations will be felt during 2021 also. The Board, in its role as the main governing body of the Group, has developed a comprehensive action plan to mitigate future adverse impacts.

We firmly believe that good corporate governance is not only fundamental in ensuring that the Company is well managed in the interest of all its stakeholders, but also essential to attain long-term sustainable growth. To fuel the dreams and aspirations of the all stakeholders we serve, the Board of Directors at Ceylinco Insurance PLC provides ethical, accountable and transparent leadership which ensures sustainable value creation and a culture of continuous improvement of good governance practices.

The Company's corporate governance framework which is constructed with the bricks of collaborative culture, independent structure, ethical behaviour and the focused approach continues to ensure good governance within the Company with the strong foundation laid down by the Board through its governance philosophy.

Operations of the Ceylinco Insurance PLC is governed by the Companies Act No.7 of 2007, and subsequent amendments thereto, the Continuing Listing Requirements of the Colombo Stock Exchange and the voluntarily adopted Code of Best Practice on Corporate Governance jointly issued by the Securities Exchange Commission and the Institute of Chartered Accountants of Sri Lanka.

The below segments of the Annual Report describes the Corporate Governance compliance details

At the Ceylinco Insurance PLC and its adherence to the 'Code of Best practice on corporate governance'

BOARD OF DIRECTORS

The Board bears highest authority and overall responsibility for maintaining a comprehensive governance framework to drive performance and safeguard the assets of the Company and Group. The Board has provided strategic direction to the development of short, medium and long-term strategies which are aimed at long-term sustainability of the companies in the Group.

BOARD BALANCE AND ITS INDEPENDENCE

The Board consisted of 16 members throughout the financial year 2020. Twelve of whom, function in a Non-Executive capacity. The Executive Chairman/ Chief Executive Officer (CEO) and other three Executive Directors provide strategic direction and guidance to the Company and Group. Ceylinco Insurance PLC always maintain a healthy balance between the Executive, Non-Executive

and Independent Directors, in keeping with the applicable rules and codes, with the Executive Directors bringing in deep knowledge of the businesses and the Non-Executive Independent Directors bringing in experience, objectivity and independent oversight.

The Board has appointed several Committees to assist in the discharge of their collective responsibilities. Additionally, to preserve the independence of the Board and to strengthen the decision making individual Directors are encouraged to seek expert opinion and/or professional advice on matters where they believe need of expertise knowledge.

CHAIRMAN IN AN EXECUTIVE CAPACITY

The Chairman, Mr. A.R. Gunawardena, who is designated Chairman/Chief Executive Officer, plays an executive role in the Group. The Board believe that the existing arrangement has been economically viable to shareholders so as to not warrant any change and that the dual role of Executive chairman does not compromise the principles of good corporate governance. This has been further assured through the presence of the Independent Non-Executive Directors, including the Senior Independent Director.

SENIOR INDEPENDENT DIRECTOR

Since having the combined role of Chairman and CEO, Mr. D.H.J. Gunawardena functions as the Senior Independent Director, in order to review the effectiveness of the Board in view of the executive role played by the Chairman.

In addition to that, Mr. R. Renganathan functions as Non-Executive Deputy Chairman to provide an effective mechanism to maintain balance of the Board.

BOARD APPOINTMENTS

Nomination Committee has set in place a formal and transparent procedure for nomination of candidates for appointment as Directors. Appointments of new Directors are communicated to the Colombo Stock Exchange and shareholders through an announcement. The communications include a brief resume of the Director, relevant proficiency, key appointments, shareholding and their status of independence.

BOARD MEETINGS AND ATTENDANCE

Presence at Board meetings by the Directors is one of the indicators of their active contribution in decision making of the Company. During the financial year under review the Board has held five scheduled meetings. It is expected that all Directors attend scheduled Board and relevant Committee meetings, unless they are prevented from doing so by prior commitments. Where Directors are unable to attend meetings, they receive the papers scheduled for discussion at the relevant meetings, giving them the opportunity to raise any issues and give any comments to the Chairman in advance of the meeting.

The attendance at the Board meetings and Sub-Committee meetings held during 2020, together with individual attendance, is given on page 67 & 69.

BOARD COMMITTEES

The Board has delegated some of its functions to Board Sub-Committees, while retaining final decision rights. Members of these Sub-Committees focus on their designated areas of responsibility and impart knowledge and oversight in areas where they have greater expertise.

The Company has four Board Sub Committees,

- Audit Committee
- Remuneration Committee
- Nomination Committee
- Related Party Transaction Review Committee

The committees, the structure and composition, frequency of meetings and other details are set out on pages 57 of this Annual Report.

BOARD PERFORMANCE

The Company does not have a formal procedure for the evaluation of Board performance, however all Directors dedicate adequate time and effort to the affairs of the Company. Further, the Board ensures contributions of all Directors are made to achieve the corporate objectives.

BOARD INTERACTION WITH SHAREHOLDERS

Shareholders receive the Annual Report including Financial Statements and Notice of Meeting 15 working days prior to the Annual General Meeting. The Annual General Meeting is used for productive

engagement with shareholders. Therefore, the Board of Directors invites the external auditors to be present at the AGM to answer any queries raised by shareholders. The Chairman of Board sub committees are present at the AGM and are willing to answer questions raised by the shareholders.

DIRECTORS' REMUNERATION

The Remuneration Committee decides on the compensation of the Chairman/CEO and the Deputy Chairman and Executive Directors of the Company. Remuneration for Non-Executive Directors reflect the time commitment and responsibilities of their role, taking into consideration industry practice.

The Directors' remuneration is aligned to their performance and attractive enough to motivate and retain Executive Directors. Directors' remuneration is set out in this Report on page 177. The Board on the recommendation of the Remuneration Committee approved the remuneration paid to the Executive Directors during the year 2020.

STATEMENT OF COMPLIANCE

The following sections reflects the extent of Company adherence to the rules on Corporate Governance and the mandatory requirements in respect to Board Committees as specified in the Listing Rules of the Colombo Stock Exchange and the level of compliance maintained by the Company are analysed below.

CORPORATE GOVERNANCE

| Rule No: | Rule of Corporate Governance | Status of Compliance | Details |
|------------|---|----------------------------------|---|
| 7.10.1 | Two or one third of Directors, whichever is higher, should be Non – Executive Directors. | Complied | The Board comprises twelve Non-Executive Directors. |
| 7.10.2 (a) | Two or one third of Non-Executive Directors appointed to the Board of Directors, whichever is higher shall be “independent”. | Complied | The Board comprises four independent Non-Executive Directors. |
| 7.10.2 (b) | Each Non-Executive Director to submit a declaration of his/her independence or non-independence in the prescribed format. | Complied | The Non-Executive Directors have submitted the declaration. |
| 7.10.3 (a) | The names of Directors determined to be independent should be disclosed in the annual report. | Complied | Please refer page 6 |
| 7.10.3 (b) | In the event a Director does not qualify as independent as the criteria set out in corporate governance, but if the Board is of the opinion that the Director is nevertheless independent, that shall specify the criteria not met and basis of the determination in the annual report. | Not applicable | No such determination required. |
| 7.10.3 (c) | A brief resume of each Director including the areas of expertise should be published in the annual report. | Complied | Please refer page 18-24 |
| 7.10.3 (d) | Provide a brief resume of new Director appointments to the CSE. | Complied | A brief resume of each such new appointment has been provided to the CSE as specified |
| 7.10.5 | A listed company shall have a Remuneration Committee. | Complied | Please refer page 60 |
| 7.10.5 (a) | The Remuneration Committee shall comprise a minimum of two independent Non-Executive Directors or Non-Executive Directors majority of whom shall be independent whichever is higher. | Complied | The Remuneration Committee consists of two independent Non-Executive Directors |
| | One Non Executive Director shall be appointed as Chairman of the Committee by the Board | Complied | Mr. K.I. Dharmawardena functions as Chairman of the Remuneration Committee. |
| 7.10.5 (b) | The Remuneration Committee shall recommend the Remuneration of the Chief Executive Officer and the Executive Directors. | Complied | Please Refer Page 60 |
| 7.10.5 (c) | The annual report should set out: The names of Directors comprising the Remuneration Committee A statement of remuneration policy The aggregate remuneration paid to Executive and Non-Executive Directors. | Complied Complied Complied | Please refer page 60 Please refer page 60 Please refer page 177 |

| Rule No: | Rule of Corporate Governance | Status of Compliance | Details |
|---------------|--|----------------------|--|
| 7.10.6 | A listed Company shall have an Audit Committee | Complied | Please refer page 58 |
| 7.10.6 (a) | The Audit Committee shall comprise a minimum of two independent Non-Executive Directors or a Non-Executive Directors a majority of whom shall be independent, whichever is higher. | Complied | The Audit Committee consists of two independent Non-Executive Directors. |
| | One Non-Executive Director shall be appointed as Chairman of the Audit Committee by the Board. | Complied | Mr. D.H.J. Gunawardena functions as the Chairman of the Audit Committee |
| | The Chairman or one member of the committee should be a member of a recognized professional accounting body. | Complied | Chairman of the Audit Committee is Fellow Member of the Chartered Institute of Management Accountants (UK) |
| | The Chief Executive Officers and Chief Financial Officers shall attend Audit Committee meetings | Complied | Please refer Page 57 |
| 7.10.6 (b) | Confirmation of functions of the Audit Committee is in accordance with the rules. | Complied | Please refer page 58 |
| 7.10.6 (c) | The annual report should set out: The names of the Directors who comprise the Audit committee | Complied | Please refer page 58 |
| | The Audit Committee should make a determination of the independence of the auditors and shall disclose the basis for such determination. | Complied | Please refer page 58 |
| | A report by the Audit Committee setting out the manner of compliance of the functions during the period. | Complied | Please refer page 58 |
| 7.10.7 | In the event a listed entity fails to comply with any of requirement contained in Rule 7.10 of these Rules, such entity shall make an immediate announcement to the Market via the exchange on such non-compliance, not later than one market day from the date of non-compliance. | Not Applicable | |
| 9.2.1 & 9.2.3 | Related Party Transactions Review Committee | Complied | The functions of the Committee are stated in Related Party Transactions Review Committee report in page 61 |
| 9.2.2 | Composition of the Related Party Transactions Review Committee | Complied | Please refer page 57 |
| 9.2.4 | Related Party Transactions Review Committee Meetings | Complied | Please refer page 69 |

CORPORATE GOVERNANCE

| Rule No: | Rule of Corporate Governance | Status of Compliance | Details |
|-----------|---|----------------------|---|
| 9.3.1 | Immediate Disclosures | Complied | Company did not have any non-recurrent related party transactions, which require immediate disclosure to the Colombo Stock Exchange. |
| 9.3.2 (a) | Disclosure- Non-recurrent Related Party Transactions | Complied | Company did not have any non-recurrent related party transactions with aggregate value, which exceeds 10% of the equity or 5% of total assets whichever is lower. Hence, no disclosure is required. |
| 9.3.2 (b) | Disclosure- Recurrent Related Party Transactions | Complied | Company being holding, Company has dividend income from related parties, which is disclosed in page 177 .even though it is below 10% of revenue of group. |
| 9.3.2 (c) | Report by the Related Party Transactions Review Committee | Complied | Please refer page 61 |
| 9.3.2 (d) | A declaration by the Board of Directors | Complied | Please refer page 73 |

BOARD COMMITTEES

The Board has delegated some of its functions to Board committees while retaining final decision rights pertaining to matters under the purview of these committees.

DETAILS OF THE BOARD COMMITTEES

| | Audit Committee | Remuneration Committee | Related Party Transactions Review Committee |
|--------------------------|--|---|---|
| Chairman (Non-Executive) | Mr. D.H.J. Gunawardena | Mr. K.I. Dharmawardena | Mr. D.H.J. Gunawardena |
| Members (Non-Executive) | Mr. K.I. Dharmawardena Mr. Yu Kitai | Mr. D.H.J. Gunawardena Mr. H.D.K.P. Alwis | Mr. K.I. Dharmawardena Mr. P.A. Jayawardena Mr. U. Witharana |
| Members (Executive) | | | Mr. T.N.M. Peiris |
| Secretary | Mrs. Nilika Abhayawardhana | Mrs. Nilika Abhayawardhana | Mrs. Nilika Abhayawardhana |
| Invitees | Director – Finance Head of Internal Audit External Auditors | Director – Finance | |
| Agenda | Available | Available | Available |
| Planned Frequency | Quarterly | Bi-annually | Quarterly |
| Notice for meeting | As per agreed annual calendar | As per agreed annual calendar | As per agreed annual calendar |
| Professional Advice | Available | Available | Available |
| Terms of Reference | Available | Available | Available |
| Objectives | <p>Review and make recommendations to the Board for approval of annual accounts of the Company including the quarterly financial statements</p> <p>Review the effectiveness of the risk management and internal control processes and make recommendations for improvement,</p> <p>Review the compliance with financial reporting requirements and other relevant legislation.</p> <p>Review internal and external audit plans and reports of internal and external auditors and follow up on recommendations</p> <p>Review the scope of annual audit and its fee with the External Auditors and the Management.</p> <p>Determine the External Auditors fee and make recommendations to the Board on their appointment and their ceasing to hold office.</p> | <p>Review and approve remuneration policy applicable to the employees of the company in line with the industry benchmarks</p> <p>Ensure that the company has acceptable performance appraisal systems for all employees</p> <p>Review and recommend to the Board the remunerations to be paid to Directors and Senior Management.</p> | <p>To evaluate and consider all transactions that require approval</p> <p>To review the transactions by ensuring compliance with laws and regulations in relation to the related party transactions</p> <p>To ensure that necessary processes are in place to identify, approve, disclose and monitor related party transactions</p> <p>To ensure that related parties are treated on par with other shareholders and constituents of the Company</p> |

BOARD AUDIT COMMITTEE REPORT

This report explains the Committee's responsibilities and illustrates how it has delivered on them, whilst also considering and responding to how the business has evolved during the year. Key activities during the year have included assessing the ongoing effectiveness of internal controls and reviewing compliance with legislation. In addition, the Committee has monitored progress on the implementation of Accounting Standards as well as the appropriateness of the Group's going concern, viability assessment, financial reporting and accounting judgments. The Committee operates in accordance with the principles of the Sri Lanka Financial Reporting Standards and the Code of Best Practice on Corporate Governance (2017) ("the Code") and the associated recommendations set out by the Sri Lanka Accounting & Auditing Standards Monitoring Board (SLAASMB).

ROLE OF THE COMMITTEE

The role of the Audit Committee is to monitor the integrity of financial information and to provide assurance to the Board that the Group's internal controls and risk management systems are appropriate and regularly reviewed, along with overseeing the work of the External Auditors, approving their remuneration and recommending their appointment. In addition to the disclosure requirements relating to Audit Committees under the Code, the Committee's Report sets out the areas of significant and particular focus of the Committee over the course of the year. The Committee also provides oversight over the independence and performance of the Internal Auditors.

The Committee reviews the Quarterly Regulatory Compliance Reports submitted to the Committee and observes whether the Company's compliance framework provides reasonable assurance that all relevant laws, regulations, code of ethics and standards of conduct have been followed. Any instances of non-compliance are included in the Audit Committee's reports to the Board of Directors and followed up to ensure that appropriate corrective action is taken.

COMPOSITION

The composition of the Committee as at date is as follows

| Name of the Member | Directorship Status | | Membership Status |
|-----------------------|---------------------|----------------|-------------------|
| | Independent | Non -Executive | |
| Mr D.H.J. Gunawardena | Yes | Yes | Chairman |
| Mr K.I. Dharmawardena | Yes | Yes | Member |
| Mr. Yu kitai | No | Yes | Member |

The Code requires that at least one member of the Committee has recent and relevant financial experience. The Board is satisfied that the Chairman meets these requirements, being a Fellow Member of Chartered Institute of Management Accountants, U.K, with over 45 years of post qualifying experience . In addition, the Board considers that the Committee has the necessary competence and broad experience relevant to the sector in which company operates as required by the Code. The biographical details of the members of the Board Audit Committee are given on page 57.

The Company Secretary acts as the secretary to the Audit Committee. The Director Finance of the Company and respective officers of Subsidiary Companies attend meetings of the Committee by invitation. The External Auditors, Messrs. Ernst & Young, were provided adequate access to ensure that they had no cause to compromise their independence and objectivity. Proceedings of the audit committee meetings are reported regularly to the Board of Directors.

MEETINGS AND ATTENDANCE

The Audit Committee met four times during the year. Attendance by the Committee members at each of these meetings is given in the table on page 69 of the Annual Report.

Agendas of the meetings were prepared and distributed to the committee in advance of the meetings.

INTERNAL AUDIT

The Audit Committee reviewed the independence, objectivity & performance of the internal audit function of subsidiary companies and the adequacy of its resources. Internal audit reports submitted to the committee and audit findings presented in the reports were prioritized based on risk levels. Follow up reviews are scheduled to ascertain that audit recommendations are being acted upon. The Committee reviewed the process to assess the effectiveness of the internal financial controls that have been designed to provide reasonable assurance to the Directors that assets are safeguarded and that the financial reporting system can be relied upon in the preparation and presentation of Financial Statements.

EXTERNAL AUDIT

The Committee held a meeting with the External Auditors to review the nature, approach, scope of the audit and the Audit Management Letters. Action was taken by the management in response to the issues raised, to ensure that internal controls were in place. The Audit Committee reviewed the other services provided by the External Auditors to the Company in order to ensure that their independence as Auditors had not been compromised.

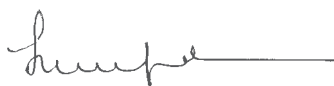
CONCLUSION

The Committee received information and support from management during the year to enable it carry out its duties and responsibilities effectively.

The Committee is satisfied that the Company's internal controls are effectively implemented as designed to assess and manage risks and that the Company's assets are adequately safeguarded. The Company's Internal and External Auditors have been effective and have acted independently throughout the period under review.

The Committee is also satisfied that the operational controls and the application of appropriate accounting policies provide reasonable assurance that the financial statements of the Company are true and fair.

The Audit Committee has proposed to the Board of Directors that Messrs. Ernst & Young, Chartered Accountants be recommended for re-appointed as Statutory Auditors of the Company for the financial year ending 31st December 2021 subject to approval by the shareholders at the next Annual General Meeting



D.H.J. Gunawardena

Chairman - Audit Committee

17th March 2021

REPORT OF THE REMUNERATION COMMITTEE

The Remuneration Committee was established for the purpose of recommending the remuneration of the Chairman/Chief Executive Director and the Executive Directors. The Committee is committed to the principles of accountability and transparency and ensuring that remuneration arrangements align rewards with performance.

COMPOSITION

The Committee, as at 31st December 2020, comprised of the following members;

Mr. K.I. Dharmawardena (Independent Non-Executive Director) – Chairman of the Committee

Mr. D.H.J. Gunawardena (Independent Non-Executive Director)

Mr. H.D.K.P. Alwis (Non-Executive Director)

The Company Secretary functions as the Secretary to the Remuneration Committee.

The Committee's composition met the requirements of the rule 7.10.5 of Listing Rules of the Colombo Stock Exchange.

The Chairman/Chief Executive Officer attends the meetings by invitation, other than in instances where matters relating to the CEO are being discussed.

MEETINGS

The Committee met two (2) times during the year 2020. The attendance of committee members at meetings is stated in the table on page 69.

FUNCTIONS

The Remuneration Committee is responsible for determining and periodically reviewing Remuneration Policy and determining the remuneration packages of Chairman/Chief Executive Director and the Executive Directors. The Committee recommends to the Board, the remuneration to be paid to Key Management Personnel. The Committee ensure the maintaining and developing competitive and attractive remuneration packages for employees.

REMUNERATION POLICY

The remuneration policy is designed to reward, motivate and retain the Company's executive management team, with market competitive remuneration and benefits, to support the continued success of the business and creation of value as per the business model. In discharging its responsibilities, the Committee has carefully reviewed and made recommendations to the remuneration policy of the Company while ensuring industry norms.

DIRECTORS' REMUNERATION

The aggregate remuneration paid to Executive and Non-Executive Directors during the year under review is given in note 47(a) to the Financial Statements.

On behalf of the Remuneration Committee.



K.I. Dharmawardena
Chairman – Remuneration Committee

17th March 2021

REPORT OF THE RELATED PARTY TRANSACTIONS REVIEW COMMITTEE

The Related Party Transactions Review Committee (RPTC) is a formally constituted sub-committee of the Board of Directors and reports to the Board.

The primary function of the Committee is to review Related Party Transactions (RPT) as prescribed in Section 9 of the Listing Rules of the Colombo Stock Exchange, to ensure that related party transactions are on normal commercial terms and similar to those afforded to non-related parties.

COMPOSITION

The following Directors served as members of the Committee during the financial year under review;

Mr. Herschel Gunawardena (Chairman) - Independent Non Executive Director

Mr. K.I. Dharmawardena - Independent Non Executive Director

Mr. T.N.M. Peiris - Executive Director

Mr. P.A. Jayawardena - Non Executive Director

Mr. Upali Witharana - Non Executive Director

The Company Secretary functions as the Secretary to the Committee.

The Committee was established to advise the Board with regard to transactions with the related parties as defined by the Sri Lanka Accounting Standard, LKAS 24. The Committee also exercises oversight function on behalf of the Board of Ceylinco Insurance PLC and its Subsidiaries, to ensure compliance with the Code on Related Party Transactions issued by the Securities and Exchange Commission of Sri Lanka and with the Listing Rules

of the Colombo Stock Exchange (CSE). The Committee has also adopted best practices as recommended by the Institute of Chartered Accountants of Sri Lanka and CSE and has taken steps to ensure that the RPT Policy of the company is consistent with the above. The Board of Directors recognize that the above rules and best practices are to ensure that the interests of the shareholders as a whole are taken into account when entering into RPTs and to prevent Directors, Key Management Personnel or shareholders with substantial shareholding, taking advantage of his or her position.

Declarations are obtained from each Director/Key Management Personnel of the Company in order to identify any parties related to them in the company or companies where they hold office. Based on the information furnished in these declarations, the Company retrieves data on related party transactions from the database of the Company.

The Committee, in discharging its functions primarily relied on processes that were validated from time to time and periodic reporting by the relevant entities and Key Management Personnel, to ensure;

- that there is compliance with the Code of Best Practice on Related Party Transactions issued by the Securities and Exchange Commission of Sri Lanka and with the Listing Rules of the Colombo Stock Exchange.
- that the shareholder interests are protected and
- that fairness and transparency are maintained.

MEETINGS

The Committee had four meetings during the year 2020. The meeting attendance of the members is set out in page 69 of this Annual Report.

The activities and views of the Committee have been communicated to the Board of Directors, quarterly by tabling the minutes of the Committee's meetings and briefing the Board on appropriate matters.

DECLARATION

During the year under review, there were no non-recurrent or recurrent related party transactions that exceeded the respective thresholds mentioned in the Listing Rules requiring disclosure in the Annual Report. Details of other related party transactions entered into by the Company during the year is disclosed in Note 47 to the Financial Statements.

A declaration by the Board of Directors in the Annual report as a negative statement that no related party transactions falling within the ambit of the Listing Rules was entered into by the Company during the financial year 2020, is given in page 73 of the Annual Report.



Mr. D.H.J. Gunawardena
Chairman - Related Party Transactions Review Committee

17th March 2021

NOMINATION COMMITTEE REPORT

PURPOSE OF THE COMMITTEE

The Nomination Committee was established for the purpose of assisting the Board in relation to new appointments, retirement, re-election, succession and training needs of the Board of Directors. The Committee ensures that the Board possesses the right combination of knowledge for its effective functioning and evaluates the board composition, combined experience, skills and knowledge.

TERMS OF REFERENCE

Terms of Reference is governed by the Code of Best Practice on Corporate Governance issued by the Institute of Chartered Accountants of Sri Lanka and recommended best practices.

COMPOSITION OF THE COMMITTEE

The members of the Nomination Committee for the year 2020 were as follows.

Mr. D.H.J. Gunawardena - Chairman
(Independent Non-Executive Director)

Mr. K.I. Dharmawardena - Independent
Non-Executive Director

Mr. R. Renganathan - Non-Executive
Director

Mr. H.D.K.P. Alwis - Non-Executive Director

Mr. U. Witharana - Non-Executive Director

Mr. P.A. Jayawardena - Non-Executive
Director

KEY OBJECTIVES OF THE COMMITTEE

The Committee focuses on the following when discharging its duties;

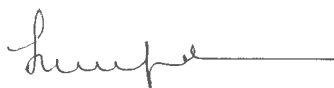
- Regular review of structure, composition and competencies of the Board.
- Identification and recommendation of suitable Directors for appointment to the Board and Sub Committees.
- Consideration of selection and appointment of a Chairman in case a vacancy arises.
- Consideration of a succession plan for all Key Management Personnel.
- Recommendations with regard to re-appointment of Directors, taking into account the performance and contribution made by Directors.
- Recommendation of any other matters referred to it by the Board of Directors.

SECRETARY TO THE COMMITTEE

The Company Secretary serves as the secretary to the Nomination Committee.

PROFESSIONAL ADVICE

The Committee has the authority to seek external professional advice on matters within its purview whenever required.



Mr. D.H.J. Gunawardena
Chairman - Nominations Committee

17th March 2021

STATEMENT OF DIRECTORS' RESPONSIBILITY

The responsibilities of the Directors in relation to the financial statements of the Company differ from the responsibilities of the Auditors, which are set out in their report appearing on page 75.

The Companies Act No. 7 of 2007, requires the Directors to prepare financial statements for each financial year giving a true and fair view of the state of affairs of the Company as at end of the financial year and of the Profit or Loss of the Company for the financial year. In preparing the financial statements appropriate accounting policies have been selected and applied consistently, reasonable and prudent judgements and estimates have been made and applicable accounting standards have been followed.

The Directors are responsible for ensuring that the Company keeps sufficient accounting records to disclose with reasonable accuracy, the financial position of the Company and for ensuring that the financial statements have been prepared and presented in accordance with the Sri Lanka Accounting Standards and provide

the information required by the Companies Act No. 7 of 2007. They are also responsible for taking reasonable measures to safeguard the assets of the Company and in that context to have a proper regard to the establishment of appropriate systems of internal control with a view to preventing and detecting fraud and other irregularities.

The Directors continue to adopt the going concern basis in preparing Accounts. The Directors, after making enquiries and following a review of the Company's budget for 2021 to 2022 including cash flows and borrowing facilities, consider that the Company has adequate resources to continue in operation.

BY ORDER OF THE BOARD



Mrs. Nilika Abhayawardhana
Company Secretary

17th March 2021

COMPLIANCE REPORT

In respect of the financial year ended 31st December, 2020 of Ceylinco Insurance PLC:

- ☛ All documents required by the Companies Act No. 7 of 2007 to be filed with the Registrar of Companies have been duly filed and compliance has been made with all other legal requirements in connection with the said Companies Act.
- ☛ All Dividend cheques have been dispatched by the due date.



Mrs. Nilika Abhayawardhana
Company Secretary

17th March 2021

FINANCIAL CALENDAR - 2021

| | |
|------------------------------|---------------------|
| Annual Report 2020 | 31st March 2021 |
| Annual General Meeting | 6th May 2021 |
| Interim Report - 1st Quarter | 13th May, 2021 |
| Interim Report - 2nd Quarter | 13th August, 2021 |
| Interim Report - 3rd Quarter | 12th November, 2021 |
| Interim Report - 4th Quarter | 25th February, 2022 |

A red leather punching bag hangs vertically in the center of a gym. The background is filled with stacks of boxing gloves in various colors (black, white, red, blue, yellow) on shelves. The gym has a blue wall and a dark floor. The text "FIT TO FACE THE FUTURE" is overlaid in large white letters.

FIT TO FACE THE FUTURE

Financial Information

REPORT OF THE DIRECTORS

The Directors are pleased to submit their report together with the Audited Statements of Income, Statements of Comprehensive Income, Statements of Changes in Equity, Statements of Cash Flow and the Statement of Financial Position of Ceylinco Insurance Group for the year ended 31st December, 2020, and the Report of the Auditors thereon.

REVIEW OF OPERATIONS

The Chairman's and the Deputy Chairman's Reviews on pages 10 to 17 contain a detailed description of operations carried out in the year under review and projected developments.

The principal activities of the Group constitute Management of Investment, Insurance Operations, Health Care Operations, Education and Power Generation.

| As at 31 December | Group | | Company | |
|--|-----------------|-----------------|-----------------|-----------------|
| | 2020 Rs.'000 | 2019 Rs.'000 | 2020 Rs.'000 | 2019 Rs.'000 |
| Profit After Taxation (After Non - Controlling Interest) | 9,276,359 | 8,543,718 | 286,479 | 1,265,098 |
| Add : Balance Brought Forward | 41,501,562 | 35,174,468 | 14,572,812 | 14,232,220 |
| Changes in Ownership in Group Companies | (6,699) | 17,780 | - | - |
| Other Comprehensive Income for the Period | (1,134,122) | (1,309,898) | - | - |
| Funds Available for Appropriation | 49,637,100 | 42,426,068 | 14,859,291 | 15,497,318 |
| Appropriation : Dividend Paid - Final | (1,003,750) | (924,506) | (1,003,750) | (924,506) |
| Unappropriated Profit Carried Forward | 48,633,350 | 41,501,562 | 13,855,541 | 14,572,812 |

TRANSFER TO RESERVES AND PROVISIONS

There were no transfers other than those mentioned above to or from reserves or provisions except for normal amounts set aside for items such as depreciation, outstanding claims and unexpired risks as shown in the accounts.

SHARE CAPITAL

During the Financial year under review, no shares were issued.

The Stated Capital of the Company as at 31st December, 2020 was Rs. 1,324,822,000 and is represented by issued and fully paid 20,000,000 voting ordinary shares and 6,414,480 non voting ordinary shares.

DIVIDENDS

Two main subsidiary companies being M/s Ceylinco Life Insurance Ltd. and Ceylinco General Insurance Ltd. are awaiting Insurance Regulatory Commission of Sri Lanka (IRCSL) clearance to declare their respective dividends for the year ended 31st December 2020.

Hence, Directors recommendation with regard to dividend per share for the year ended 31st December 2020 is yet to be decided as at date of finalising this Annual Report.

DIRECTORS

A.R. Gunawardena, R. Renganathan, H.D.K.P. Alwis, E.T.L. Ranasinghe, W.C.J. Alwis, P.D.M. Cooray, K.I. Dharmawardena, D.H.J. Gunawardena, P.A. Jayawardena, N.D. Nugawela, T.N.M. Peiris, U. Witharana, S.R. Abeynayake, S.H.J. Weerasuriya, Yu Kitai and N. Vasantha Kumar were the Directors of the Company during the financial year ended 31st December, 2020.

In accordance with the Articles of Association of the Company, Messers. E.T.L. Ranasinghe, Mr. P.D.M. Cooray and Mr. H.D.K.P. Alwis retire by rotation and being eligible, offer themselves for re-election.

Mr. D.H.J. Gunawardena being a Director was 71 years of age in December, 2020. In accordance with the Companies Act No. 07 of 2007. Mr. D.H.J. Gunawardena has to retire thereafter and being eligible offers himself for re-election.

A Special Notice has been received from a shareholder to move a resolution as an ordinary resolution that Mr. D.H.J. Gunawardena be re-elected as a Director and that the age limit specified in Section 210 of the Companies Act No. 07 of 2007 shall not apply to Mr. D.H.J. Gunawardena.

DIRECTORS' MEETINGS

The number of Board Meetings held during the financial year under review were five meetings and the number of meetings attended by each Director of the Company were as follows :

| | No. of Board Meetings attended |
|------------------------|--------------------------------|
| Mr. A.R. Gunawardena | 5/5 |
| Mr. R. Renganathan | 5/5 |
| Mr. H.D.K.P. Alwis | 5/5 |
| Mr. E.T.L. Ranasinghe | 5/5 |
| Dr. W.C.J. Alwis | 5/5 |
| Mr. P.D.M. Cooray | 5/5 |
| Mr. K.I. Dharmawardena | 5/5 |
| Mr. D.H.J. Gunawardena | 5/5 |
| Mr. P.A. Jayawardena | 5/5 |
| Mr. N.D. Nugawela | 3/5 |
| Mr. T.N.M. Peiris | 5/5 |
| Mr. U. Witharana | 5/5 |
| Mr. S.R. Abeynayake | 5/5 |
| Mr. S.H.J. Weerasuriya | 5/5 |
| Mr. Yu Kitai | 5/5 |
| Mr. N. Vasantha Kumar | 5/5 |

DIRECTORS' INTEREST IN SHARES

The Articles of Association of the Company does not stipulate the Directors to hold shares of the Company, as qualifying shares.

Directors' Interest in Shares of the Company are as follows:

(including 'Close Family Members')

REPORT OF THE DIRECTORS

| As at 31 December | Voting Shares | | Non Voting Shares | |
|---|------------------|------------------|-------------------|----------------|
| | as at | as at | as at | as at |
| | 31.12.2020 | 31.12.2019 | 31.12.2020 | 31.12.2019 |
| Mr. A.R. Gunawardena (Mr. A.R. Gunawardena 130 voting shares and 55 non voting shares; and joint with Mrs. K.S. Gunawardena 121,698 voting shares and 8,600 non voting shares) (Mrs. K.S. Gunawardena 14,900 voting shares and 7,702 non voting shares) | 121,828 | 121,828 | 8,655 | 8,655 |
| Mr. R. Renganathan (Mr. R. Renganathan 123,271 voting shares and joint with Mrs. T.R.S. Renganathan 3,626 voting shares) | 126,897 | 126,897 | NIL | NIL |
| Mr. H.D.K.P. Alwis Mr. H.D.K.P. Alwis joint with Mrs. S.R. Alwis | 3,200 NIL | 3,200 NIL | NIL 2,000 | NIL 2,000 |
| Mr. E.T.L. Ranasinghe | 9,245 | 9,245 | NIL | NIL |
| Dr. W.C.J. Alwis Waldock Mackenzie Limited / Dr. W.C.J. Alwis | 526,692 2,339 | 526,692 2,339 | 219,041 NIL | 219,041 NIL |
| Mr. P.D.M. Cooray | 10,024 | 9,629 | NIL | NIL |
| Mr. K.I. Dharmawardena People's Leasing & Finance PLC / Mr. K.I. Dharmawardena | 28 11,000 | 28 10,736 | NIL NIL | NIL NIL |
| Mr. D.H.J. Gunawardena | NIL | NIL | NIL | NIL |
| Mr. P.A. Jayawardena | 3,463 | 3,463 | 134 | 134 |
| Mr. N.D. Nugawela | 3,539 | 3,539 | 510 | 510 |
| Mr. T.N.M. Peiris (Mrs. P.S. Peiris 212 voting shares) | 24,831 | 24,831 | 2,000 | 2,000 |
| Mr. U. Witharana | 2,605 | 2,605 | 512 | 512 |
| Mr. S.R. Abeynayake | 9,790 | 9,790 | 200 | 200 |
| Mr. S.H.J. Weerasuriya | NIL | NIL | 600 | 600 |
| Mr. Yu Kitai | NIL | NIL | NIL | NIL |
| Mr. N. Vasantha Kumar | NIL | NIL | NIL | NIL |

The Directors' dealings of the Shares of the Company are in line with the regulations of the Colombo Stock Exchange and in keeping with the regulations of the Company.

DIRECTORS' INTEREST IN CONTRACTS

The Directors of the Company have no direct or indirect interest in any contract or proposed contract with the Company except those specified in the annexed schedule, which have been disclosed and declared at meetings of Directors.

CORPORATE GOVERNANCE

The Audit Committee held four meetings and the Remuneration Committee held two meetings and Related Party Transactions Review Committee held four meetings during the year 2020.

The number of meetings attended by each Director (who are members of the respective committees) are as follows:

| Name of Committee Member | Audit Committee | Remuneration Committee | Related Party Transactions Review Committee |
|--------------------------|-----------------|------------------------|---|
| Mr. D.H.J. Gunawardena | 4/4 | 2/2 | 4/4 |
| Mr. K.I. Dharmawardena | 4/4 | 2/2 | 4/4 |
| Mr. T.N.M. Peiris | Non Member | Non Member | 4/4 |
| Mr. P.A. Jayawardena | Non Member | Non Member | 3/4 |
| Mr. U. Witharana | Non Member | Non Member | 4/4 |
| Mr. Yu Kitai | 4/4 | Non Member | Non Member |
| Mr. H.D.K.P. Alwis | Non Member | 1/2 | Non Member |

The four Non Executive "independent" Directors have duly submitted to the Board their declarations as to their "independence", and the other eight Non Executive Directors also have submitted their declarations. These have been tabled at the Board Meetings.

ANALYSIS OF SHAREHOLDERS

| (Voting) Holding Range (Shares) | Number of Shareholders | Number of Shares | % |
|------------------------------------|------------------------|------------------|-------|
| 1-1000 | 1,904 | 375,124 | 1.88 |
| 1001-10000 | 422 | 1,052,785 | 5.26 |
| 10001-100000 | 22 | 433,791 | 2.17 |
| 100001-1000000 | 13 | 6,274,416 | 31.37 |
| Over 1000000 | 5 | 11,863,884 | 59.32 |
| Total as at 31st December 2020 | 2,366 | 20,000,000 | 100 |

ANALYSIS OF SHAREHOLDERS

| (Non Voting) Holding Range (Shares) | Number of Shareholders | Number of Shares | % |
|--|------------------------|------------------|-------|
| 1-1000 | 1,335 | 257,932 | 4.02 |
| 1001-10000 | 110 | 373,339 | 5.82 |
| 10001-100000 | 20 | 637,374 | 9.94 |
| 100001-1000000 | 10 | 2,208,345 | 34.43 |
| Over 1000000 | 1 | 2,937,490 | 45.79 |
| Total as at 31st December 2020 | 1,476 | 6,414,480 | 100 |

REPORT OF THE DIRECTORS

ANALYSIS OF SHAREHOLDINGS

INSTITUTIONAL / NON – INSTITUTIONAL

(VOTING)

| Shareholder Category | Number of Shareholders | Total Shareholdings | Holding % |
|----------------------|------------------------|---------------------|-----------|
| Individuals | 2,219 | 3,305,331 | 16.53 |
| Institutions | 147 | 16,694,669 | 83.47 |
| | 2,366 | 20,000,000 | 100.00 |

INSTITUTIONAL / NON – INSTITUTIONAL

(NON VOTING)

| Shareholder Category | Number of Shareholders | Total Shareholdings | Holding % |
|----------------------|------------------------|---------------------|-----------|
| Individuals | 1,405 | 1,231,225 | 19.19 |
| Institutions | 71 | 5,183,255 | 80.81 |
| | 1,476 | 6,414,480 | 100.00 |

Share Ownership Distribution Analysis as at 31.12.2020

| Local Companies % | | Local Individuals % | | Foreign Companies % | | Foreign Individuals % | |
|-------------------|------------|---------------------|------------|---------------------|------------|-----------------------|------------|
| Voting | Non Voting | Voting | Non Voting | Voting | Non Voting | Voting | Non Voting |
| 51.42 | 26.69 | 16.51 | 19.05 | 32.05 | 54.12 | 0.02 | 0.14 |

The percentage of 'Public Holding' (as per Circular no. 05/2013 of 30/12/2013 of the Colombo Stock Exchange) is 83.54% of the issued Voting share capital (represented by 2346 shareholders).

Float adjusted market capitalisation as at 31st December, 2020 : Rs. 33,379,242,400/=

The company is in compliance with Minimum Public Holding Requirements as at reporting date under option 1 of CSE listing rule 7.13.1(a).

**THE 20 MAJOR SHAREHOLDERS AS AT 31.12.2020
(VOTING)**

| Shareholder | Holding as at 31-12-2020 No. of Shares | % of the Issued Share Capital as at 31-12-2020 | Holding as at 31-12-2019 No. of Shares |
|--|--|---|--|
| Global Rubber Industries (Private) Limited | 4,450,135 | 22.25 | 4,450,135 |
| Mitsui Sumitomo Insurance Company Limited | 3,000,000 | 15.00 | 3,000,000 |
| Banque Pictet & Cie SA | 2,145,079 | 10.73 | 2,145,079 |
| Shriram City Union Finance Limited | 1,264,470 | 6.32 | 1,264,470 |
| Eurocorp Investments (Pvt) Ltd | 1,004,200 | 5.02 | 1,000,000 |
| Mr. Prabhash Subasinghe | 912,981 | 4.56 | 912,981 |
| Ceylinco Insurance PLC A/C No. 03 (Employees' Gratuity Trust Fund) | 865,724 | 4.33 | 865,724 |
| Citizens Development Business Finance PLC | 663,624 | 3.32 | 663,624 |
| Global Sea Foods (Private) Limited | 632,110 | 3.16 | 632,110 |
| Dr. Watuthanthrige Chakrine Jagath Alwis | 526,692 | 2.63 | 526,692 |
| Castle Realty (Private) Limited | 525,400 | 2.63 | 525,400 |
| Ceylinco Insurance PLC A/C No. 04 (Pension Fund) | 489,806 | 2.45 | 489,806 |
| Kutrala Private Limited | 463,534 | 2.32 | 463,534 |
| Ceylinco Insurance PLC – A/C No. 05 (The Pension Trust Fund of Ceylinco Insurance PLC) | 403,034 | 2.02 | 403,034 |
| Nephele Private Limited | 392,224 | 1.96 | 307,697 |
| Praesidium Investments (Pvt) Ltd | 150,562 | 0.75 | 150,562 |
| Mr. Rajkumar Renganathan (Mr. R. Renganathan 123,271 shares and joint with Mrs. T.R.S. Renganathan 3,626 shares) | 126,897 | 0.63 | 126,897 |
| Mr. Ajith Rohan Gunawardena (Mr. A.R. Gunawardena 130 shares and joint with Mrs. K.S. Gunawardena 121,698 shares) | 121,828 | 0.61 | 121,828 |
| Lakderana Capital Limited | 60,596 | 0.30 | 59,696 |
| Mr. Jivaka Lalith Bhupendra Kotelawala (Mr. J.L.B. Kotelawala 36,745 shares and joint with Mrs. S.P.C. Kotelawala 18,141 shares) | 54,886 | 0.27 | 54,886 |

REPORT OF THE DIRECTORS

THE 20 MAJOR SHAREHOLDERS AS AT 31.12.2020

(NON VOTING)

| Shareholder | Holding as at 31-12-2020 No. of Shares | % of the Issued Share Capital as at 31-12-2020 | Holding as at 31-12-2019 No. of Shares |
|---|--|---|--|
| Pershing LLC S/A Averbach Grauson & Co. | 2,937,490 | 45.79 | 2,889,528 |
| J.B. Cocoshell (Pvt.) Ltd. | 658,078 | 10.26 | 653,862 |
| SEB AB-Tundra Sustainable Frontier Fund | 289,700 | 4.52 | 289,700 |
| Dr. Watuthantrige Chakrine Jagath Alwis | 219,041 | 3.41 | 219,041 |
| Banque Pictet & Cie SA | 200,000 | 3.12 | 200,000 |
| Deutsche Bank AG AS Trustee for JB Vantage Value Equity Fund | 179,379 | 2.80 | 179,379 |
| Mr. Piyadasa Rathnayaka | 175,000 | 2.73 | 175,000 |
| Ceylon Investment PLC A/C # 02 | 140,010 | 2.18 | 140,010 |
| Askold (Private) Limited | 118,035 | 1.84 | 118,035 |
| Ceylon Guardian Investment Trust PLC A/C # 02 | 115,256 | 1.80 | 115,256 |
| E.W. Balasuriya & Company (Private) Limited | 113,846 | 1.77 | 113,846 |
| Mr. Yusuf Husseinally Abdulhussein | 84,272 | 1.31 | 84,184 |
| Miss. Rukaiya Husseinally Abdulhussein | 75,034 | 1.17 | 75,034 |
| Rubber Investment Trust Ltd A/C No. 01 | 70,000 | 1.09 | 70,000 |
| Mr. Murtaza Ali Jafferjee | 61,000 | 0.95 | 61,000 |
| People's Leasing & Finance PLC / Mr. H.M. Abdulhussein | 43,297 | 0.67 | 42,590 |
| Hatton National Bank PLC A/C No. 05 (Trading Portfolio) | 34,000 | 0.53 | 34,000 |
| Jafferjee Brothers (Exports) Limited | 30,300 | 0.47 | 30,300 |
| Hatton National Bank PLC A/C No.4 (HNB Retirement Pension Fund) | 30,000 | 0.47 | 30,000 |
| Gold Investment Limited | 28,990 | 0.45 | 30,490 |

PROPERTY, PLANT & EQUIPMENT

The details of Property, Plant and Equipment of the Company are shown in the "Notes to Financial Statements" (Pages 112 to 119).

CURRENT ASSETS

The Directors of the Company have taken reasonable steps to ascertain that whatever current assets of the Company which were unlikely to realise their book values in the ordinary course of business have been written down to their estimated realisable values or adequate provisions have been made for the differences between those values.

POST-BALANCE SHEET DATE EVENTS & UNUSUAL ITEMS

Since the end of the financial year, no change in the assets of the Company have arisen which secures the liabilities of any other persons.

In the opinion of the Directors, no item, transaction or event of a material nature has arisen in the interval between the end of the financial year and the date of this report which would affect substantially, the results of the operations of the Company for the current financial year.

HUMAN RESOURCES

It is a Company policy to provide equal opportunities in the recruitment and employment of staff. During the year under review, the Company has taken numerous measures to ensure staff contentment at all levels.

RELATED PARTY TRANSACTION

The Company has complied with section 9 of the Colombo Stock Exchange (CSE) listing rules in respect of Related Party Transactions.

AUDITORS

The Financial Statements for the year have been audited by M/s. Ernst & Young (Chartered Accountants) who expressed their willingness to continue in office. In accordance with the Companies' Act No. 7 of 2007, a resolution relating to their re-appointment and authorising the Directors to

fix their remuneration will be proposed at the forthcoming Annual General Meeting.

The fees paid to the Auditors are disclosed in note 36 on page 156 to the Financial Statements.

The Auditors of the Company, Messrs. Ernst & Young do not have any relationship with the Company other than that as the Auditors.

BY ORDER OF THE BOARD



A. R. Gunawardena

Executive Chairman/ Chief Executive Officer



R. Renganathan

Non Executive Deputy Chairman



Nilika Abhayawardhana

Company Secretary

31st March 2021

REPORT OF THE DIRECTORS

DIRECTORS' INTERESTS IN CONTRACTS

No Director of the Company is directly or indirectly interested in the contracts of the Company.

The following is a schedule where the Directors of this company held Directorships in other companies during the period 01.01.2020 to 31.12.2020 in which this company has had transactions during the year 2020.

| Name of Company | Mr. A.R. Gunawardena | Mr. H.D.K.P. Alwis | Dr. W.C.J. Alwis | Mr. N.D. Nugawela | Mr. T.N.M. Peiris | Mr. Upali Witharana | Mr. R. Renganathan | Mr. E.T.L.Ranasinghe | Mr. P.D.M. Cooray | Mr. P.A. Jayawardena | Mr. S. R. Abeynayaka | Mr. D. H.J. Gunawardena | Mr. Yu Kitai |
|---|----------------------|--------------------|------------------|-------------------|-------------------|---------------------|--------------------|----------------------|-------------------|----------------------|----------------------|-------------------------|--------------|
| 1 American Education Centre Ltd. | ✓ | ✓ | ✓ | | ✓ | ✓ | | | | | | | |
| 2 CEG Education Holdings (Pvt.) Ltd. | ✓ | ✓ | ✓ | | ✓ | ✓ | | | | | | | |
| 3 Ceylinco General Insurance Ltd | | ✓ | ✓ | | | ✓ | | | | | | | ✓ |
| 4 Ceylinco Insurance Company (Pvt.) Ltd. (Maldives) | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | | | | | | | |
| 5 Ceylinco Investcorp (Pvt.) Ltd. | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | | | | | | | |
| 6 Ceylinco Life Insurance Ltd. | | | | | | | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | |
| 7 Energy Lanka Holdings Ltd. | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | | | | | | | |
| 8 International College of Business & Technology Ltd. | ✓ | ✓ | ✓ | | ✓ | ✓ | | | | | | | |

INDEPENDENT AUDITOR'S REPORT



Ernst & Young
Chartered Accountants
201 De Saram Place
P.O. Box 101
Colombo 10
Sri Lanka

Tel : +94 11 2463500
Fax Gen : +94 11 2697369
Tax : +94 11 5578180
eysl@lk.ey.com
ey.com

TO THE SHAREHOLDERS OF CEYLINCO INSURANCE PLC REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Ceylinco Insurance PLC ("the Company") and the consolidated financial statements of the Company and its subsidiaries ("the Group"), which comprise the statement of financial position as at 31 December 2020, and the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements of the Company and the Group give a true and fair view of the financial position of the Company and the Group as at 31 December 2020, and of their financial

performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Basis for opinion

We conducted our audit in accordance with Sri Lanka Auditing Standards (SLAuSs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the Group in accordance with the Code of Ethics issued by CA Sri Lanka (Code of Ethics) and we have fulfilled our other ethical responsibilities in accordance with the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current

period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

| KEY AUDIT MATTER | HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER |
|---|--|
| <p>1. Life Insurance Contract Liabilities</p> <p>Life Insurance Contract Liabilities amounting to Rs 105.9 Bn (note 23) represent 77% of total liabilities of the Group as at 31 December 2020.</p> <p>Life Insurance Contract Liabilities are determined as described in note 3 (u).</p> <p>This was a key audit matters due to:</p> <ul style="list-style-type: none"> ➤ materiality of the reported Life Insurance Contract Liabilities; ➤ the degree of assumptions, judgements and estimation uncertainty associated with actuarial valuation of Life Insurance Contract Liabilities; and ➤ liability adequacy test carried out to ensure the adequacy of the carrying value of Life Insurance Contract Liabilities. <p>Key areas of significant judgments, estimates and assumptions used in the valuation of the Life Insurance Contract Liabilities included the following:</p> <ul style="list-style-type: none"> ➤ the determination of assumptions such as mortality, morbidity, lapses and surrenders, loss ratios, bonus, interest rate, discount rates and expenses; and ➤ the determination on expected effects of the ongoing COVID 19 pandemic on assumptions. | <p>To assess the reasonableness of the Life Insurance Contract Liabilities, our audit procedures included amongst others the following:</p> <ul style="list-style-type: none"> ➤ We checked the completeness and accuracy of the data used in the valuation of Life Insurance Contract Liabilities by agreeing significant details to source documents and accounting records. ➤ We engaged specialized resources to assess the reasonableness of the assumptions and appropriateness of the method used in the Life Insurance Contract valuation with reference to market data, policyholders experience and impact of COVID 19 on the assumptions. ➤ We assessed the adequacy of the disclosures in note 23, 44 (a) i and 50 to the financial statements. |

INDEPENDENT AUDITOR'S REPORT



| KEY AUDIT MATTER | HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER |
|---|---|
| <p>2. Non-Life Insurance Contract Liabilities</p> <p>Non-Life Insurance Contract liabilities amounting to Rs 13 Bn (note 24) represent 9% of total liabilities of the Group as at 31 December 2020.</p> <p>Non-Life Insurance Contract Liabilities include provision for reported claims, provision for claims IBNR & IBNER and provision for unearned premiums.</p> <p>Non-Life Insurance Contract Liabilities are determined as described in note 3 (v).</p> <p>This was a key audit matters due to:</p> <ul style="list-style-type: none"> ➤ materiality of the reported Non-Life Insurance Contract Liabilities; ➤ the degree of assumptions, judgements and estimation uncertainty associated with valuation of Non-Life Insurance Contract Liabilities; and ➤ liability adequacy test carried out to ensure the adequacy of the carrying value of Non Life Insurance Contract Liabilities. <p>Key areas of significant judgments, estimates and assumptions used in the valuation of the Non-Life Insurance Contract Liabilities included the following:</p> <ul style="list-style-type: none"> ➤ the determining historical experience and business expectation such as previous claim experience, existing knowledge of risk events, industry ultimate loss ratio, claims handling expenses and management expenses; ➤ the determining method used for unearned premium calculation; and ➤ the determining expected effects of the ongoing COVID 19 pandemic on assumptions. | <p>To assess the reasonableness of the Non-Life Insurance Contract Liabilities, our audit procedures included amongst others the following:</p> <ul style="list-style-type: none"> ➤ We checked the completeness and accuracy of the data used in the valuation of Non-Life Insurance Contract Liabilities by agreeing significant details to source documents and accounting records. ➤ We test-checked the unearned premium calculation. ➤ We engaged specialized resources to assess the reasonableness of the assumptions used in the valuations of the non-life insurance contract valuation with reference to the industry data and considering the both historical experience, business expectation and impact of COVID 19 on the assumptions. ➤ We assessed the adequacy of the disclosures in note 24 ,44 (a) ii and 50 to the financial statements. |
| <p>3. Investment in Financial Instruments</p> <p>Financial instruments amounting to Rs 147.3 Bn (note 13) represent 73% of total assets. Financial instruments include financial instruments measured at amortized cost amounting to Rs 122.94 Bn and financial instruments measured at fair value amounting to Rs 24.36 Bn.</p> <p>This was a key audit matters due to:</p> <ul style="list-style-type: none"> ➤ the materiality of the reported financial instruments balance; ➤ high volume of transactions occurred during the year; ➤ significantly exercised management judgements for classification and reclassification of financial instruments and related impact on subsequent measurement and presentation of those instruments; and ➤ significant time required to verify existence of financial instruments. <p>Key areas of significant judgments, estimates and assumptions used by management in the assessment of the financial instruments includes following,</p> <ul style="list-style-type: none"> ➤ the determining expected effects of the ongoing COVID 19 pandemic on the valuation, classification and reclassification of the financial instruments. | <p>Our audit procedures included amongst others the following:</p> <ul style="list-style-type: none"> ➤ We tested the key controls over the process of recognition and classification of financial instruments. ➤ We engaged specialized resources to assess the design, implementation and operating effectiveness of a relevant automated controls including IT general controls within the system. ➤ We assessed the valuation of financial instruments by agreeing details to source documents on sample basis and agreed its balances with independent confirmations. ➤ We assessed Covid 19 impacts on valuation, classification and reclassification of financial instruments. ➤ We assessed the adequacy of the disclosures in note 13,44 (b) and 50 to the financial statements. |

Other Information included in the 2020 Annual Report

Other information consists of the information included in the Annual Report, other than the financial statements and our auditor's report thereon. Management is responsible for the other information.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.



Responsibilities of the management and those charged with governance

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

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

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

Auditor's responsibilities for the audit of the financial statements

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

As part of an audit in accordance with SLAuSs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud

is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal controls of the Company and the Group.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with ethical requirements in accordance with the Code of Ethics regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

As required by section 163 (2) of the Companies Act No. 07 of 2007, we have obtained all the information and explanations that were required for the audit and, as far as appears from our examination, proper accounting records have been kept by the Company.

CA Sri Lanka membership number of the engagement partner responsible for signing this independent auditor's report is 1884.

17 March 2021
Colombo

Partners: W R H Fernando FCA FCMA R N de Saram ACA FCMA Ms. N A De Silva FCA Ms. Y A De Silva FCA W R H De Silva ACA ACMA W K B S P Fernando FCA FCMA
Ms. K R M Fernando FCA ACMA Ms. L K H L Fonseka FCA A P A Gunasekera FCA FCMA A Herath FCA D K Hulangamuwa FCA FCMA LLB (Lond) H M A Jayasinghe FCA FCMA
Ms. A A Ludowyke FCA FCMA Ms. G G S Manatunga FCA A A J R Perera ACA ACMA Ms. P V K N Sajeewani FCA N M Sulaiman ACA ACMA B E Wijesuriya FCA FCMA
Principals: G B Goudian ACMA T P M Ruberu FCMA FCCA

A member firm of Ernst & Young Global Limited

STATEMENT OF FINANCIAL POSITION

| As at 31 December | Page No | Note | Group | | Company | | |
|--|---------|-------|--------------------|--------------------|-------------------|-------------------|--|
| | | | 2020 Rs.'000 | 2019 Rs.'000 | 2020 Rs.'000 | 2019 Rs.'000 | |
| Assets | | | | | | | |
| Goodwill | 110 | 6 | 181,304 | 181,304 | - | - | |
| Other Intangible Assets | 110 | 7 | 388,710 | 398,227 | - | - | |
| Deferred Expenses | 111 | 8 | 1,076,804 | 1,069,807 | - | - | |
| Property, Plant and Equipment | 112 | 9 | 21,998,187 | 22,076,319 | - | - | |
| Right of Use Asset | 119 | 10 | 1,091,054 | 950,426 | - | - | |
| Investment Properties | 120 | 11 | 2,111,922 | 1,182,122 | 153,332 | 153,332 | |
| Investment in Subsidiaries | 123 | 12(a) | - | - | 15,986,821 | 15,986,821 | |
| Investment in Associates | 124 | 12(b) | 5,114,715 | 4,202,612 | 92,514 | 92,514 | |
| Financial Instruments | | | | | | | |
| Held to Maturity Financial Assets | 126 | 13(a) | 51,698,662 | 57,153,974 | - | - | |
| Loans and Receivables | 127 | 13(b) | 71,215,058 | 56,267,699 | 720,277 | 1,512,758 | |
| Available-For-Sale Financial Assets | 127 | 13(c) | 21,301,328 | 13,828,892 | 347,952 | 254,491 | |
| Financial Assets at Fair Value Through Profit or Loss | 129 | 13(d) | 3,174,763 | 2,338,700 | - | - | |
| Employee Gratuity Benefit Asset | 133 | 14 | 4,725,649 | 4,406,230 | - | - | |
| Employee Pension Benefit Asset | 137 | 15 | 1,754,384 | 1,776,779 | - | - | |
| Reinsurance Receivables | 139 | 16 | 4,200,999 | 3,538,374 | - | - | |
| Loans to Life Policyholders | 139 | 17 | 1,282,725 | 1,335,469 | - | - | |
| Income Tax Receivable | 140 | 18 | 56,692 | 73,420 | 35,371 | - | |
| Deferred Tax Assets | 140 | 18(a) | 146,340 | 4,598 | - | - | |
| Insurance Receivables/Trade Debtors | 142 | 19 | 6,952,701 | 6,550,064 | - | - | |
| Other Assets | 142 | 20 | 1,026,839 | 1,436,613 | 6,068 | 21,364 | |
| Cash and Cash Equivalents | 142 | 21 | 1,640,927 | 1,128,411 | 45,555 | 70,727 | |
| Total Assets | | | 201,139,763 | 179,900,040 | 17,387,890 | 18,092,007 | |
| Equity & Liabilities | | | | | | | |
| Equity Attributable to Equity Holders of Parent | | | | | | | |
| Stated Capital | 143 | 22(a) | 1,324,822 | 1,324,822 | 1,324,822 | 1,324,822 | |
| Retained Earnings | | | 48,633,350 | 41,501,562 | 13,855,541 | 14,572,812 | |
| Other Reserves | 144 | 22(b) | 2,980,010 | 2,338,439 | 2,052,247 | 2,042,806 | |
| Revaluation Reserves | | | 4,704,195 | 4,434,995 | - | - | |
| Restricted Regulatory Reserve | 145 | 23(b) | 3,456,184 | 3,456,184 | - | - | |
| Total Ordinary Shareholders' Equity | | | 61,098,561 | 53,056,002 | 17,232,610 | 17,940,440 | |
| Non-Controlling Interests | 159 | 39(a) | 2,323,015 | 2,324,107 | - | - | |
| Total Equity | | | 63,421,576 | 55,380,109 | 17,232,610 | 17,940,440 | |
| Liabilities | | | | | | | |
| Life Insurance Contract Liabilities | 144 | 23 | 105,883,025 | 95,349,737 | - | - | |
| Unit Linked Fund & Other Funds-Life | | | 657,389 | 582,925 | - | - | |
| Non Life Insurance Contract Liabilities | 146 | 24 | 13,033,217 | 12,470,431 | - | - | |
| Employee Gratuity Benefit Liability | 133 | 14 | 337,711 | 267,703 | 14,978 | 5,333 | |
| Deferred Revenue | 147 | 25 | 489,501 | 437,688 | - | - | |
| Interest Bearing Loans & Borrowings | 148 | 26 | 2,071,902 | 2,675,639 | 76,256 | 76,003 | |
| Deferred Tax Liabilities | 141 | 18(b) | 1,171,591 | 964,418 | - | - | |
| Reinsurance Payables | 148 | 27 | 4,560,668 | 3,489,354 | - | - | |
| Trade and Other Payables | 149 | 28 | 9,513,183 | 8,282,036 | 64,046 | 70,231 | |
| Total Liabilities | | | 137,718,187 | 124,519,931 | 155,280 | 151,567 | |
| Total Equity and Liabilities | | | 201,139,763 | 179,900,040 | 17,387,890 | 18,092,007 | |

The Notes on pages 85 through 180 form an integral part of the Financial Statements.

These Financial Statements are prepared in compliance with the requirements of the Companies Act No.07 of 2007.


T.N.M. Peiris

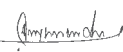
Director/Head of Finance

The Board of Directors is responsible for these Financial Statements.

Signed for and on behalf of the Board by:


A.R. Gunawardena
Executive Chairman /CEO


R. Renganathan
Deputy Chairman


P.A. Jayawardene
Director


Upali Witharana
Director

17 March 2021
Colombo

INCOME STATEMENT

| For the Year Ended 31 December | Page | Note | Group | | | Company | | |
|--|------|--------|--------------|--------------|--------|-----------|-----------|--------|
| | | | 2020 | 2019 | Change | 2020 | 2019 | Change |
| | No | | Rs.'000 | Rs.'000 | % | Rs.'000 | Rs.'000 | % |
| Net Income | 152 | 29.(c) | 55,924,487 | 52,539,868 | 6 | 494,834 | 1,401,344 | (65) |
| Gross Written Premium | 150 | 29.(a) | 43,896,576 | 40,217,891 | 9 | - | - | - |
| Premium Ceded to Reinsurers | 151 | 29.(b) | (8,854,843) | (7,614,913) | 16 | - | - | - |
| Net Written Premium | | | 35,041,733 | 32,602,978 | 7 | - | - | - |
| Net Change in Reserve for Unearned Premium | | | 166,962 | 69,343 | 141 | - | - | - |
| Net Earned Premium | | | 35,208,695 | 32,672,321 | 8 | - | - | - |
| Revenue from Non Insurance Subsidiaries | 106 | 5 | 3,312,190 | 3,756,530 | (12) | - | - | - |
| | | | 38,520,885 | 36,428,851 | | - | - | |
| Fees and Commission Income | 152 | 30 | 977,952 | 1,042,737 | (6) | - | - | - |
| Investment Income | 152 | 31 | 15,202,664 | 14,536,695 | 5 | 494,834 | 1,404,507 | (65) |
| Net Realised Gains | 153 | 32 | 1,054,462 | 346,144 | 205 | - | (3,163) | - |
| Net Fair Value Gains and Losses | 153 | 33 | 168,524 | 185,441 | (9) | - | - | - |
| Other Revenue | | | 17,403,602 | 16,111,017 | | 494,834 | 1,401,344 | |
| Gross Benefits and Claims Paid | 154 | 34.(a) | (22,001,883) | (21,676,070) | 2 | - | - | - |
| Claims Ceded to Reinsurers | 154 | 34.(b) | 3,147,571 | 3,123,552 | 1 | - | - | - |
| Gross Change in Contract Liabilities | 154 | 34.(c) | (10,177,968) | (7,379,267) | 38 | - | - | - |
| Change in Contract Liabilities Ceded to Reinsurers | 154 | 34.(d) | 645,966 | (139,585) | (563) | - | - | - |
| Net Benefits and Claims | | | (28,386,314) | (26,071,370) | | - | - | |
| Cost of Sales - Non Insurance Subsidiaries | 106 | 5 | (883,998) | (1,158,046) | (24) | - | - | |
| Acquisition Cost | 156 | 35 | (4,074,212) | (3,868,493) | 5 | - | - | |
| Other Operating and Administrative Expenses | 156 | 36 | (11,322,480) | (10,596,142) | 7 | (172,207) | (109,902) | 57 |
| Finance Cost | 157 | 37 | (273,088) | (288,606) | (5) | (1,131) | (864) | 31 |
| Total Benefits, Claims and Other Expenses | | | (44,940,092) | (41,982,657) | | (173,338) | (110,766) | |
| Profit Before Share of Associates | | | 10,984,395 | 10,557,211 | 4 | 321,496 | 1,290,578 | (75) |
| Share of Profit of Associates | 124 | 12.(b) | 928,097 | 493,980 | 88 | - | - | - |
| Profit Before Tax | | | 11,912,492 | 11,051,191 | 8 | 321,496 | 1,290,578 | (75) |
| Income Tax Expense | 157 | 38 | (2,534,488) | (2,268,103) | 12 | (35,017) | (25,480) | 37 |
| Profit for the Year | | | 9,378,004 | 8,783,088 | 7 | 286,479 | 1,265,098 | (77) |
| Profit Attributable to: | | | | | | | | |
| Equity Holders of the Parent | | | 9,276,359 | 8,543,718 | | 286,479 | 1,265,098 | |
| Non-Controlling Interests | 159 | 39.(b) | 101,645 | 239,370 | | - | - | |
| | | | 9,378,004 | 8,783,088 | | 286,479 | 1,265,098 | |
| Basic/Diluted Earnings Per Share | 159 | 40 | 351.18 | 323.45 | | 10.85 | 47.89 | |
| Dividend Paid Per Share | 160 | 41 | 38.00 | 35.00 | | 38.00 | 35.00 | |

The notes on pages 85 through 180 form an integral part of the Financial Statements.

STATEMENT OF COMPREHENSIVE INCOME

| For the Year Ended 31 December | Note | Group | | Company | |
|--|------|-----------------|-----------------|-----------------|-----------------|
| | | 2020 Rs.'000 | 2019 Rs.'000 | 2020 Rs.'000 | 2019 Rs.'000 |
| Profit for the Year | | 9,378,004 | 8,783,088 | 286,479 | 1,265,098 |
| Other Comprehensive Income | | | | | |
| Other Comprehensive Income to be reclassified to Income Statement in subsequent period | | | | | |
| Net Gain/(Loss) on Available-for-Sale Assets | 42 | 1,215,891 | (153,791) | 9,441 | (616) |
| Exchange Differences on Translating Foreign Operations | 42 | 9,940 | (3,252) | - | - |
| Income Tax relating to Components of Other Comprehensive Income | 42 | (9,571) | (27,751) | - | - |
| Net Other Comprehensive Income to be reclassified to Income Statement in subsequent period | | 1,216,260 | (184,794) | 9,441 | (616) |
| Other Comprehensive Income not to be reclassified to Income Statement in subsequent period | | | | | |
| Revaluation Surplus/ (Deficit) During the Year | 42 | 691,095 | 2,768,383 | - | - |
| Actuarial Gain/(Loss) on Defined Benefit Plans | 42 | (1,186,607) | (1,362,179) | - | - |
| Income Tax relating to Components of Other Comprehensive Income | 42 | (16,726) | (250,384) | - | - |
| Net Other Comprehensive Income not to be reclassified to Income Statement in subsequent period | | (512,238) | 1,155,820 | - | - |
| Other Comprehensive Income for the Year, Net of Tax | | 704,022 | 971,026 | 9,441 | (616) |
| Total Comprehensive Income for the Year, Net of Tax | | 10,082,026 | 9,754,114 | 295,920 | 1,264,482 |
| Total Comprehensive Income Attributable to: | | | | | |
| Equity Holders of the Parent | | 9,976,655 | 9,143,461 | 295,920 | 1,264,482 |
| Non-Controlling Interests | | 105,371 | 610,653 | - | - |
| | | 10,082,026 | 9,754,114 | 295,920 | 1,264,482 |

The notes on pages 85 through 180 form an integral part of the Financial Statements.

STATEMENT OF CHANGES IN EQUITY

| Group | Attributable to Equity holders of the Parent | | | | | | | | | |
|---|--|----------------------|-------------------------------|-------------------------|-------------------|----------------------------|--------------------------------------|--------------------------------|---------------------------|--------------|
| | Stated Capital | Revaluation Reserves | Restricted Regulatory Reserve | Other Retained Reserves | Retained Earnings | Available-for-Sale Reserve | Foreign Currency Translation Reserve | Ordinary Share-Holders' Equity | Non-Controlling Interests | Total Equity |
| | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 |
| Balance As at 1st January 2019 | 1,324,822 | 3,325,935 | 3,456,184 | 2,057,437 | 35,174,468 | 379,983 | 40,161 | 45,758,990 | 1,890,031 | 47,649,021 |
| Profit for the Year | - | - | - | - | 8,543,718 | - | - | 8,543,718 | 239,370 | 8,783,088 |
| Other Comprehensive Income for the Year | - | 2,094,422 | - | - | (1,309,898) | (182,596) | (2,185) | 599,743 | 371,283 | 971,026 |
| Total Comprehensive Income for the Year | - | 2,094,422 | - | - | 7,233,820 | (182,596) | (2,185) | 9,143,461 | 610,653 | 9,754,114 |
| Final Dividend of Parent Company | - | - | - | - | (924,506) | - | - | (924,506) | - | (924,506) |
| Subsidiary Dividend to Non-Controlling Interest | - | - | - | - | - | - | - | - | (98,471) | (98,471) |
| Changes in Ownership in Subsidiaries/Associates | - | 932 | - | - | 17,780 | - | 12,530 | 31,242 | (78,106) | (46,864) |
| Transfer to Long Term Fund | - | (986,294) | - | - | - | 33,109 | - | (953,185) | - | (953,185) |
| Balance As at 31st December 2019 | 1,324,822 | 4,434,995 | 3,456,184 | 2,057,437 | 41,501,562 | 230,496 | 50,506 | 53,056,002 | 2,324,107 | 55,380,109 |
| Profit for the Year | - | - | - | - | 9,276,359 | - | - | 9,276,359 | 101,645 | 9,378,004 |
| Other Comprehensive Income for the Year | - | 627,430 | - | - | (1,134,122) | 1,198,927 | 8,061 | 700,296 | 3,726 | 704,022 |
| Total Comprehensive Income for the Year | - | 627,430 | - | - | 8,142,237 | 1,198,927 | 8,061 | 9,976,655 | 105,371 | 10,082,026 |
| Final Dividend of Parent Company | - | - | - | - | (1,003,750) | - | - | (1,003,750) | - | (1,003,750) |
| Subsidiary Dividend to Non-Controlling Interest | - | - | - | - | - | - | - | - | (104,744) | (104,744) |
| Changes in ownership in Subsidiaries | - | - | - | - | (6,699) | 5,075 | - | (1,624) | (1,719) | (3,343) |
| Transfer to Long Term Fund | - | (358,230) | - | - | - | (570,492) | - | (928,722) | - | (928,722) |
| Balance As at 31st December 2020 | 1,324,822 | 4,704,195 | 3,456,184 | 2,057,437 | 48,633,350 | 864,006 | 58,567 | 61,098,561 | 2,323,015 | 63,421,576 |

The Notes on pages 85 through 180 form an integral part of the Financial Statements.

STATEMENT OF CHANGES IN EQUITY

| Company | Stated Capital | | | Other Retained Reserves | | Retained Earnings | Available-for-Sale Reserve | Total Ordinary Share-Holders' Equity |
|---|----------------|-----------|-------------|-------------------------|-------------|-------------------|----------------------------|--------------------------------------|
| | Rs,000 | Rs,000 | Rs,000 | Rs,000 | Rs,000 | Rs,000 | Rs,000 | Rs,000 |
| Balance As at 1st January 2019 | 1,324,822 | 2,057,437 | 14,232,220 | (14,015) | 17,600,464 | | | |
| Profit for the Year | - | - | 1,265,098 | - | 1,265,098 | | | 1,265,098 |
| Other Comprehensive Income for the Year | - | - | - | (616) | (616) | | | (616) |
| Total Comprehensive Income for the Year | - | - | 1,265,098 | (616) | 1,264,482 | | | 1,264,482 |
| Final Dividend Paid | - | - | (924,506) | - | (924,506) | | | (924,506) |
| Balance As at 31st December 2019 | 1,324,822 | 2,057,437 | 14,572,812 | (14,631) | 17,940,440 | | | |
| Profit for the Year | - | - | 286,479 | - | 286,479 | | | 286,479 |
| Other Comprehensive Income for the Year | - | - | - | 9,441 | 9,441 | | | 9,441 |
| Total Comprehensive Income for the Year | - | - | 286,479 | 9,441 | 295,920 | | | 295,920 |
| Final Dividend Paid | - | - | (1,003,750) | - | (1,003,750) | | | (1,003,750) |
| Balance As at 31st December 2020 | 1,324,822 | 2,057,437 | 13,855,541 | (5,190) | 17,232,610 | | | |

The notes on pages 85 through 180 form an integral part of the Financial Statements.

STATEMENT OF CASH FLOWS

| For the Year Ended 31 December | Note | Group | | Company | |
|--|--------|---------------------|---------------------|--------------------|------------------|
| | | 2020 Rs.'000 | 2019 Rs.'000 | 2020 Rs.'000 | 2019 Rs.'000 |
| Cash Flows from Operating Activities | | | | | |
| Premiums/Revenue received from Customers | | 46,650,919 | 42,357,239 | - | - |
| Reinsurance Premiums (Net of Commission) Paid | | (6,982,056) | (5,889,668) | - | - |
| Commission Paid | | (3,855,280) | (3,716,891) | - | - |
| Claims and Benefits Paid | | (22,061,625) | (21,509,548) | - | - |
| Reinsurance Receipts in respect of Claims & Benefits | | 3,301,663 | 3,249,050 | - | - |
| Interest and Dividends Received | | 13,532,858 | 13,951,366 | 501,757 | 1,447,954 |
| Other Operating Cash Payments | | (10,103,033) | (12,371,578) | (153,335) | (141,184) |
| Other Income | | 299,239 | 464,214 | - | - |
| Contributions to Gratuity Fund/Gratuity Payments | | (962,768) | (1,022,888) | - | - |
| Income Taxes Paid | | (1,312,538) | (878,076) | (82,860) | (24,459) |
| Interest Paid | | (131,849) | (159,279) | (12) | (10) |
| Net Cash Flows from Operating Activities (Note A) | | 18,375,530 | 14,473,941 | 265,550 | 1,282,301 |
| Cash Flows from Investing Activities | | | | | |
| Investments in Subsidiaries/Associates | | - | (407,237) | - | (21,259) |
| Acquisition of Financial Investments | 13.(e) | (186,071,826) | (302,141,668) | (479,477) | (800,070) |
| Acquisition of Investment Property | 11 | (218,431) | - | - | - |
| Proceeds from Sale of Financial Investments | 13.(e) | 172,272,316 | 290,144,906 | 1,192,252 | 449,925 |
| Acquisition of Property, Plant & Equipment | 9.(b) | (900,215) | (1,432,854) | - | - |
| Acquisition /Disposal of Intangible Assets | 7 | (158,183) | (308,260) | - | - |
| REPO Borrowings/(Settlement)-Net | | (776,444) | - | - | - |
| Proceeds from Disposal of Property, Plant & Equipment | | 207,527 | 279,569 | - | - |
| Net Cash Flows from Investing Activities | | (15,645,256) | (13,865,543) | 712,775 | (371,404) |
| Cash Flows from Financing Activities | | | | | |
| Repayment of Lease Liabilities | | (386,298) | (332,773) | - | - |
| Short/Term Loan | | (551,814) | (149,283) | - | - |
| Dividends Paid to Equity Holders | | (1,108,494) | (1,022,977) | (1,003,750) | (924,506) |
| Net Cash Flows from Financing Activities | | (2,406,606) | (1,505,033) | (1,003,750) | (924,506) |
| Increase / (Decrease) in Cash & Cash Equivalents (Note B) | | 683,668 | (896,633) | (25,425) | (13,609) |
| Note A | | | | | |
| Reconciliation of Profit Before Tax with Net Cash Flows from Operating Activities | | | | | |
| Profit Before Tax | | | | | |
| | | 11,912,492 | 11,051,191 | 321,496 | 1,290,578 |
| Adjustments for: | | | | | |
| Depreciation on Property, Plant & Equipment | 36 | 979,185 | 930,835 | - | - |
| Depreciation on Right of Use Assets | 10 | 371,139 | 278,179 | - | - |
| Amortisation of Intangible Assets | 7 | 167,700 | 143,029 | - | - |
| Change in Trade and Other Receivables | | (1,706,190) | (5,691,525) | 10,328 | (35,560) |
| Change in Reinsurance Receivable | | (662,625) | 137,322 | - | - |
| Increase in Life Insurance Funds | | 9,423,994 | 7,189,811 | - | - |
| Increase in Non - Life Insurance Provisions | | 576,901 | 153,727 | - | - |
| Change in Trade and Other Payables | | 762,839 | 2,072,060 | 16,586 | 51,742 |
| Realised Gain | | (1,003,621) | (302,262) | - | - |
| Fair value Gain recorded in Income Statement | | (163,543) | (149,694) | - | - |
| Foreign Exchange Gain/Loss | | (42,106) | 33,324 | - | - |
| Income Tax Paid | | (1,312,538) | (878,076) | (82,860) | (24,459) |
| Share of Associate Profits | | (928,097) | (493,980) | - | - |
| Net Cash Flows from Operating Activities | | 18,375,530 | 14,473,941 | 265,550 | 1,282,301 |
| Note B | | | | | |
| Cash and Cash Equivalents at 1st January | | 39,639 | 936,272 | (5,276) | 8,333 |
| Cash and Cash Equivalents at 31st December | Note C | 723,307 | 39,639 | (30,701) | (5,276) |
| Increase / (Decrease) in Cash and Cash Equivalents | | 683,668 | (896,633) | (25,425) | (13,609) |
| Note C | | | | | |
| Cash in Hand & Cash at Bank | 21 | 1,640,927 | 1,128,411 | 45,555 | 70,727 |
| Bank Overdraft | 26 | (917,620) | (1,088,772) | (76,256) | (76,003) |
| | | 723,307 | 39,639 | (30,701) | (5,276) |

The Notes on pages 85 through 180 form an integral part of the Financial Statements.

INSURANCE REVENUE ACCOUNT

| For the Year Ended 31 December | Glossary | 2020 | 2019 | Change |
|--|----------|------------------|------------------|-------------|
| | Item | Rs.'000 | Rs.'000 | % |
| Non - Life Insurance | | | | |
| Gross Written Premium | 20 | 20,094,192 | 19,802,995 | 1.47 |
| Net Earned Premium | 31 | 13,555,494 | 14,386,415 | (5.78) |
| Net Claims Incurred | 36 | (6,635,199) | (8,253,594) | (19.61) |
| Underwriting and Net Acquisition Costs (Including Reinsurance) | 2 & 44 | (1,221,200) | (1,112,842) | 9.74 |
| Underwriting Result | 54 | 5,699,095 | 5,019,979 | |
| Other Operating, Investments Related and Administrative Expenses | | (5,150,081) | (4,800,854) | 7.27 |
| Investment and Other Income | | 1,367,114 | 1,605,967 | (14.87) |
| Interest Expense | | (53,649) | (90,576) | (40.77) |
| Profits From Operations After Interest Expense | | 1,862,479 | 1,734,516 | 7.38 |
| Key Ratios Non - Life Insurance | | | | |
| Net Loss Ratio | 33 | 48.95 | 57.37 | (14.68) |
| Net Expense Ratio | 32 | 47.40 | 41.74 | 13.57 |
| Net Combined Ratio | | 96.35 | 99.11 | (2.79) |
| Life Insurance | | | | |
| Gross Written Premium | 19 | 22,076,250 | 18,718,553 | 17.94 |
| Net Written Premium (Net of Reinsurance Premium and Commission) | 35 | 21,570,788 | 18,168,431 | 18.73 |
| Investment and Other Income Attributable to Policyholders | | 12,155,975 | 10,856,304 | 11.97 |
| Net Benefits Payable | | (12,266,513) | (10,604,066) | 15.68 |
| Increase in Long Term Insurance Fund | | (9,423,994) | (7,189,811) | 31.07 |
| Acquisition Cost | 1 | (2,123,644) | (1,962,792) | 8.20 |
| Operating and Administrative Expenses Attributable to Policyholders | | (4,553,975) | (4,414,501) | 3.16 |
| Interest Expense | | (76,292) | (41,090) | 85.67 |
| Tax Expenses | | (1,181,496) | (912,475) | 29.48 |
| Surplus from Life Insurance Business | 25 | 4,100,849 | 3,900,000 | 5.15 |
| Surplus From Life Insurance Business | | 4,100,849 | 3,900,000 | 5.15 |
| Investment & Other Income not Attributable to Policyholders | | 2,756,226 | 2,536,251 | 8.67 |
| Operating and Administrative Expenses not Attributable to Policyholders | | 730,644 | 864,292 | 15.46 |
| Interest Expenses | | (2,703) | (1,080) | (150.28) |
| Tax Expenses | | (650,895) | (627,794) | (3.68) |
| Profits From Operations After Interest Expense | | 6,934,121 | 6,671,669 | 3.93 |

The Notes on pages 85 through 180 form an integral part of the Financial Statements.

NOTES TO THE FINANCIAL STATEMENTS

1 CORPORATE INFORMATION

1.1 General

Ceylinco Insurance PLC (the Company) is a public limited liability company incorporated and domiciled in Sri Lanka and its shares are publicly traded on the Colombo Stock Exchange. The registered office and the main place of business of the Company is located at No. 69, Janadhipathi Mawatha, Colombo 1. Additional corporate information is given on page 06.

In the Annual Report of the Board of Directors and in the Financial Statements, "the Company" refers to Ceylinco Insurance PLC as the holding company and "the Group" refers to the companies whose accounts have been consolidated therein.

All companies in the Group are limited liability companies incorporated and domiciled in Sri Lanka except for one subsidiary (Ceylinco Insurance Company (Pvt) Ltd., Maldives) and one associate (Sagaramatha Insurance Ltd) which are incorporated and domiciled in the Republic of Maldives and the Republic of Nepal respectively.

1.2 Principal Activities and Nature of Operations

During the year, the principal activities of the group were underwriting of all classes of general insurance, life insurance, healthcare services, fund management, power generation, education and investment holding.

1.3 Ultimate Parent Company

The Company has no identified parent Company.

1.4 Consolidated Financial Statements

The Consolidated Financial Statements of Ceylinco Insurance PLC, as at and for the year ended 31 December 2020 encompass the Company, its Subsidiaries (together referred to as the 'Group') and the Group's interest in Associates.

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

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

1.5 Reporting Date

The financial statements of all companies in the group are prepared for a common financial year which ends on 31st December 2020 except for few associate Companies.

1.6 Responsibility for Financial Statement

The Board of Directors is responsible for preparation and presentation of the Financial Statements of the Group/Company as per the provisions of the Companies Act No. 07 of 2007 and the Sri Lanka Accounting Standards. The responsibility of the Directors in relation to the Financial Statements is set out in detail in the Statement of Directors' Responsibility Report in on page 63.

1.7 Date of Authorization for Issue

The Consolidated Financial Statements of Ceylinco Insurance PLC for the year ended 31 December 2020 were authorised for issue in accordance with a resolution of the Board of Directors on 17th March 2021.

2 BASIS OF PREPARATION

2.1 Statement of Compliance

The Consolidated Financial Statements have been prepared in accordance with Sri Lanka Accounting Standards, promulgated by the Institute of Chartered Accountants of Sri Lanka (CA-Sri Lanka) and comply with the requirements of the Companies Act, No. 7 of 2007, the Regulation of Insurance Industry Act, No. 43 of 2000 and amendments thereto, rules and regulations of the Insurance Regulatory Commission of Sri Lanka and the listing rules of the Colombo Stock Exchange (CSE).

2.2 Basis of Measurement

The Financial Statements have been prepared on the historical cost basis except for the following:

- Investment property is measured at fair value
- Available for sale financial assets and financial assets at fair value through profit or loss are measured at fair value
- Land and buildings are stated at revalued amounts
- Defined benefit obligations are actuarially valued and recognised at present value of the defined benefit obligation

NOTES TO THE FINANCIAL STATEMENTS

➤ The ultimate cost of outstanding claims (IBNR) of General Insurance business is estimated by using a range of standard actuarial claims projection techniques, such as Chain Ladder and Bornheutter-ferguson methods.

➤ Life insurance contract liability is valued actuarially and recognized at present value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

1. In the principal market for the asset or liability
- Or
2. In the absence of a principal market, in the most advantageous market for the asset or liability

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability.

2.3 Materiality & Aggregation

In compliance with the Sri Lanka Accounting Standard - LKAS 01 on 'Presentation of Financial Statements', each material class of similar items is presented separately in the Financial Statements. Items of dissimilar nature or functions too are presented separately, unless they are immaterial.

2.4 Functional and Presentation Currency

These Financial Statements are presented in Sri Lankan rupees, which is the Company's functional currency. All financial information is presented in Sri Lankan rupees rounded to the nearest thousand.

The functional currency of each entity in the group is Sri Lankan rupees, except for Ceylinco Insurance Company (Pvt) Ltd Maldives and Sagaramatha Insurance Ltd whose functional currencies are the Maldivian rufiyaa and the Nepalese rupee respectively.

2.5 Going Concern

In preparing these financial statements, the management has assessed the existing and anticipated effect of COVID – 19 on the Group.

After considering the financial position, operating conditions, regulatory and other factors and such matters required to be addressed, the Directors have a reasonable expectation that the Company possesses adequate resources to continue in operation for the foreseeable future. For this reason, they continue to adopt the Going Concern basis in preparing the Financial Statements.

2.6 Comparative information

The comparative information is consistently applied during the year.

The Consolidated Financial Statements provide comparative information in respect of the previous financial year. The presentation and classification of assets and liabilities in the Financial Statements of the

previous financial year have been amended, where relevant for better presentation and to be comparable with those of the current year.

2.7 Basis of Consolidation

2.7.1 Subsidiaries

Subsidiaries are entities controlled by the Group. The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 31 December 2020. Control is achieved when the Group is exposed or has the right to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Especially, the Group controls an investee if, and only if, the Group has:

1. Power over the investee (ie. Existing rights that give it the current ability to direct the relevant activities of the investee)
2. Exposure, or rights, to variable returns from its involvement with the investee
3. The ability to use its power over the investee to affect its return

Generally, there is a presumption that a majority of voting rights result in control. To support this presumption and when the Group has less than majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

1. The contractual agreement with the other vote holders of the investee

2. Rights arising from other contractual agreements
3. The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary. Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

The consolidated financial statements comprise the financial statements of the Group as at 31 December each year. The financial statements of the subsidiaries are prepared for the

same reporting year as the parent company, using consistent accounting policies. Losses within a subsidiary are attributed to the non-controlling interest even if this results in a deficit balance. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

Transactions Eliminated on Consolidation

Intra-group balances and transactions, and any unrealised income expenses arising from intra-group transactions and dividend are eliminated in preparing the Consolidated Financial Statements.

Business Combination

Business combinations were accounted for using the acquisition method. Transaction costs directly attributable to the acquisition formed part of the acquisition costs.

The non-controlling interest was measured at the proportionate share of the acquiree's identifiable net assets.

The cost of an acquisition is measured as the aggregate of the consideration transferred at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interest in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate

classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in income statement.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of LKAS 39 Financial Instruments: Recognition and Measurement, is measured at fair value with changes in fair value recognised either in income statement or as a change to other comprehensive income. If the contingent consideration is not within the scope of LKAS 39, it is measured in accordance with the appropriate SLFRS/LKAS. Contingent consideration that is classified as equity is not re-measured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interest over the net identifiable assets acquired and liabilities assumed.

If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the gain is recognised in income statement.

NOTES TO THE FINANCIAL STATEMENTS

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained

2.7.2 Associates (equity accounted investees)

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the Group holds between 20 and 50 percent of the voting power of another entity. Associates are accounted for using the equity method (equity accounted investees) and are initially recognised at cost.

The Group's investment in associates includes goodwill identified on acquisition, net of any accumulated impairment losses. The financial statements include the Group's share of the income and expenses

and equity movements of equity accounted investees, after adjustments to align the accounting policies of the associate with those of the Group, from the date that significant influence commences until the date that significant influence ceases.

When the Group's share of losses exceeds its interest in an equity accounted investee, the carrying amount of that interest (including any long-term investments) is reduced to nil and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investees.

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investment in associates. The Group determines at each reporting date, whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in the 'share of profit of an associate' in the income statement.

Upon loss of significant influence over the associate, the Group measures and recognises any remaining investment at its fair value. Any differences between the carrying amount of the associate upon loss of significant influence and the fair value of the remaining investment and proceeds from disposal are recognised in income statement.

3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies have been applied consistently to all periods presented in these financial statements of the Company and Group.

(a) Product Classification

Insurance contracts are those contracts when the Group (the insurer) has accepted significant insurance risk from another party (the policyholders) by agreeing to compensate the policyholders if a specified uncertain future event (the insured event) adversely affects the policyholders. As a general guideline, the Group determines whether it has significant insurance risk, by comparing benefits paid with benefits payable if the insured event did not occur.

Insurance contracts are further classified as being either with or without DPF. DPF is a contractual right to receive, as a supplement to guaranteed benefits, additional benefits that are:

- Likely to be a significant portion of the total contractual benefits
- The amount or timing of which is contractually at the discretion of the issuer
- That are contractually based on:
- The performance of a specified pool of contracts or a specified type of contract
- Realised and or unrealised investment returns on a specified pool of assets held by the issuer

- The profit or loss of the company, fund or other entity that issues the contract

(b) Deferred Acquisition Costs (DAC)

Those direct and indirect costs incurred during the financial period arising from the writing or renewing of insurance contracts are deferred to the extent that these costs are recoverable out of future premiums.

DAC for general insurance is amortised over the period in which the related revenues are earned. The reinsurers' share of deferred acquisition costs is amortised in the same manner as the underlying asset amortisation is recorded in the income statement. An impairment review is performed at each reporting date or more frequently when an indication of impairment arises. When the recoverable amount is less than the carrying value an impairment loss is recognised in the income statement. DAC are also considered in the liability adequacy test for each reporting period. DAC are derecognised when the related contracts are either settled or disposed of.

(c) Intangible Assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

The useful lives of intangible assets are assessed to be either finite or infinite.

Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the income statement in the expense category consistent with the function of the intangible asset. The estimated useful lives for the current and comparative periods are as follows:

| Item | Useful Life |
|-------------------|---------------|
| Computer software | 03 - 05 Years |

Intangible assets with infinite useful lives are tested for impairment annually either individually or at the cash generating unit level. Such intangibles are not amortised.

The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is made on a prospective basis. Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the income statement when the asset is derecognised.

(d) Segment Reporting

A segment is a distinguishable component of the Group that is engaged either in providing related products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and returns that are different from those of other segments. The Group's primary format for segment reporting is based on business segments. The business segments are determined based on the Group's management and internal reporting structure.

Inter-segment pricing is determined on an arm's length basis.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

The activities of the Group are located mainly in Sri Lanka. Consequently, the economic environment in which the Group operated is not subject to risks and rewards that are significantly different on a geographical basis. Hence disclosure by geographical region is not provided.

(e) 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.

Financial Assets

Initial recognition and measurement

Financial assets within the scope of LKAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held to maturity investments, available-for-sale financial assets, as appropriate.

NOTES TO THE FINANCIAL STATEMENTS

Financial assets are recognised initially at fair value plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs that are attributable to the acquisition of the financial asset.

The classification depends on the purpose for which the investments were acquired or originated. Financial assets are classified as at fair value through profit or loss where the Group's documented investment strategy is to manage financial investments on a fair value basis, because the related liabilities are also managed on this basis. The available-for-sale and held to maturity categories are used when the relevant liability (including shareholders' funds) is passively managed and/or carried at amortised cost.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognised on the settlement date.

The Group's financial assets include cash and short-term deposits, loans and receivables, quoted and unquoted financial instruments.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and those designated upon initial recognition at fair value

through profit or loss. Investments typically bought with the intention to sell in the near future are classified as held for trading.

Subsequent to initial recognition, these investments are remeasured at fair value. Fair value adjustments and realised gains and losses are recognised in the income statement.

The Group evaluated its financial assets at fair value through profit and loss (held for trading) whether the intent to sell them in the near term is still appropriate. When the Group is unable to trade these financial assets due to inactive markets and management's intent to sell them in the foreseeable future significantly changes, the Group may elect to reclassify these financial assets in rare circumstances. The reclassification to loans and receivables, available-for-sale or held to maturity depends on the nature of the asset. This evaluation does not affect any financial assets designated at fair value through profit or loss using the fair value option at designation.

Available-for-sale financial assets

Available-for-sale financial investments include equity and debt securities. Equity investments classified as available-for-sale are those, which are neither classified as held for trading nor designated at fair value through profit or loss.

Debt securities in this category are those that are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in the market conditions.

After initial measurement, available-for-sale financial assets are subsequently measured at fair value with unrealised gains or losses recognised as other comprehensive income in the available-for-sale reserve until the asset is derecognised, at which time, the cumulative gain or loss is recognised in other operating income, or determined to be impaired, or the cumulative loss is recognised in the income statement in finance costs and removed from the available-for-sale reserve.

The Group evaluated its available-for-sale financial assets to determine whether the ability and intention to sell them in the near term would still be appropriate. In the case where the Group is unable to trade these financial assets due to inactive markets and management's intention significantly changes to do so in the foreseeable future, the Group may elect to reclassify these financial assets in rare circumstances. Reclassification to loans and receivables is permitted when the financial asset meets the definition of loans and receivables and management has the intention and ability to hold these assets for the foreseeable future or until maturity.

The reclassification to held to maturity is permitted only when the entity has the ability and intention to hold the financial asset until maturity. For a financial asset reclassified out of the available-for-sale category, any previous gain or loss on that asset that has been recognised in equity is amortized to profit or loss over the remaining life of the investment using the EIR. Any difference between the new amortised cost and the expected

cash flows is also amortised over the remaining life of the asset using the Effective Interest Rate (EIR).

If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the income statement.

Loans and other receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These investments are initially recognised at cost, being the fair value of the consideration paid for the acquisition of the investment.

After initial measurement, loans and receivables are measured at amortised cost, using the effective interest rate method (EIR) less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the income statement. Gains and losses are recognised in the income statement when the investments are derecognised or impaired, as well as through the amortisation process.

Held to maturity financial assets

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held to maturity when the Group has the positive intention and ability to hold until maturity.

These investments are initially recognised at cost, being the fair value of the consideration paid for the acquisition of the investment. All transaction costs directly attributable

to the acquisition are also included in the cost of the investment. After initial measurement, held to maturity financial assets are measured at amortised cost, using the EIR method, less impairment. Gains and losses are recognised in the income statement when the investments are derecognised or impaired, as well as through the amortization process.

Derecognition of financial assets

A financial asset (or, when applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

The rights to receive cash flows from the asset have expired

The Group retains the right 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 'pass-through' arrangement; and either:

- (a) The Group has transferred substantially all the risks and rewards of the asset; or
- (b) The Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its right to receive cash flows from an asset or has entered into a pass through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset.

(f) Impairment of Financial Assets

The Group assesses at each reporting date whether a financial asset or group of financial assets is impaired.

A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, defaulter delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortized cost, the Group first assesses individually whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment.

NOTES TO THE FINANCIAL STATEMENTS

Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss on assets carried at amortized cost has been incurred, the amount of the impairment loss is measured as the difference between the carrying amount of the asset and the present value of estimated future cash flows (excluding future expected credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the income statement. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of investment income in the income statement. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to the Group. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or

reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to the 'finance cost' in the income statement.

For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of the Group's internal credit grading system, which considers credit risk characteristics such as asset type, industry, geographical location, collateral type, past-due status and other relevant factors.

Future cash flows on a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently. Estimates of changes in future cash flows reflect, and are directionally consistent with, changes in related observable data from year to year (such as changes in unemployment rates, property prices, commodity prices, payment status, or other factors that are indicative of incurred losses in the group and their magnitude). The methodology and assumptions used for estimating future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

Available-for-sale financial investments

For available-for-sale financial investments, the Group assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired.

In the case of equity investments classified as available-for-sale, objective evidence would include a 'significant or prolonged' decline in the fair value of the investment below its cost. 'Significant' is to be evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the income statement – is removed from other comprehensive income and recognized in the income statement. Impairment losses on equity investments are not reversed through the income statement; increases in their fair value after impairment are recognised directly in other comprehensive income.

In the case of debt instruments classified as available-for-sale, impairment is assessed based on the same criteria as financial assets carried at amortized cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortized cost and the current fair value, less any impairment loss on that investment previously recognised in the income statement. Future interest

income continues to be accrued based on the reduced carrying amount of the asset and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income. If, in a subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the income statement, the impairment loss is reversed through the income statement.

(g) Offsetting of Financial Instruments

Financial assets and financial liabilities are offset, and the net amount is reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset derecognised amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously. Income and expense will not be offset in the income statement unless required or permitted by any accounting standard or interpretation, as specifically disclosed in the accounting policies of the Group.

(h) Fair Value of Financial Instruments

The fair value of financial instruments that are actively traded in organized financial markets is determined by reference to quoted market bid prices for assets and offer prices for liabilities, at the close of business on the reporting date, without any deduction for transaction costs. For units in unit trusts and shares in open ended investment companies, fair value is determined by reference to published net asset values.

For financial instruments where there is not an active market, the fair value is determined by using appropriate valuation techniques. Valuation techniques include the discounted cash flow method, net assets, comparison to similar instruments for which market observable prices exist and other relevant valuation models.

The fair value of repo and call deposits with credit institutions is their carrying value. The carrying value is the cost of the investment and accrued interest. The fair value of fixed interest-bearing deposits is estimated using discounted cash flow techniques. Expected cash flows are discounted at current market rates for similar instruments at the reporting date.

If the fair value cannot be measured reliably, these financial instruments are measured at cost, being the fair value of the consideration paid for the acquisition of the investment or the amount received on issuing the financial liability except for fair value through P&L. All transaction costs directly attributable to the acquisition are also included in the cost of the investment.

(i) Reinsurance

Reinsurance assets include the balances due from both insurance and reinsurance companies for paid and unpaid losses and loss adjustment expenses. Amounts recoverable from reinsurers are estimated in a manner consistent with the claim liability associated with the reinsurance policy.

The Group also assumes reinsurance risk in the normal course of business for life insurance and non-life insurance contracts where applicable.

Premiums and claims on assumed reinsurance are recognised as revenue or expenses in the same manner as they would be if the reinsurance were considered direct business, taking into account the product classification of the reinsured business. Reinsurance liabilities represent balances due to reinsurance companies. Amounts payable are estimated in a manner consistent with the related reinsurance contract.

Premiums and claims are presented on a gross basis for both ceded and assumed reinsurance.

Reinsurance assets or liabilities are derecognized when the contractual rights are extinguished or expire or when the contract is transferred to another party.

If a reinsurance asset is impaired, the Group reduces the carrying amount accordingly and is recognized in income statement. A reinsurance asset is impaired if there is objective evidence, as a result of an event that occurred after the initial recognition of the reinsurance asset, that the Group may not receive all amounts due to it under the terms of the contract, and the event has a reliably measurable impact on the amount that the company will receive from the re-insurer.

(j) Insurance Receivables

Insurance receivables are recognised when due and measured on initial recognition at the fair value of the consideration received or receivable. The carrying value of insurance receivables is reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable, with the impairment loss recorded in the income statement.

NOTES TO THE FINANCIAL STATEMENTS

Insurance receivables are derecognised when the derecognising criteria for financial assets have been met.

(k) Taxes

Income Tax

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

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

The Inland Revenue Act No. 24 of 2017 and amendments thereto are applied in determining the taxable income/loss of the Company and its subsidiaries.

Certain Subsidiaries of the Company are tax exempt and tax liable under concessionary rates (Please refer Note No. 38).

Deferred Tax

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

Deferred tax liabilities are recognised for all taxable temporary differences, except:

(a) When the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

(b) In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled, and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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 income tax asset to be utilised. Unrecognized deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit 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 to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside income statement is recognised outside income statement. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Sales Taxes and Premium Taxes

Revenues, expenses and assets are recognised net of the amount of sales taxes and premium taxes except:

Where the sales or premium tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the

sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable.

Receivables and payables that are stated with the amount of sales or premium tax included.

Outstanding net amounts of sales or premium tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

(l) Investment Properties

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met; and excludes the costs of day-to-day servicing of an investment property. 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 the income statement in the year in which they arise.

Fair values are evaluated annually by an accredited external, independent valuer, applying a valuation model, when there are indications of fair value changes in investment property.

Investment properties are derecognised either when they have been disposed of, or when the investment property is permanently withdrawn from use and no future

economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in the income statement in the year of retirement or disposal.

Transfers are made to or from investment property only when there is a change in use evidenced by the end of owner-occupation, commencement of an operating lease to another party or completion of construction or development. For a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use.

If owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property and equipment up to the date of the change in use.

(m) Investment in Subsidiaries

Investments in Subsidiaries are treated as long - term investments and valued at cost in separate financial statements of the Company.

(n) Investments in Associates

Investments in Associates are recognized at cost in the separate financial statements of the company and accounted under equity method in financial statements.

(o) Property, Plant and Equipment

(i) Recognition and Measurement

Items of property, plant and equipment is stated at cost or valuation less accumulated depreciation.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment. Borrowing costs related to the acquisition or constructions of qualifying assets are capitalised.

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

(ii) Subsequent Costs

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

(iii) Depreciation

Depreciation is recognised in income statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Land is not depreciated. The assets are depreciated from the month it is available for use and cease to depreciate from the month of disposal.

NOTES TO THE FINANCIAL STATEMENTS

The estimated useful lives for the current and comparative periods are as follows:

| Item | Useful Life |
|--------------------------------------|-------------|
| Buildings | |
| Buildings | 50-70 Years |
| Improvement on Leasehold Building | 04-06 Years |
| Civil Construction | 57-60 Years |
| Furniture and Fittings | |
| Furniture and Fittings | 05-10 Years |
| Office Equipment | 03-10 Years |
| Computer Equipment | 02-05 Years |
| Motor Vehicles | 04-05 Years |
| Plant & Machinery | |
| Plant & Machinery/ Project Equipment | 4-30 Years |
| Medical Equipment | 05 Years |
| Electric Equipment | 05 Years |

Depreciation methods, useful lives and residual values are reviewed at each reporting date.

(iv) Revaluations

Revaluation is performed on freehold land and building by professionally qualified valuers using the open market value. Land and buildings are revalued in every three years. Fair values are reviewed at each reporting date to ensure that carrying amount does not differ materially from fair value.

The revaluation surplus is recognized on the net carrying value of the asset and is transferred to a revaluation reserve (on shareholder assets) and to Life Insurance Fund (on policyholder assets) after restating the asset at the revalued amount.

(v) De-recognition

An item of property, plant and equipment is de-recognised upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognised in income statement in the year the asset is de-recognised. When revalue assets are sold, the amount included in the revaluation reserve are transferred to retained earnings.

(p) Other Assets

Inventories

Inventories include all consumable items and are measured at the lower of cost and net realisable value. Cost is generally determined by reference to weighted average cost. Net realizable value is the estimated market price in the ordinary course of business less any estimated expense to sell.

The cost incurred in bringing inventories to its present location and condition is accounted using the following cost formulae.

| | |
|------------------|----------------------------|
| Stationery | } First in First out Basis |
| Course Materials | |
| Books | |

(q) Impairment of Non-Financial Assets

The carrying amounts of the Group's non-financial assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

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.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognised in income statement.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss 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 amortization, if no impairment loss had been recognised.

(r) Cash and Cash Equivalents

Cash and cash equivalents comprise cash balances and cash at bank. Bank overdrafts are included in the statement of financial position under current liabilities.

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

(s) *Leasing*

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

i) *Group as a lessee*

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

ii) *Right-of-use assets*

The Group recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any re-measurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

| Asset | Useful Life |
|-----------|---------------|
| Buildings | 2 to 10 years |

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects

the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

The right-of-use assets are also subject to impairment. Refer to the accounting policies in note (q) Impairment of non-financial assets.

iii) *Lease liabilities*

At the commencement date of the lease, the Group recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate.

Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In

addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

The Group's lease liabilities are included in Trade and Other Payables (see Note 28).

iv) *Short-term leases and leases of low-value assets*

The Group applies the short-term lease recognition exemption to its short-term leases of building and (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

(v) *Group as a lessor*

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an assets are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of income due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as

NOTES TO THE FINANCIAL STATEMENTS

rental income. Contingent rents are recognized as revenue in the period in which they are earned.

(vi) Leases

Lease that do not transfer to the company substantially all of the risks and benefits incidental to ownership of the leases items are operating leases. Operating lease payments are recognised as an expense in the income statement on a straight line basis over lease term.

(t) Foreign Currency Transactions

Transactions in foreign currencies are translated to the functional currency of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at the date. The foreign currency gain or loss on monetary items is the difference between the cost in the functional currency at the beginning of the period adjusted for payments during the period adjusted for payments during the period and the cost in the foreign currency translated at the exchange rate at the end of the period. Foreign currency differences arising on retranslation is recognised in income statement. The Group's consolidated financial statements are presented in Sri Lankan rupees which is also the parent company's functional currency and items included in the financial statements of each entity are measured using that functional currency.

(i) Transactions and Balances

Transaction in foreign currencies are initially recorded at the functional currency rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the reporting date.

All differences are taken to the income statement.

(ii) Group Companies

The assets and liabilities of foreign operations are translated into rupees at the rate of exchange prevailing at the reporting date and their income statements are translated at exchange rates prevailing at the date of the transactions. The exchange differences arising on the translation is recognised in other comprehensive income relating to that particular foreign operation is recognized in the income statement

(u) Life Insurance Contract Liabilities

These liabilities are calculated as the total of best estimate liability and a risk margin for adverse deviation. The best estimate liabilities are measured by using the gross premium method. The liability is determined as the sum of the discounted value of the expected future benefits, claims handling and policy administration expenses, policyholder options and guarantees, investment income from assets backing such liabilities and investment management expenses, which are directly related to the contract, less the discounted value of the expected premiums that would be required to meet the future cash outflows, based on the valuation

assumptions used, charges and fees. Adjustments to the liabilities at each Reporting date are recorded in the Income Statement in 'Increase in life insurance contract liabilities.

The liability is released when the contract expires, discharged or cancelled.

At each Reporting date, an assessment is made of whether the recognised life insurance liabilities are adequate, by using an existing liability adequacy test in accordance with SLFRS 4.

(v) Non-life Insurance Contract Liabilities

Non-life insurance contract liabilities include the outstanding claims provision, the provision for unearned premium and the provision for premium deficiency. The outstanding claims provision is based on the estimated ultimate cost of all claims incurred but not settled at the reporting date, whether reported or not, together with related claims handling costs and reduction for the expected value of salvage and other recoveries. Delays can be experienced in the notification and settlement of certain types of claims, therefore the ultimate cost of these cannot be known with certainty at the reporting date. The liability is calculated at the reporting date using a range of standard actuarial claim projection techniques, based on empirical data and current assumptions that may include a margin for adverse deviation. The liability is not discounted for the time value of money. No provision for

equalisation or catastrophe reserves is recognised. The liabilities are derecognised when the obligation to pay a claim expires, is discharged or is cancelled.

The provision comprises of reserve for the net unearned premium, reserve for the deferred acquisition cost (net), reserve for gross outstanding claims and the incurred but not reported (IBNR) provision. Unearned premium, deferred acquisition cost and the reserve for gross outstanding claims are stated according to the industry practices whereas the IBNR reserve is decided by an independent external actuary to estimate the outstanding liabilities as of reporting date.

At each reporting date the Group reviews its unexpired risk and a liability adequacy test is performed as laid out under SLFRS 4 to determine whether there is any overall excess of expected claims and deferred acquisition costs over unearned premiums. This calculation uses current estimates of future contractual cash flows after taking account of the investment return expected to arise on assets relating to the relevant non-life insurance technical provisions. If these estimates show that the carrying amount of the unearned premiums (less related deferred acquisition costs) is inadequate, the deficiency is recognised in the income statement by setting up a provision for premium deficiency.

(w) Financial Liabilities – Initial Recognition and Subsequent Measurement
Initial recognition and measurement

All financial liabilities are recognised initially at fair value and in the case of loans and borrowings, plus directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, borrowings, and reinsurance payables.

Subsequent measurement

The subsequent measurement of financial liabilities as follows:

Interest bearing loans and borrowings

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortized cost using the effective interest rate method. Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the effective interest rate method (EIR) amortisation process.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

(x) Insurance payables

Insurance payables are recognised when due and measured on initial recognition at the fair value of the consideration received less directly attributable transaction costs.

Derecognition insurance payables

Insurance payables are derecognised when the obligation under the liability is discharged, cancelled or expired.

(y) Provisions-General

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, and 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.

(z) Defined Contribution Plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions (%) into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to a defined contribution pension plan are recognised as an employee benefit expense in income statement when they are due.

(aa) Pensions and Other Post-Employment Benefits

The Group operates a defined benefit pension plan, which requires contributions to be made to a separately administered fund. The cost of providing benefits under the defined benefit plan is determined separately using the projected unit credit valuation method. Actuarial gains and losses are recognised immediately in the statement of financial position with a corresponding debit or credit to retained earnings through other comprehensive income in the period in which they occur. Re-measurements are not reclassified to income statement in subsequent periods.

Past service costs are recognised in income statement on the earlier of:

The date of the plan amendment or curtailment, and

The date that the Group recognises restructuring-related costs

The defined benefit asset or liability comprises the present value of the defined benefit obligation less the fair value of plan assets out of which the obligations are to be settled directly.

NOTES TO THE FINANCIAL STATEMENTS

Plan assets are assets that are held by a long-term employee benefit fund. Plan assets are not available to creditors of the Group nor can they be paid directly to the Group.

Fair value is based on market price information and, in the case of quoted securities, it is the published market price. The value of any defined benefit asset is restricted to the sum of any past service cost and actuarial gains and losses not yet recognised and the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The amount recognised as defined benefit liabilities has been netted with the fair value of the plan assets of the reporting period. Any surplus in plan assets has been measured based on the requirements of LKAS 19 – Employee Benefits, Para 58 and IFRIC 14 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction.

Actuarial gains and losses for the defined benefit plans are recognised in full in the period in which they occur in other comprehensive income.

However, according to the Payment of Gratuity Act No. 12 Of 1983, the liability for gratuity payments to an employee arises on the completion of five years of continued service with the Company. The provision is externally funded.

(bb) Short-Term Benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed

as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(cc) Stated Capital

The Group has issued ordinary shares that are classified as equity. Incremental external costs that are directly attributable to the issue of these shares are recognised in equity, net of tax.

(dd) Dividends on Ordinary Share Capital

Interim dividends are deducted from equity when they are paid. Dividends for the year that are approved after the reporting date are dealt with as an event after the reporting date.

(ee) Earnings Per Share

Basic earnings per share amounts is calculated by dividing the net profit for the year attributable to ordinary shareholders of the parent by the weighted average number of ordinary shares outstanding at the reporting date.

(ff) Gross Written Premium

(1.) Non Life Insurance

Gross written premium is generally recognised as written upon inception of the policy. Upon inception of the contract, premiums are recorded as written and are earned primarily on a pro-rata basis over the term of the related policy coverage. However, for those contracts for which the period

of risk differs significantly from the contract period, premiums are earned over the period of risk in proportion to the amount of insurance protection provided.

(2.) Life Insurance

Gross premium on life insurance contracts are recognised as revenue when receivable from the policyholder. Premium received in advance are not recognized as revenue but as a liability until the premium become due. For single premium business, revenue is recognised on the date on which the policy is effective.

(gg) Reinsurance Premium

(1.) Non Life Insurance

Reinsurance premium expense is accounted for in the same accounting period as the gross written premium to which it relates.

(2.) Life Insurance

Gross reinsurance premiums are recognised as an expense on the earlier of the date when premiums are payable or when the policy becomes effective.

(hh) Unearned Premiums– Non Life Insurance

Unearned premiums reserve represents the portion of the premium written in the year but relating to the unexpired term of coverage. Unearned premiums are calculated on the 1/365 basis except for the marine and title Policies in accordance with the Insurance Regulations.

The basis of calculating unearned premiums for marine and title policies are as follows,

| Class of the Policy | Basis |
|---------------------|--|
| Marine | 60% in the same month 40% after three months of underwriting the policy |
| Title | 60% in the same year 40% is deferred until the validity of the policy expires. |

(ii) Revenue from Other Operations

The source of revenue from other operations is recognised as per SLFRS 15 revenue from contract with customers.

(1.) Healthcare Segment

This income of the Company comprises of three avenues such as medical testing, screening test and cancer treatment. All such revenue is recognised in the Statement of income statement on accrual basis upon completion of the task.

(2.) Services

Revenue is recognised in the accounting periods in which the services are performed.

(3.) Power Generation

Revenue is recognised in the accounting period in which the power is generated and supplied to national grid.

(4.) Education

Revenue from rendering of services is recognised when control of the services is transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services.

Income from relevant services are recognised as an income on periodic basis over time. Income from services relate to future periods are shown in the statement of financial position under other liabilities.

(jj) Acquisition Costs

(1.) Non Life Insurance

Acquisition costs, representing commissions, which vary with and are directly related to the production of business are deferred and amortised over the period in which the related written premiums are earned. Reinsurance commission is also treated in the same manner within deferred acquisition costs.

(2.) Life Insurance

Commission Expense is charged to the period in which it's incurred. Commission payable on accrued premium is recognised to the extent that these costs are recoverable out of future premiums. All expenses vary with, and are primarily related to, the acquisition of new insurance contracts.

(kk) Claims

(1.) Non Life Insurance

Claims expenses and liabilities for outstanding claims are recognised in respect of direct and inwards reinsurance business. The liability covers claims reported but not

yet paid, incurred but not reported claims ("IBNR") and the anticipated direct and indirect costs of settling those claims. Claims outstanding are assessed by review of individual claim files estimating changes in the ultimate cost of settling claim. The provision in respect of IBNR & IBNER (Incurred But Not Enough Reported) are actuarially valued to ensure a more realistic estimation of the future liability based on the past experience and trends.

Actuarial valuation is performed on an annual basis.

While the Directors consider that the provision for claims is fairly stated on the basis of information currently available, the ultimate liability will vary as a result of subsequent information and events. This may result in adjustments to the amounts provided. Such amounts are reflected in the financial statements for estimates of that period. The methods used and the estimates made are reviewed regularly.

(2.) Life Insurance

Gross benefits and claims for life insurance contracts include the cost of all claims arising during the year, including internal and external claims handling costs that are directly related to the processing and settlement of claims and policyholder bonuses. Death claims and surrenders are recorded on the basis of notifications received. Maturities, annuity payments and interim payments are recorded when due.

(3.) Reinsurance on Claims

Reinsurance on claims are recognised when the related gross insurance claim is recognised according to the terms of the relevant contract.

NOTES TO THE FINANCIAL STATEMENTS

(ll) Other Income

(1.) Rental Income

Rental income from property is recognised in income statement on a straight-line basis over the term of the lease.

(2.) Fees and Commission Income

Insurance contract policyholders are charged for policy administration services, surrenders and other contract fees. These fees are recognised as revenue when the related services are performed.

(3.) Investment Income

Interest income is recognised in the income statement as it accrues and is calculated by using the effective interest rate method.

Investment income also includes dividend income which is recognised when the right to receive payment is established. For listed securities, this is the date the security is listed as ex dividend.

(4.) Realised Gains and Losses

Realized gains and losses recorded in the income statement on investments include gains and losses on sale of financial assets. Gains and losses on the sale of investments are calculated as the difference between net sales proceeds and the original or amortized cost and are recorded on occurrence of the sale transaction.

(5.) Net fair value Gains and Losses

Net fair value gains and losses recorded in the income statement include gains and losses on fair valuation of investment properties and gain and losses on financial assets at fair value through P&L.

(mm) Finance Cost

Finance cost is recognised as expenditure in the period in which they are incurred. However, finance costs are directly attributable to the acquisition, construction or production of assets that take a substantial period of time to get ready for its intended use or sale, are capitalized as part of the assets.

(nn) Cash Flow Statement

The cash flow statement has been prepared using the "direct method".

3.1 New and amended standards and interpretations

The Group applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2020. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

(a) Amendments to SLFRS 3: Definition of a Business

The amendment to SLFRS 3 Business Combinations clarifies that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that, together, significantly contribute to the ability to create output. Furthermore, it clarifies that a business can exist without including all of the inputs and processes needed to create outputs. These amendments had no impact on the financial statements of the group but may impact future periods should the group enter into any business combinations.

(b) Amendments to LKAS 1 and LKAS 8 Definition of Material

The amendments provide a new definition of material that states, "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity." The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. These amendments had no impact on the financial statements of, nor is there expected to be any future impact to the Group.

(c) Amendments to references to the conceptual framework in SLFRS standards

The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The purpose of the Conceptual Framework is to assist in developing standards, to help preparers develop consistent accounting policies where there is no applicable standard in place and to assist all parties to understand and interpret the standards. This will affect those entities which developed their accounting policies based on the Conceptual Framework. The revised Conceptual Framework includes some new concepts, updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts. These amendments had no impact on the financial statements of the Group.

3.2 Use of Judgments Estimates and Assumptions

The preparation of financial statements in conformity with Sri Lanka Accounting Standards (LKAS and SLFRS) requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying 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 the judgments about the carrying amount of assets and liabilities that are not readily apparent from other sources.

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

Impact of Covid-19 Pandemic

The Group also considered the impact of Covid 19 in preparing the financial statements in line with the guidelines issued by CA Sri Lanka (Note 50)

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 included in the following notes:

| Critical Accounting Judgments, Estimates and Assumptions | Disclosure Note | Reference Page |
|---|-----------------|----------------|
| Unearned premium and deferred acquisition cost | 24.(b) & 8 | 147 & 111 |
| Life Insurance contract liabilities | 23.(a) | 144 |
| Reserve for gross outstanding claims | 24.(a) | 146 |
| Valuation of investment property | 11 | 120 |
| Leases - Estimating the incremental borrowing rate and determining the lease term of contracts with renewal and termination options | 10 | 119 |
| Deferred tax | 18.(b) | 141 |
| Measurement of defined benefit obligation | 14 | 133 |
| Revaluation of Land & Building | 9 | 112 |
| Income Tax uncertainty over income tax treatment | 38.(c) | 158 |

4. STANDARDS ISSUED BUT NOT YET EFFECTIVE

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's financial statements are disclosed below. The Group intends to adopt these new and amended standards and interpretations, if applicable, when they become effective. .

SLFRS 9 Financial Instruments

SLFRS 9 replaces the existing guidance in LKAS 39 Financial Instruments: recognition and Measurement. SLFRS includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from LKAS 39. SLFRS 9 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted.

The Group meets the eligibility criteria of the temporary exemption from SLFRS 9 and intend to defer the application of SLFRS 9 until annual reporting periods beginning on or after 1 January 2023.

NOTES TO THE FINANCIAL STATEMENTS

SLFRS 17 Insurance Contracts

In 8th January 2020, the Accounting Standard Committee, the Institute of Chartered Accountants of Sri Lanka issued SLFRS 17 Insurance Contracts (SLFRS 17), a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. SLFRS 17 will replace SLFRS 4 Insurance Contracts (SLFRS 4) that was issued in 2005. SLFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features.

A few scope exceptions will apply. The overall objective of SLFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in which are largely based on grandfathering previous local accounting policies, SLFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of SLFRS 17 is the general model, supplemented by:

A specific adaptation for contracts with direct participation features (the variable fee approach)

A simplified approach (the premium allocation approach) mainly for short-duration contracts

SLFRS 17 is effective for reporting periods beginning on or after 1 January 2023, with comparative figures required. Early application is permitted, provided the entity also applies SLFRS 9 and SLFRS 15 on or before the date it first applies SLFRS 17. The Group is currently in the process of evaluating the accounting impact and prevailing system and processes will be modified if necessary.

(b) Amendments to SLFRS 7, SLFRS 9 and LKAS 39 Interest Rate Benchmark Reform

The amendments to SLFRS 9 and LKAS 39 Financial Instruments: Recognition and Measurement provide a number of relief, which apply to all hedging relationships that are directly affected by interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainty about the timing and/or amount of benchmark-based cash flows of the hedged item or the hedging instrument. These amendments have no impact on the consolidated financial statements of the Group as it does not have any interest rate hedge relationships.

(c) Amendment to SLFRS 16 Covid-19-Related Rent Concessions

The amendments provide relief to lessees from applying SLFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic. As a practical expedient, a lessee may elect not to

assess whether a Covid-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the Covid-19 related rent concession the same way it would account for the change under SLFRS 16, if the change were not a lease modification.

The amendment applies to annual reporting periods beginning on or after 1 June 2020. Earlier application is permitted. This amendment had no impact on the financial statements of the Group.

CA Sri Lanka is in line the process of adopting amendments made by IASB with future effective date to LKAS 01.

Conceptual frame work LKAS 16, LKAS 37, SLFRS 01, LKAS 41 management intend to asses the probable implication of such amendments on financial statements once those are locally adopted.

5. SEGMENT INFORMATION

The Group's internal organisation and management are structured based on individual products and services which are similar in nature and process and where the risks and returns are similar. The Operating Segments represent this business structure.

For management purposes, the Group is organised into business units based on their products and services and has following reportable operating segments as follows:

-
- The life insurance segment offers a wide range of whole life products, endowment products, term products, universal life products and mortgage protection products.
 - The non-life insurance segment comprises of products namely motor, fire, engineering, marine, employers' liability and miscellaneous.
 - Healthcare segment includes Healthcare centre for Cancer Screening, Radiation Treatment units and Diabetes Centre.
 - Maldives Foreign operations- this segment offers non-life insurance products in Maldives.
 - Education Services segment includes primary, secondary, high education courses through various subsidiary companies.
 - Power generation segment business is to generate and distribute hydro power to the national grid.

Other segment includes investment holding, associate business, investment management & hotel services.

Transaction between operating segments are set on an arm's length basis in a manner similar to transactions with third parties. Segment income, expenses and results will include those transfers between business segments which will then be eliminated on consolidation.

NOTES TO THE FINANCIAL STATEMENTS

5. SEGMENT INFORMATION

Segment Income Statement For The Year Ended 31 December 2020

| | Life | | Non-life | | Adjustments | | | | Total |
|--|---------------------|---------------------|------------------|------------------|--------------------|------------------|------------------|------------------|---------------------|
| | Insurance | | Insurance | | Power | Other | Eliminations | Rs.'000 | |
| | Rs.'000 | Rs.'000 | Domestic | Foreign | | | | | |
| Gross Premium | 22,076,250 | 20,094,192 | 1,726,134 | - | - | - | - | - | 43,896,576 |
| Premium Ceded to Reinsurers | (505,463) | (6,696,297) | (1,653,083) | - | - | - | - | - | (8,854,843) |
| Change in Reserve for Unearned Premium | - | 157,599 | 9,363 | - | - | - | - | - | 166,962 |
| Net Earned Premium | 21,570,787 | 13,555,494 | 82,414 | - | - | - | - | - | 35,208,695 |
| Revenue from Non Insurance Subsidiaries | - | - | - | 277,468 | 2,728,362 | 228,135 | 95,606 | (17,381) | 3,312,190 |
| Fees and Commission Income | 131,025 | 642,621 | 204,306 | - | - | - | 2,400 | (2,400) | 977,952 |
| Investment Income | 13,552,767 | 1,256,475 | 46,644 | 42,801 | 162,989 | 7,791 | 529,720 | (396,523) | 15,202,664 |
| Realised Gains | 948,287 | 110,639 | - | 250 | 267 | - | - | (4,981) | 1,054,462 |
| Fair Value Gains and Losses | 280,122 | - | - | 3,067 | - | 235 | - | (114,900) | 168,524 |
| Other Revenue & Revenue from Non Insurance Subsidiaries | 14,912,201 | 2,009,735 | 250,950 | 323,586 | 2,891,618 | 236,161 | 627,726 | (536,185) | 20,715,792 |
| Segment Revenue | 36,482,988 | 15,565,229 | 333,364 | 323,586 | 2,891,618 | 236,161 | 627,726 | (536,185) | 55,924,487 |
| Gross Benefits and Claims Paid | (12,510,505) | (9,152,092) | (339,286) | - | - | - | - | - | (22,001,883) |
| Claims Ceded to Reinsurers | 243,992 | 2,580,715 | 322,864 | - | - | - | - | - | 3,147,571 |
| Gross Change in Contract Liabilities | (9,423,994) | (517,727) | (236,247) | - | - | - | - | - | (10,177,968) |
| Change in Contract Liabilities Ceded to Reinsurers | - | 453,905 | 192,061 | - | - | - | - | - | 645,966 |
| Cost of Sales -Non Insurance Subsidiaries | - | - | - | (120,361) | (651,117) | (60,453) | (52,067) | - | (883,998) |
| Net Benefits and Claims & Cost of Sales -Non Insurance Subsidiaries | (21,690,507) | (6,635,199) | (60,608) | (120,361) | (651,117) | (60,453) | (52,067) | - | (29,270,312) |
| Acquisition Cost | (2,123,644) | (1,863,821) | (86,747) | - | - | - | - | - | (4,074,212) |
| Other Operating and Administrative Expenses | (3,823,330) | (5,150,081) | (140,802) | (171,437) | (1,695,455) | (137,482) | (215,474) | 11,581 | (11,322,480) |
| Finance Costs | (78,995) | (53,649) | (2,363) | (267) | (119,836) | (33,371) | (1,988) | 17,381 | (273,088) |
| Other Expenses | (6,025,969) | (7,067,551) | (229,912) | (171,704) | (1,815,291) | (170,853) | (217,462) | 28,962 | (15,669,780) |
| Segment Benefits, Claims and Other Expenses | (27,716,476) | (13,702,750) | (290,520) | (292,065) | (2,466,408) | (231,306) | (269,529) | 28,962 | (44,940,092) |
| Share of Profit of Associates | - | - | - | - | - | - | 928,097 | - | 928,097 |
| Profit Before Taxation | 8,766,512 | 1,862,479 | 42,844 | 31,521 | 425,210 | 4,855 | 1,286,294 | (507,223) | 11,912,492 |
| Taxation | (1,832,391) | (390,679) | (5,705) | 45,295 | (180,829) | (20,444) | (45,368) | (104,367) | (2,534,488) |
| Profit After Taxation | 6,934,121 | 1,471,800 | 37,139 | 76,816 | 244,381 | (15,589) | 1,240,926 | (611,590) | 9,378,004 |

Adjustment and elimination mainly include elimination of inter segment dividend, rent and interest

5. SEGMENT INFORMATION CONTD.

| Segment Income Statement For The Year Ended 31 December 2019 | Non-life | | | | Adjustments | | | | |
|---|---------------------|---------------------|------------------|------------------|--------------------|------------------|------------------|--------------------|---------------------|
| | Life | | Insurance | | Power | | Other | | Total |
| | Insurance | Domestic | Foreign | Healthcare | Education | Generation | Operations | Eliminations | |
| Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 | |
| Gross Premium | 18,718,553 | 19,802,995 | 1,696,343 | - | - | - | - | - | 40,217,891 |
| Premium Ceded to Reinsurers | (550,122) | (5,477,019) | (1,587,772) | - | - | - | - | - | (7,614,913) |
| Change in Reserve for Unearned Premium | - | 60,439 | 8,904 | - | - | - | - | - | 69,343 |
| Net Earned Premium | 18,168,431 | 14,386,415 | 117,475 | - | - | - | - | - | 32,672,321 |
| Revenue from Non Insurance Subsidiaries | - | - | - | 320,038 | 2,904,773 | 423,295 | 124,205 | (15,781) | 3,756,530 |
| Fees and Commission Income | 177,935 | 726,094 | 141,108 | - | - | - | - | (2,400) | 1,042,737 |
| Investment Income | 12,700,887 | 1,390,946 | 27,843 | 63,249 | 217,769 | 11,107 | 1,439,308 | (1,314,414) | 14,536,695 |
| Realised Gains | 237,602 | 215,021 | - | - | 9,360 | 14,232 | (3,163) | (126,908) | 346,144 |
| Fair Value Gains and Losses | 276,130 | - | - | 472 | - | - | - | (91,161) | 185,441 |
| Other Revenue & Revenue from Non Insurance Subsidiaries | 13,392,554 | 2,332,061 | 168,951 | 383,759 | 3,131,902 | 448,634 | 1,560,350 | (1,550,664) | 19,867,547 |
| Segment Revenue | 31,560,985 | 16,718,476 | 286,426 | 383,759 | 3,131,902 | 448,634 | 1,560,350 | (1,550,664) | 52,539,868 |
| Gross Benefits and Claims Paid | (10,769,988) | (10,682,651) | (223,431) | - | - | - | - | - | (21,676,070) |
| Claims Ceded to Reinsurers | 165,923 | 2,764,153 | 193,476 | - | - | - | - | - | 3,123,552 |
| Gross Change in Contract Liabilities | (7,189,811) | (250,988) | 61,532 | - | - | - | - | - | (7,379,267) |
| Change in Contract Liabilities Ceded to Reinsurers | - | (84,108) | (55,477) | - | - | - | - | - | (139,585) |
| Cost of Sales - Non Insurance Subsidiaries | - | - | - | (196,680) | (818,182) | (62,985) | (80,199) | - | (1,158,046) |
| Net Benefits and Claims & Cost of Sales - Non Insurance Subsidiaries | (17,793,876) | (8,253,594) | (23,900) | (196,680) | (818,182) | (62,985) | (80,199) | - | (27,229,416) |
| Acquisition Cost | (1,962,792) | (1,838,936) | (66,765) | - | - | - | - | - | (3,868,493) |
| Other Operating and Administrative Expenses | (3,550,209) | (4,800,854) | (146,745) | (134,458) | (1,673,254) | (145,362) | (154,587) | 9,327 | (10,596,142) |
| Finance Costs | (42,170) | (90,576) | (1,548) | (12,341) | (115,081) | (40,755) | (1,916) | 15,781 | (288,606) |
| Other Expenses | (5,555,171) | (6,730,366) | (215,058) | (146,799) | (1,788,335) | (186,117) | (156,503) | 25,108 | (14,753,241) |
| Segment Benefits, Claims and Other Expenses | (23,349,047) | (14,983,960) | (238,958) | (343,479) | (2,606,517) | (249,102) | (236,702) | 25,108 | (41,982,657) |
| Share of Profit of Associates | - | - | - | - | - | - | 493,980 | - | 493,980 |
| Profit Before Taxation | 8,211,938 | 1,734,516 | 47,468 | 40,280 | 525,385 | 199,532 | 1,817,628 | (1,525,556) | 11,051,191 |
| Taxation | (1,540,269) | (357,394) | (11,255) | (4,815) | (33,909) | (3,193) | (35,388) | (281,880) | (2,268,103) |
| Profit After Taxation | 6,671,669 | 1,377,122 | 36,213 | 35,465 | 491,476 | 196,339 | 1,782,240 | (1,807,436) | 8,783,088 |

Adjustments and eliminations mainly include elimination of inter segment dividend, rent and interest.

NOTES TO THE FINANCIAL STATEMENTS

5. SEGMENT INFORMATION CONTD.

| Segment Statement of Financial Position at 31 December 2020 | Life Insurance | | | Non-life Insurance | | | Other Operations | | | Adjustments and Eliminations | | |
|---|--------------------|-------------------|------------------|--------------------|------------------|------------------|-------------------|---------------------|--------------------|------------------------------|--------------------|--------------------|
| | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 |
| | Life Insurance | Domestic | Foreign | Healthcare | Education | Generation | Power | Other | Adjustments | and | Total | |
| Intangible Assets (Incl. Goodwill) | 362,838 | 20,822 | - | 206 | 186,148 | - | - | - | - | - | - | 570,014 |
| Property, Plant & Equipment | 9,280,573 | 3,866,531 | 4,275 | 658,138 | 5,053,361 | 1,428,538 | 16,669 | 1,690,102 | 21,998,187 | - | - | 21,998,187 |
| Investment Property | 3,515,700 | 133,000 | - | - | - | - | 153,332 | (1,690,102) | 2,111,922 | - | - | 2,111,922 |
| Investment in Associates | 807,672 | - | - | - | - | - | 4,194,569 | 112,474 | 5,114,715 | - | - | 5,114,715 |
| Investments in Subsidiaries | 1,136,000 | - | - | - | - | - | 15,986,822 | (17,122,822) | - | - | - | - |
| Financial Instruments | 128,248,463 | 15,128,897 | 521,093 | 542,849 | 665,389 | 71,660 | 2,568,615 | (357,155) | 147,389,811 | - | - | 147,389,811 |
| Reinsurance Assets | 280,009 | 3,419,750 | 501,240 | - | - | - | - | - | 4,200,999 | - | - | 4,200,999 |
| Insurance/Trade Receivables | 288,720 | 5,467,048 | 802,508 | 2,776 | 305,329 | 86,320 | - | - | 6,952,701 | - | - | 6,952,701 |
| Other Assets | 6,881,411 | 3,987,030 | 400,090 | 28,087 | 1,309,116 | 83,794 | 177,169 | (65,283) | 12,801,414 | - | - | 12,801,414 |
| Total Assets | 150,801,386 | 32,023,078 | 2,229,206 | 1,232,056 | 7,519,343 | 1,670,312 | 23,097,176 | (17,432,786) | 201,139,763 | (918,306) | 119,573,631 | 201,139,763 |
| Insurance Contract Liabilities | 107,394,766 | 12,449,340 | 647,831 | - | - | - | - | - | 119,573,631 | - | - | 119,573,631 |
| Other Liabilities | 5,261,583 | 6,601,092 | 1,190,681 | 161,737 | 3,086,020 | 401,348 | 1,266,917 | 175,178 | 18,144,556 | - | - | 18,144,556 |
| Total Liabilities | 112,656,349 | 19,050,432 | 1,838,512 | 161,737 | 3,086,020 | 401,348 | 1,266,917 | (743,128) | 137,718,187 | (743,128) | 137,718,187 | 137,718,187 |

| Segment Statement of Financial Position at 31 December 2019 | Life Insurance | | | Non-life Insurance | | | Other Operations | | | Adjustments and Eliminations | | |
|---|--------------------|-------------------|------------------|--------------------|------------------|------------------|-------------------|---------------------|--------------------|------------------------------|--------------------|--------------------|
| | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 |
| | Life Insurance | Domestic | Foreign | Healthcare | Education | Generation | Power | Other | Adjustments | and | Total | |
| Intangible Assets (Incl. Goodwill) | 349,627 | 37,971 | - | 253 | 191,680 | - | - | - | - | - | - | 579,531 |
| Property, Plant & Equipment | 9,171,436 | 4,166,169 | 5,148 | 693,747 | 4,957,216 | 1,487,911 | 19,489 | 1,575,202 | 22,076,319 | - | - | 22,076,319 |
| Investment Property | 2,470,992 | 133,000 | - | - | - | - | 153,333 | (1,575,202) | 1,182,122 | - | - | 1,182,122 |
| Investment in Associates | 807,672 | - | - | - | - | - | 3,277,485 | 117,455 | 4,202,612 | - | - | 4,202,612 |
| Investments in Subsidiaries | 1,086,000 | - | - | - | - | - | 15,986,822 | (17,072,822) | - | - | - | - |
| Financial Instruments | 112,554,139 | 12,355,529 | 544,945 | 421,815 | 652,441 | 19,414 | 3,398,564 | (357,582) | 129,589,265 | - | - | 129,589,265 |
| Reinsurance Assets | 273,408 | 2,965,845 | 299,121 | - | - | - | - | - | 3,538,374 | - | - | 3,538,374 |
| Insurance/Trade Receivables | 275,381 | 4,862,524 | 855,520 | 9,808 | 296,161 | 250,670 | - | - | 6,550,064 | - | - | 6,550,064 |
| Other Assets | 6,470,246 | 4,065,462 | 251,191 | 34,658 | 1,167,465 | 77,359 | 180,713 | (65,339) | 12,181,753 | - | - | 12,181,753 |
| Total Assets | 133,458,901 | 28,586,500 | 1,955,925 | 1,160,281 | 7,264,963 | 1,835,354 | 23,016,406 | (17,378,288) | 179,900,040 | (918,305) | 107,548,742 | 179,900,040 |
| Insurance Contract Liabilities | 95,932,662 | 12,089,210 | 445,175 | - | - | - | - | - | 107,548,742 | - | - | 107,548,742 |
| Other Liabilities | 6,034,169 | 4,799,698 | 1,120,056 | 166,834 | 2,832,872 | 463,188 | 1,492,061 | 62,311 | 16,971,189 | - | - | 16,971,189 |
| Total Liabilities | 101,966,831 | 16,888,908 | 1,565,231 | 166,834 | 2,832,872 | 463,188 | 1,492,061 | (855,994) | 124,519,931 | (855,994) | 124,519,931 | 124,519,931 |

5.(a) Summarized information of Material Partly- Owned Subsidiaries

| | Energy Lanka Holdings Rs.'000 | CEG Education Holdings Rs.000' |
|--|----------------------------------|-----------------------------------|
|--|----------------------------------|-----------------------------------|

Summarized Income Statement for the year ended 31st December 2020

| | | |
|---|-----------|-------------|
| Revenue | 236,161 | 2,891,618 |
| Cost of Sale | (60,453) | (651,117) |
| Administrative Expenses | (137,482) | (1,695,455) |
| Finance Cost | (33,371) | (119,836) |
| Profit Before Tax | 4,855 | 425,210 |
| Profit for the year from Continuing Operation | | |
| Total Comprehensive Income | (14,641) | 233,145 |
| Attributable to Non-Controlling Interests | 112 | 82,307 |
| Dividends paid to Non-Controlling Interests | 2,036 | 90,108 |

Summarized Income Statement for the year ended 31st December 2019

| | | |
|---|-----------|-------------|
| Revenue | 448,634 | 3,131,902 |
| Cost of Sale | (62,985) | (818,182) |
| Administrative Expenses | (145,362) | (1,673,254) |
| Finance Cost | (40,755) | (115,081) |
| Profit Before Tax | 199,532 | 525,385 |
| Profit for the Year from Continuing Operation | | |
| Total Comprehensive Income | 196,412 | 1,334,522 |
| Attributable to Non-Controlling Interests | 4,953 | 591,727 |
| Dividends paid to Non-Controlling Interests | 2,036 | 85,232 |

Summarized Statement of Financial Position as at 31 December 2020

| | | |
|-------------------------|-----------|-----------|
| Current Assets | 241,774 | 1,695,507 |
| Non-Current Assets | 1,428,538 | 5,823,836 |
| Current Liabilities | 269,326 | 2,096,262 |
| Non-Current Liabilities | 132,022 | 989,758 |
| Total Equity | 1,245,168 | 3,762,549 |

Summarized Statement of Financial Position as at 31 December 2019

| | | |
|-------------------------|-----------|-----------|
| Current Assets | 347,443 | 1,680,516 |
| Non-Current Assets | 1,487,911 | 5,584,447 |
| Current Liabilities | 182,790 | 1,876,316 |
| Non-Current Liabilities | 280,398 | 956,556 |
| Total Equity | 1,346,443 | 3,697,225 |

Please refer Note 39 for details of Non-Controlling Interest

Summarized Statement of Cash Flows information for the year ended 31 December 2020

| | | |
|--|-----------|-----------|
| Operating Cash Flow | 301,570 | 1,030,520 |
| Investing Cash Flow | (50,054) | (287,774) |
| Financing Cash Flow | (237,046) | (509,580) |
| Net Increase / (Decrease) In Cash and Cash Equivalents | 14,470 | 233,166 |

Summarized Statement of Cash Flows information for the year ended 31 December 2019

| | | |
|--|-----------|-----------|
| Operating Cash Flow | 111,119 | 769,506 |
| Investing Cash Flow | (10,308) | (491,559) |
| Financing Cash Flow | (102,488) | (300,983) |
| Net Increase / (Decrease) In Cash and Cash Equivalents | (1,677) | (23,036) |

NOTES TO THE FINANCIAL STATEMENTS

6. GOODWILL

| | Group | |
|-------------------------------|----------------|----------------|
| | 2020 | 2019 |
| | Rs.'000 | Rs.'000 |
| Cost | | |
| At 1 January | 188,057 | 188,057 |
| Reclassification | - | - |
| At 31 December | 188,057 | 188,057 |
| Accumulated Impairment | | |
| At 1 January | 6,753 | 6,753 |
| Impairment during the year | - | - |
| At 31 December | 6,753 | 6,753 |
| Carrying Amount | | |
| At 31 December | 181,304 | 181,304 |

The amount represents Goodwill reflected in the CEG Education Holdings (Pvt) Ltd which is included under Education Segment.

The Group performs its annual impairment test as at 31 December of each financial year. The Group considers the net assets position and future cash flows of each operating segment when assessing the recoverable amount. As at 31 December 2020, there were no potential impairment of goodwill except Net Assist International (Pvt) Ltd Subsidiary of CEG Education Holdings (Pvt) Ltd., for which provision has been made. in 2015.

Accounting Judgements, Estimates and Assumptions

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use (VIU). The fair value less costs to sell calculation is based on available data from an active market, in an arm's length transaction, of similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance of the cash generating unit being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows and the growth rate used for extrapolation purposes.

7. OTHER INTANGIBLE ASSETS

| | Group | |
|--|-----------------------------|------------------|
| | Computer Software & License | Total |
| | Note | Rs.'000 |
| | | Rs.'000 |
| Cost | | |
| At 1 January 2020 | | 1,077,501 |
| Cost Capitalised | | 158,183 |
| At 31 December 2020 | | 1,235,684 |
| Accumulated Amortisation and Impairment | | |
| At 1 January 2020 | | 679,274 |
| Amortisation During the Period | 36 | 167,700 |
| At 31 December 2020 | | 846,974 |
| Carrying Amount | | |
| At 1 January 2020 | | 398,227 |
| At 31 December 2020 | | 388,710 |

7.(a) Acquisition of Other Intangible Assets during the year

During the financial year, the Group acquired/capitalised Intangible Assets (Computer Software & License) to the aggregate value of Rs. 158,183,000 (2019 - 425,048,000). Cash payments amounting to Rs. 158,183,000 (2019 - 308,260,000) were made during the year for purchase of Intangible assets (Computer Software & License).

7.(b) Title Restriction on Other Intangible Assets

There are no restrictions that existed on the title of the intangible assets as at the reporting date.

7.(c) Assessment of Impairment of Intangible Assets

The Board of Directors has assessed potential impairment indicators of Intangible Assets as at 31st December 2020. Based on the assessment, no impairment indicators were identified.

7.(d) Capitalisation of Borrowing Costs

There were no capitalised borrowing costs related to the acquisition of Intangible Assets during the year (2019 - Nil).

7.(e) Fully amortized intangible assets in use

Intangible assets include fully amortized computer software which are in the use of normal business activities having a cost of Rs. 419,698,386 (2019 - Rs. 417,811,050).

8. DEFERRED EXPENSES

| | Group | |
|-------------------|---|-------------|
| | Deferred Acquisition Costs on Insurance Contracts | |
| | 2020 | 2019 |
| | Rs.'000 | Rs.'000 |
| At 1 January | 1,069,807 | 1,036,571 |
| Expenses Deferred | 2,010,186 | 2,019,925 |
| Amortisation | (2,003,189) | (1,986,689) |
| At 31 December | 1,076,804 | 1,069,807 |

Deferred Acquisition Cost is those direct and indirect costs incurred during the financial period arising from the writing or renewing of insurance contracts and deferred to the extent that these costs are recoverable out of future premiums.

NOTES TO THE FINANCIAL STATEMENTS

9. PROPERTY, PLANT AND EQUIPMENT

| Group | Freehold | Building | Plant & Machinery | Motor Vehicles | Office Equipment | Computer Equipment | Furniture & Fittings | Capital WIP | Total |
|----------------------------|------------------|------------------|-------------------|------------------|------------------|--------------------|----------------------|----------------|-------------------|
| | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 |
| At Cost/Valuation | | | | | | | | | |
| At 1 January 2019 | 8,063,853 | 6,536,764 | 2,119,672 | 3,261,366 | 1,371,339 | 1,040,340 | 922,393 | 70,406 | 23,386,133 |
| Additions/Transfers | - | 289,605 | 52,554 | 868,396 | 150,659 | 64,386 | 47,442 | 226,114 | 1,699,156 |
| Disposals | (195,248) | (83,742) | (6,369) | (274,738) | (18,786) | (4,551) | (836) | - | (584,270) |
| Revaluation | 1,685,126 | 797,351 | - | - | - | - | - | - | 2,482,477 |
| At 1 January 2020 | 9,553,731 | 7,539,978 | 2,165,857 | 3,855,024 | 1,503,212 | 1,100,175 | 968,999 | 296,520 | 26,983,496 |
| Additions | 60,100 | 215,116 | 30,745 | 205,320 | 126,177 | 101,443 | 34,176 | 127,138 | 900,215 |
| Disposals/Transfers | (579,000) | (29,854) | (21,754) | (199,878) | (75,457) | (268,612) | (137,535) | (71,048) | (1,383,138) |
| Revaluation | 696,000 | 3,123 | - | - | - | - | - | - | 699,123 |
| At 31 December 2020 | 9,730,831 | 7,728,363 | 2,174,848 | 3,860,466 | 1,553,932 | 933,006 | 865,640 | 352,610 | 27,199,696 |

| Group | Freehold | Building | Plant & Machinery | Motor Vehicles | Office Equipment | Computer Equipment | Furniture & Fittings | Capital WIP | Total |
|---------------------------------|----------|----------------|-------------------|------------------|------------------|--------------------|----------------------|-------------|------------------|
| | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 |
| Accumulated Depreciation | | | | | | | | | |
| At 1 January 2019 | - | 406,381 | 563,369 | 1,085,172 | 963,617 | 810,933 | 629,826 | - | 4,459,298 |
| Depreciation | - | 154,615 | 127,014 | 388,480 | 129,115 | 95,251 | 75,964 | - | 970,439 |
| Disposals | - | (78,679) | (4,934) | (181,115) | (16,900) | (3,898) | (396) | - | (285,922) |
| Revaluation | - | (236,638) | - | - | - | - | - | - | (236,638) |
| At 1 January 2020 | - | 245,679 | 685,449 | 1,292,537 | 1,075,832 | 902,286 | 705,394 | - | 4,907,177 |
| Depreciation | - | 152,325 | 130,296 | 398,305 | 134,465 | 96,100 | 67,694 | - | 979,185 |
| Disposals | - | (9,939) | (21,682) | (109,117) | (73,121) | (266,797) | (136,883) | - | (617,539) |
| Revaluation | - | (67,314) | - | - | - | - | - | - | (67,314) |
| At 31 December 2020 | - | 320,751 | 794,063 | 1,581,725 | 1,137,176 | 731,589 | 636,205 | - | 5,201,509 |

| Group | Freehold | Building | Plant & Machinery | Motor Vehicles | Office Equipment | Computer Equipment | Furniture & Fittings | Capital WIP | Total |
|--|------------------|------------------|-------------------|------------------|------------------|--------------------|----------------------|----------------|-------------------|
| | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 |
| Carrying Amount at Cost/Valuation | | | | | | | | | |
| At 1 January 2020 | 9,553,731 | 7,294,299 | 1,480,408 | 2,562,487 | 427,380 | 197,889 | 263,605 | 296,520 | 22,076,319 |
| At 31 December 2020 | 9,730,831 | 7,407,612 | 1,380,785 | 2,278,741 | 416,756 | 201,417 | 229,435 | 352,610 | 21,998,187 |

9. PROPERTY, PLANT AND EQUIPMENT CONTD.

Movement of Revalued Free Hold Land and Building if accounted on Cost basis:

| Group | Freehold Land Rs.'000 | Building Rs.'000 |
|---------------------------------|--------------------------|---------------------|
| At Cost | | |
| At 1 January 2020 | 4,952,818 | 4,585,432 |
| Additions/Transfers | 60,100 | 204,399 |
| Disposals | (393,000) | - |
| At 31 December 2020 | 4,619,918 | 4,789,831 |
| Accumulated Depreciation | | |
| At 1 January 2020 | - | 524,321 |
| Depreciation | - | 78,861 |
| Disposals | - | - |
| At 31 December 2020 | - | 603,183 |
| Carrying Amount at Cost | | |
| At 1 January 2020 | 4,952,818 | 4,061,111 |
| At 31 December 2020 | 4,619,918 | 4,186,648 |

NOTES TO THE FINANCIAL STATEMENTS

9. PROPERTY, PLANT AND EQUIPMENT CONTD. 9.(a) Details of Freehold Land & Building

Group

Non Life Insurance Business

| Addresses | Building Sq. Ft. | Land Extent | Method of Valuation | Significant Unobservable Inputs | Estimation for Unobservable Inputs | Value of | | Total | |
|--|------------------|-----------------|--------------------------|---------------------------------|------------------------------------|----------------|------------------|------------------|------------|
| | | | | | | Land | Buildings | | |
| | | | | | | Rs.'000 | Rs.'000 | Rs.'000 | |
| 282, High Level Road, Kottawa | 862 | Condominium | Investment Method | Rent per Sq.ft per month | Rs. 2,500 | 7,875 | 2,125 | 10,000 | 31/12/2019 |
| | | | | Price per perch | Rs. 1,750,000 | | | | |
| 97, Bauddhaloka Mawatha, Gampaha | 8,360 | A-0-R-0-P 16.50 | Market Comparable Method | Price per perch | Rs. 4,500,000 | 74,250 | 37,250 | 111,500 | 31/12/2019 |
| | | | | Price per Sq ft | Rs. 1,250-4,750 | | | | |
| 42/1, Mihidu Mawatha, Kurunegala | 8,425 | A-0-R-0-P 8.2 | Market Comparable Method | Price per perch | Rs. 7,600,000 | 62,000 | 55,000 | 117,000 | 31/12/2019 |
| | | | | Price per Sq ft | Rs. 9000 | | | | |
| 583/ 63 Liyanagemulla, Seeduwa | 43,080 | A-3-R-1-P .36 | Market Comparable Method | Price per perch | Rs. 300,000 | 157,000 | 42,000 | 199,000 | 31/12/2019 |
| | | | | Price per Sq ft | Rs. 660 - 4000 | | | | |
| 60, Yovumpitiya Watte, Gnanawimala Mawatha, Kosgoda, Balapitiya | 11,282 | A-0-R-1-P 29 | Market Comparable Method | Price per perch | Rs. 450,000 | 31,000 | 55,000 | 86,000 | 31/12/2019 |
| | | | | Price per Sq ft | Rs. 6500 | | | | |
| 63, Janadhipathi Mawatha, Colombo 1. | - | A-0-R-0-P 13.84 | Market Comparable Method | Price per perch | Rs. 12,000,000 | 154,000 | - | 154,000 | 31/12/2019 |
| 3 rd,4 th, 7 th & 11 th Floors of Ceylinco House Building 69, "Ceylinco House", Janadhipathi Mawatha, Colombo 1. | 31,332 | - | Investment Method | Rent per Sq.ft per month | Rs. 190-200 | - | 749,000 | 749,000 | 31/12/2019 |
| 46 / 34, "VIP Centre", Nawam Mawatha, Colombo 2. | 18,068 | A-0-R-0-P 19.00 | Market Comparable Method | Price per perch | Rs. 16,000,000 | 304,000 | 115,000 | 419,000 | 31/12/2019 |
| | | | | Price per Sq ft | Rs.8,500 | | | | |
| Madabawita, Warakapola | 608 | A-0-R-0-P 16.25 | Market Comparable Method | Price per perch | Rs. 373,000 | 7,312 | 1,500 | 8,812 | 31/12/2019 |
| | | | | Price per Sq ft | Rs.525,000 | | | | |
| Malangama, Kuruwita | 650 | A-0-R-0-P 15.00 | Market Comparable Method | Price per perch | Rs. 1,000,000 | 15,000 | 1,500 | 16,500 | 31/12/2019 |
| | | | | Price per Sq ft | Rs. 2,750 | | | | |
| Induruwa, Kosgoda | 856 | A-0-R-0-P 24.30 | Market Comparable Method | Price per perch | Rs. 490,000 | 9,800 | 1,600 | 11,400 | 31/12/2019 |
| | | | | Price per Sq ft | Rs. 1,892 | | | | |
| Ibbagamuwa, Melsiripura | 620 | A-0-R-1-P 00.00 | Market Comparable Method | Price per perch | Rs. 225,000 | 9,000 | 1,200 | 10,200 | 31/12/2019 |
| | | | | Price per Sq ft | Rs. 1,923 | | | | |
| Unakuruwa, Tangalle | 798 | A-0-R-1-P 20.00 | Market Comparable Method | Price per perch | Rs. 325,000 | 6,500 | 1,500 | 8,000 | 31/12/2019 |
| | | | | Price per Sq ft | Rs. 2,750 | | | | |
| Bibiliya, Kithulgala | 5,326 | A-0-R-2-P 00.07 | Market Comparable Method | Price per perch | Rs. 275,000-375,000 | 25,500 | 15,250 | 40,750 | 31/12/2019 |
| | | | | Price per Sq ft | Rs. 2,875 - 3,500 | | | | |
| Puttalam -South, Mundel | 705 | A-0-R-0-P-200 | Market Comparable Method | Price per perch | Rs. 125,000 - 175,000 | 3,100 | 900 | 4,000 | 31/12/2019 |
| | | | | Price per Sq ft | Rs. 1,240 | | | | |
| Total | | | | | | 866,337 | 1,078,825 | 1,945,162 | |

9.(a) Details of Freehold Land & Building

Group

Life Insurance Business

| Addresses | Building Sq. Ft. | Land Extent | Method of Valuation | Significant Unobservable Inputs | Estimation for Unobservable Inputs | Value of | | Total | Date of the Valuation |
|--|------------------|-----------------|--------------------------|------------------------------------|--|----------|-----------|-----------|-----------------------|
| | | | | | | Land | Buildings | | |
| | | | | | | Rs.'000 | Rs.'000 | Rs.'000 | |
| No.115, Greens Road, Negombo | 13,169 | A-0-R-0-P-15.00 | Contractor's Test Method | Price per perch Price per Sq ft | Rs. 3,000,000 Rs. 9,500 | 45,000 | 100,000 | 145,000 | 31/12/2020 |
| No.60, Colombo Road, Kaluwella, Galle | 11,385 | A-0-R-0-P-15.00 | Contractor's Test Method | Price per perch Price per Sq ft | Rs. 3,750,000 Rs. 7,400 | 56,000 | 57,000 | 113,000 | 31/12/2020 |
| No.54, Dharmapala Mawatha, Anuradhapura | 22,015 | A-0-R-1-P-10.68 | Contractor's Test Method | Price per perch Price per Sq ft | Rs. 2,500,000 Rs. 7,150 | 126,700 | 122,500 | 249,200 | 31/12/2020 |
| No.144, Hambanthota Road, Kachcheriyagama, Tissamaharama | 8,130 | A-0-R-1-P-00.00 | Replacement Cost Method | Price per perch | Rs. 500,000- Rs. 1,700,000 | 44,000 | 50,000 | 94,000 | 31/12/2020 |
| No.45, Dharmapala Mawatha, Rathnapura | 2,560 | A-0-R-0-P-35.50 | Contractor's Test Method | Price per Sq ft | Rs. 7,250 | 78,000 | 10,000 | 88,000 | 31/12/2020 |
| No.45, Dharmapala Mawatha, Rathnapura (New Building) | 8,102 | - | Contractor's Test Method | Price per Sq ft | Rs. 5,000 Rs. 8,650 | - | 70,000 | 70,000 | 31/12/2020 |
| No.401, Main street, Panadura | 7,116 | A-0-R-1-P-4.12 | Contractor's Test Method | Price per perch | Rs. 3,750,000 | 165,500 | 60,500 | 226,000 | 31/12/2020 |
| No.423, Main Street, Kalutara | 12,000 | A-0-R-0-P-32.75 | Contractor's Test Method | Price per Sq ft | Rs. 9,000 Rs. 2,200,000 | 72,000 | 86,000 | 158,000 | 31/12/2020 |
| No.327, Badulla Road, Bandarawela | 8,970 | A-0-R-0-P-17.01 | Market Comparable Method | Price per Sq ft | Rs. 8,700 Rs. 1350,000 | 23,000 | 86,000 | 109,000 | 31/12/2020 |
| No.106, Havelock Road, Colombo 05 | 61,630 | A-0-R-0-P-35.27 | Contractor's Test Method | Price per Sq ft | Rs. 9,600 Rs. 14,000,000 | 493,000 | 680,000 | 1,173,000 | 31/12/2020 |
| No.32, Mistry Hills, Nuwara Eliya | 5,227 | A-0-R-0-P-26.9 | Direct Comparison Method | Price per Sq ft | Rs. 11,250 Rs. 700,000 | 18,800 | 25,000 | 43,800 | 31/12/2020 |
| No.15, Rexdias Mawatha, Wennappuwa | 8,664 | A-0-R-0-P-37.40 | Contractor's Test Method | Price per Sq ft | Rs. 4,800 Rs. 1,100,000 | 41,000 | 62,000 | 103,000 | 31/12/2020 |
| No.91, Baudhaloka Mawatha, Gampaha | 9,458 | A-0-R-0-P-32.5 | Contractor's Test Method | Price per Sq ft | Rs. 7,250 Rs. 3,200,000 | 104,000 | 70,000 | 174,000 | 31/12/2020 |
| No.40, Rajapihilla Road, Kurunegala | 10,485 | A-0-R-0-P-15.5 | Contractor's Test Method | Price per Sq ft | Rs. 8,500 Rs. 2,750,000 | 42,500 | 89,500 | 132,000 | 31/12/2020 |
| No.90/4, Kurunegala Road, Chillaw | 6,385 | A-0-R-0-P-30.0 | Contractor's Test Method | Price per Sq ft | Rs. 9,000 Rs. 500,000- Rs. 1,300,000 | 27,000 | 55,000 | 82,000 | 31/12/2020 |
| No.406, Galle Road, Rawatawatta, Moratuwa | 6,874 | A-0-R-0-P-39.73 | Contractor's Test Method | Price per Sq ft | Rs. 8,650 Rs. 3,300,000 | 131,000 | 18,000 | 149,000 | 31/12/2020 |
| No.37,39 & 41, Kannarhiddy Road, Jaffna | 4,144 | A-0-R-1-P-7.9 | Contractor's Test Method | Price per Sq ft | Rs. 4,250- Rs. 5,200 | 107,900 | 15,500 | 123,400 | 31/12/2020 |
| | | | | Price per Sq ft | Rs. 6,000 | | | | |

NOTES TO THE FINANCIAL STATEMENTS

9(a) Details of Freehold Land & Building Contd.

| Addresses | Building Sq. Ft. | Land Extent | Method of Valuation | Significant Unobservable Inputs | Estimation for Unobservable Inputs | Value of | | Total | Date of the Valuation |
|---|---------------------|-----------------|--------------------------|---------------------------------------|--|-----------|-----------|-----------|--------------------------|
| | | | | | | Land | Buildings | | |
| | | | | | | Rs.000 | Rs.000 | Rs.000 | |
| No.22 (New 32) Lloyds Avenue, Batticaloa | 12,317 | A-0-R-0-P-2383 | Contractor's Test Method | Price per perch | Rs.1,800,000 | 43,000 | 77,000 | 120,000 | 31/12/2020 |
| | | | | Price per Sq ft | Rs.6,800 | | | | |
| No.2, Gower Street, Colombo-05 | 2,600 | A-0-R-1-P-67.25 | Market Comparable Method | Price per perch | Rs.14,000,000 | 941,500 | 8,000 | 949,500 | 31/12/2020 |
| | | | | Price per Sq ft | Rs.5,900 | | | | |
| No.20 & 22/3 Kandy Road, Trincomalee | 11,310 | A-0-R-1-P-20 | Contractor's Test Method | Price per perch | Rs.1,000,000 | 60,000 | 91,000 | 151,000 | 31/12/2020 |
| | | | | Price per Sq ft | Rs.8,500 | | | | |
| No.38/38/B Rajapilla Road, Kurunegala | - | A-0-R-0-P-2393 | Market Comparable Method | Price per perch | Rs.2,750,000 | 65,800 | - | 65,800 | 31/12/2020 |
| No.92 & 98 Jampettah Street, Colombo - 13 | 18,480 | A-0-R-1-P-11.22 | Market Comparable Method | Price per perch | Rs.3,000,000 | 154,000 | 71,000 | 225,000 | 31/12/2020 |
| | | | | Price per Sq ft | Rs.6,000- | | | | |
| | | | | | Rs.6,800 | | | | |
| No.70, Park Street, Colombo 02 | 4,510 | A-0-R-1-P-32.4 | Replacement Cost Method | Price per perch | Rs.15,000,000 | 1,086,000 | 126,200 | 1,212,200 | 31/12/2020 |
| | | | | Price per Sq ft | Rs.28,000 | | | | |
| No.615, Galle Road, Mount Lavinia | 4,315 | A-0-R-1-P-12.5 | Market Comparable Method | Price per perch | Rs.4,250,000 | 222,500 | 19,000 | 241,500 | 31/12/2020 |
| | | | | Price per Sq ft | Rs.5,500 | | | | |
| No.274, Panadura Road, Horana | 5,860 | A-0-R-0-P-25.5 | Contractor's Test Method | Price per perch | Rs.3,000,000 | 76,500 | 46,500 | 123,000 | 31/12/2020 |
| | | | | Price per Sq ft | Rs.8,000 | | | | |
| No.65, King Street, Kandy | 14,650 | A-0-R-1-P-1.25 | Contractor's Test Method | Price per perch | Rs.6,250,000 | 257,000 | 50,000 | 307,000 | 31/12/2020 |
| | | | | Price per Sq ft | Rs.5,300 | | | | |
| No.45, Anagarika Dharmapala Mawatha, Matara | 7,232 | A-0-R-0-P-26.44 | Replacement Cost Method | Price per perch | Rs.6,750,000 | 178,400 | 25,900 | 204,300 | 31/12/2020 |
| | | | | Price per Sq ft | Rs.6,500 | | | | |
| No.213, Highlevel Road, Nugegoda | - | A-0-R-0-P-23.75 | Market Comparable Method | Price per perch | Rs.3,500,000 | 83,000 | - | 83,000 | 31/12/2020 |
| No.15A, Jaya Mawatha, Kadawatha | 5,914 | A-0-R-0-P-19.5 | Contractor's Test Method | Price per perch | Rs.1,600,000 | 31,000 | 50,000 | 81,000 | 31/12/2020 |
| | | | | Price per Sq ft | Rs.8,500 | | | | |
| No.26 Gammedda Road, Jaela | - | A-0-R-0-P-32 | Market Comparable Method | Price per perch | Rs.1,600,000 | 51,000 | - | 51,000 | 31/12/2020 |
| 190, Horana Road, Mamppe, Kesbewa | - | A-0-R-0-P-25.35 | Market Comparable Method | Price per perch | Rs.3,000,000 | 76,000 | - | 76,000 | 31/12/2020 |
| No.43 & 45, Galle Road, Wellawatta, Colombo 6 | 12,676 | A-0-R-0-P-25.31 | Contractor's Test Method | Price per perch | Rs.15,000,000 | 379,500 | 40,000 | 419,500 | 31/12/2020 |
| | | | | Price per Sq ft | Rs.1,765- | | | | |
| | | | | | Rs.7,500 | | | | |
| No.582, Malabe Road, Malabe | 5,600 | A-0-R-0-P-29 | Contractor's Test Method | Price per perch | Rs.3,600,000 | 104,000 | 57,000 | 161,000 | 31/12/2020 |
| | | | | Price per Sq ft | Rs.10,200 | | | | |
| No.301, Merigama Road, Wevagedara, Divulapitiya | 5,229 | A-0-R-0-P-40 | Contractor's Test Method | Price per perch | Rs.800,000 | 32,000 | 53,000 | 85,000 | 31/12/2020 |
| | | | | Price per Sq ft | Rs.10,150 | | | | |
| No.301A, Point pedro Road, Nellyyadi Jaffna | - | A-0-R-0-P-53.92 | Market Comparable Method | Price per perch | Rs.200,000 | 10,700 | - | 10,700 | 31/12/2020 |
| No.301, Point pedro Road, Nellyyadi Jaffna | 9,462 | A-0-R-0-P-44.32 | Market Comparable Method | Price per perch | Rs.500,000 | 22,000 | 77,000 | 99,000 | 31/12/2020 |
| | | | | Price per Sq ft | Rs.8,150 | | | | |
| No.37, 39/41 Kamathiddy Road, Jaffna | 13,710 | - | Contractor's Test Method | Price per Sq ft | Rs.6,200 | - | 85,000 | 85,000 | 31/12/2020 |
| No.746-1, Trincomalee street, Madandawela, Matale | - | A-0-R-0-P-31.0 | Contractor's Test Method | Price per Sq ft | Rs.2,000,000 | 62,000 | - | 62,000 | 31/12/2020 |

| Addresses | Building Sq. Ft. | Land Extent | Method of Valuation | Significant Unobservable Inputs | Estimation for Unobservable Inputs | Value of | | Total | Date of the Valuation |
|---|------------------|----------------|--------------------------|---------------------------------|------------------------------------|------------------|------------------|-------------------|-----------------------|
| | | | | | | Land | Buildings | | |
| | | | | | | Rs.000 | Rs.000 | Rs.000 | |
| No.115, Greens Road, Negombo | - | A-0-R-1-P-37.5 | Market Comparable Method | Price per perch | Rs. 3,600,000 | 135,000 | - | 135,000 | 31/12/2020 |
| No. 60, Park Street, Colombo 02 | 34,854 | A-0-R-1-P-2.82 | Investment Method | Rent per Sqft per month | Rs. 200 - Rs. 220 | 599,400 | 215,000 | 814,400 | 31/12/2020 |
| No. 70, Park Street, Colombo 02 | 4,510 | - | Market Comparable Method | Rent per Sqft per month | Rs. 125 - Rs. 160 | - | 130,000 | 130,000 | 31/12/2020 |
| Serene Resorts, Bopitiya Road, Uswetakejyawa | 37,184 | A-2-R-3-P-30 | Market Comparable Method | Price per perch | Rs. 500,000 | 235,000 | 242,000 | 477,000 | 31/12/2020 |
| Ceylinco House, No.69, Janadhipathi Mawatha, Colombo 01 (5th Floor) | 11,323 | - | Investment Method | Rent per Sqft per month | Rs. 160 - Rs. 170 | - | 240,000 | 240,000 | 31/12/2020 |
| Ceylinco House, No.69, Janadhipathi Mawatha, Colombo 01 (6th Floor) | 1,300 | - | Investment Method | Rent per Sqft per month | Rs. 160 - Rs. 175 | - | 28,703 | 28,703 | 31/12/2020 |
| Total | | | | | | 6,480,700 | 3,389,303 | 9,870,003 | |
| Sub Total | | | | | | 7,347,037 | 4,468,128 | 11,815,165 | |
| Land & Buildings - Other Subsidiaries | | | | | | 2,383,794 | 3,260,235 | 5,644,029 | |
| Group -Total | | | | | | 9,730,831 | 7,728,363 | 17,459,194 | |

The Group uses the revaluation model of measurement of land and buildings. The Land and Buildings of Ceylinco General Insurance Ltd., Ceylinco Life Insurance Ltd., and CEG Education Group were revalued by an independent expert valuers, Mr.W.M.Chandrasena and Mr.W.A.T.PJayatilake Incorporated valuers, to determine the fair value of its land and buildings on 31/12/2019. However, Ceylinco Life Insurance Ltd. has revalued as at 31/12/2020, certain properties which have indicated increase in fair value significantly during the year. Fair value is determined by reference to market-based evidence of transaction prices for similar properties. Valuation is based on open market prices, adjusted for any difference in the nature, location or condition of the specific property.

The net revaluation surplus was transferred to Revaluation Reserve except for the Life Insurance business policyholders' revaluation surplus which was transferred to the Life Fund.

The group has 58 number of buildings.

NOTES TO THE FINANCIAL STATEMENTS

9.(b) Acquisition of Property, Plant and Equipment during the year

During the financial year, the Group acquired Property, Plant and Equipment to the aggregate value of Rs. 900,215,000 (2019 - 1,699,156,000). Cash payments amounting to Rs.900,215,000 (2019 - 1,432,854,000) were made during the year to purchase of PPE.

Description of the above valuation techniques together with narrative descriptions on sensitivity of the fair value measurement to changes in significant unobservable inputs are tabulated below;

The fair value measurement for all of the Freehold Land and Building has been categorized as a Level 3 based on the inputs to the valuation techniques used.

| Valuation Technique | Significant Unobservable Valuation Inputs | Sensitivity of the Fair Value Measurement to Inputs |
|--|---|--|
| <p>Market Comparable Method</p> <p>This method considers the selling price of a similar property within a reasonably recent period of time in determining the fair value of the property being revalued. This involves evaluation of recent active market prices of similar assets, making appropriate adjustments for differences in size, nature, location, condition of specific property in this process outlier transactions, indicative of particularly motivated buyers or sellers are too compensated for since the price may not adequately reflect the fair market value.</p> | <p>Price per perch for Land</p> <p>Price per square foot for Building</p> | <p>Estimated fair value would increase (decrease) if; Price per perch increases (decreases) Price per square foot increases (decreases) Depreciation rate for building (decreases)/increases</p> |
| <p>Investment Method</p> <p>This method involves capitalisation of the expected rental income at an appropriate rate of years purchase currently characterised by the real estate market.</p> | <p>Gross Monthly Rental Years</p> | <p>Estimated fair value would increase (decrease) if; Gross Annual Rental increases (decreases) Years Purchase increases (decreases) Void Period (decrease) / increases</p> |
| <p>Contractor's Method</p> <p>This method consists of estimating the "Effective Capital Value" of the property and applying to this a rate percent in order to estimate the rental value.</p> | <p>Gross Monthly Rental Years</p> | <p>Estimated fair value would increase/ (decrease) if; Effective Capital Value increases/(decreases).</p> |
| <p>Replacement Cost</p> <p>This method uses the current cost of reproduction or replacement of the asset less deductions for physical deterioration and all relevant forms of obsolescences.</p> | <p>Price per square foot for Building</p> | <p>Estimated fair value would increase/ (decrease) if; Reproduction or Replacement Costs increase/ (decrease) Deterioration Costs increase/ (decrease).</p> |

9.(c) Fully Depreciated Property, Plant and Equipment

The initial cost of fully depreciated Property, Plant and Equipment which are still in use as at reporting date is as follows;

| At 31 December | Group | |
|------------------------|------------------|------------------|
| | 2020 | 2019 |
| | Rs.'000 | Rs.'000 |
| Plant and Machinery | 139,861 | 108,077 |
| Computer Equipment | 468,792 | 319,209 |
| Office Equipments | 951,731 | 578,751 |
| Furniture and Fittings | 346,800 | 398,734 |
| Motor Vehicles | 200,842 | 246,774 |
| | 2,108,026 | 1,651,545 |

9.(d) Capital Commitments

Capital commitments relating to the acquisition of Property, Plant and Equipment during the year (Refer Note 45.(b)).

9.(e) Property, Plant and Equipment Pledged as Security for Liabilities

There are no items of Property, Plant and Equipment pledged as securities for liabilities during the year other than those disclosed in Note 46.

9.(f) Title Restriction on Property, Plant and Equipment

There are no restrictions that existed on the title of the Property, Plant and Equipment of the Company as at the reporting date.

9.(g) Assessment of Impairment

The Board of Directors has assessed the potential impairment indicators of Property, Plant and Equipment as at 31st December 2020. Based on the assessment, no impairment indicators were identified.

9.(h) Capitalisation of Borrowing Costs

There were no capitalised borrowing costs relating to the acquisition of Property, Plant and Equipment during the year (2019 -Nil).

9.(i) Temporarily idle Property, Plant and Equipment

There were no temporarily idle Property, Plant and Equipment as at the year ended 31st December 2020 (2019 - Nil).

10 RIGHT OF USE ASSETS

| | Group | |
|-------------------------------------|-----------|-----------|
| | 2020 | 2019 |
| | Rs.'000 | Rs.'000 |
| Cost | | |
| As at 01 January | 1,228,606 | - |
| Additions During the Year | 589,903 | 1,228,605 |
| Derecognition | (125,664) | - |
| As at 31 December | 1,692,845 | 1,228,605 |
| Accumulated Depreciation | | |
| As at 01 January | 278,180 | - |
| Depreciation on Right-of-Use Assets | 371,141 | 278,179 |
| Derecognition | (47,530) | - |
| As at 31 December | 601,791 | 278,179 |
| Carrying Value as at 31 December | 1,091,054 | 950,426 |

| | Group | |
|--|---------|---------|
| At 31 December | 2020 | 2019 |
| | Rs.'000 | Rs.'000 |
| The following are the amounts recognised in profit or loss: | | |
| Depreciation Expense of Right-of-Use Assets | 371,141 | 278,179 |
| Interest Expense on Lease Liabilities | 131,839 | 95,094 |

NOTES TO THE FINANCIAL STATEMENTS

Leases - Estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the financial statements:

Determining the lease term of contracts with renewal and termination options – Group as lessee

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has several lease contracts that include extension and termination options. The Group applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customisation to the leased asset).

The Group included the renewal period as part of the lease term for leases of buildings with shorter non-cancellable period (i.e., three to five years). The Group typically exercises its option to renew for these leases because there will be a significant negative effect on production if a replacement asset is not readily available. The renewal periods for leases of buildings with longer non-cancellable periods (i.e., 10 to 15 years) are not included as part of the lease term as these are not reasonably certain to be exercised. In addition, the renewal options for leases of motor vehicles are not included as part of the lease term because the Group typically leases motor vehicles for not more than five years and, hence, is not exercising any renewal options. Furthermore, the periods covered by termination options are included as part of the lease term only when they are reasonably certain not to be exercised.

11. INVESTMENT PROPERTIES

| | Note | Group | | Company | |
|---------------------|------|-----------------|-----------------|-----------------|-----------------|
| | | 2020 Rs.'000 | 2019 Rs.'000 | 2020 Rs.'000 | 2019 Rs.'000 |
| At 1 January | | 1,182,122 | 1,170,061 | 153,332 | 153,332 |
| Additions/Transfers | | 218,431 | - | - | - |
| Disposal/Transfers | | 579,000 | (62,778) | - | - |
| Fair Value Gains | 33 | 132,369 | 74,839 | - | - |
| At 31 December | | 2,111,922 | 1,182,122 | 153,332 | 153,332 |

As at 31st December 2020, Investment Properties were valued by qualified valuer Mr.W.M.Chandrasena .

11. INVESTMENT PROPERTIES CONTD.

11.(a) Details of Investment Property

Group

Non Life Insurance Business

| Addresses | Building Sq. Ft. | Land Extent | Method of Valuation | Significant Unobservable Inputs | Estimation for Unobservable Inputs | Value of | | Total | Date of Valuation |
|--|---------------------|----------------|------------------------|---------------------------------------|--|----------|----------|---------|----------------------|
| | | | | | | Land | Building | | |
| | | | | | | Rs.'000 | Rs.'000 | Rs.'000 | |
| No.34, Muhandiram ED Dabare Mawatha, Colombo-05 (1 Apartment) | 2663 | - | Investment Method | Rent per Sqft per month | Rs.65/- | - | 33,000 | 33,000 | 31/12/2020 |
| 583/63, Liyanagemulla, Seeduwa | - | A-2-R-2-P-21.5 | Cost Approach | Price per perch | Rs.500,000/- | 100,000 | - | 100,000 | 31/12/2020 |
| Total | | | | | | 100,000 | 33,000 | 133,000 | |

Life Insurance Business

| Addresses | Building Sq. Ft. | Land Extent | Method of Valuation | Significant Unobservable Inputs | Estimation for Unobservable Inputs | Value of | | Total | Date of Valuation |
|--|---------------------|-----------------|-----------------------------|---------------------------------------|--|-----------|----------|-----------|----------------------|
| | | | | | | Land | Building | | |
| | | | | | | Rs.'000 | Rs.'000 | Rs.'000 | |
| No. 36, Talbot Town, Galle | 6,668 | A-0-R-0-P-20 | Replacement Cost Method | Rent per Sqft per month | Rs.100 - Rs. 150 | 100,000 | 18,000 | 118,000 | 31/12/2020 |
| No.24A, New Galle Road, Nambimulla, Ambalangoda | 4,614 | A-0-R-0-P-20 | Investment Method | Rent per Sqft per month | Rs.100 - Rs. 120 | 72,000 | 18,400 | 90,400 | 31/12/2020 |
| No. 428, 428/2/1, R.A. De Mel Mawatha, Colombo 03 | 8,249 | Condominium | Market Comparable Method | Rent per Sqft per month | Rs.90 - Rs. 200 | - | 136,000 | 136,000 | 31/12/2020 |
| No. 06, Railway Station Road, Matara | 2,982 | A-0-R-0-P-25.88 | Investment Method | Rent per Sqft per month | Rs.60 - Rs. 130 | 82,800 | 6,300 | 89,100 | 31/12/2020 |
| Ceylinco House, No.69, Janadhipathi Mawatha, Colombo 01 (7th Floor) | 5,318 | - | Investment Method | Rent per Sqft per month | Rs. 160 - Rs.180 | - | 118,000 | 118,000 | 31/12/2020 |
| Ceylinco House, No.69, Janadhipathi Mawatha, Colombo 01 (6th Floor) | 10,023 | - | Investment Method | Rent per Sqft per month | Rs. 160 - Rs.175 | - | 221,290 | 221,290 | 31/12/2020 |
| No. 38, Abdul Gafoor Mawatha, Colombo-01 | - | A-0-R-1-P-4.5 | Investment Method | Price per perch | Rs. 15,000,000 | 667,500 | - | 667,500 | 31/12/2020 |
| No.09, 1 & 9A, Layards Road, Colombo -05 | 4,120 | A-0-R-0-P-14.26 | Investment Method | Rent per Sqft per month | | 206,800 | 16,100 | 222,900 | 31/12/2020 |
| No.2, Gower Street, Colombo-05 | 2,610 | - | Investment Method | Rent per Sqft per month | | - | 8,400 | 8,400 | 31/12/2020 |
| No.63, Janadhipathi Mawatha, Colombo-01 | - | A-0-R-0-P-13.84 | Investment Method | Price per perch | Rs. 12,000,000 | 154,000 | - | 154,000 | 31/12/2020 |
| Total | | | | | | 1,283,100 | 542,490 | 1,825,590 | |
| Investment Property - Ceylinco Insurance PLC | | | | | | 104,288 | 49,044 | 153,332 | |
| Group Total | | | | | | 1,487,388 | 624,534 | 2,111,922 | |

The fair value of Investment Property reflects the actual market value as at reporting date.

The group has 10 number of buildings.

NOTES TO THE FINANCIAL STATEMENTS

11.(b)

| Company Addresses | Building Sq. Ft. | Land Extent | Method of Valuation | Significant Unobservable Inputs | Estimation for Unobservable Inputs | Value of Land | Value of Building | Total |
|---|---------------------|--------------|-----------------------------|---|--|------------------|----------------------|---------|
| | | | | | | Rs.'000 | Rs.'000 | Rs.'000 |
| No.2, R.A.De Mel Mawatha,Colombo-04 (Note 11c) | 12432 | A-0-R-0-P-11 | Market Comparable Method | Rent per Sq. ft Per Month or Price per perch | 52.50 or 2,500,000 | 104,288 | 49,044 | 153,332 |
| | | | | | | 104,288 | 49,044 | 153,332 |

11.(c) Title Restriction for use

Golden Key Building situated at No 2, R.A.De Mel Mawatha, Colombo 04, which is jointly owned by the Company & Golden Key Credit Card Company Limited, mortgaged to Seylan Bank PLC by Golden Key Credit Card Company Limited to obtain loan facility (value of the property is amounting to Rs.153Mn). (Refer note 46). The Property was not fair valued as at the reporting date.

Description of the above valuation techniques together with narrative descriptions on sensitivity of the fair value measurement to changes in significant unobservable inputs are tabulated below;

The fair value measurement for all of the Freehold Land and Building has been categorized as a Level 3 based on the inputs to the valuation techniques used.

| Valuation Technique | Significant Unobservable Valuation Inputs | Sensitivity of the Fair Value Measurement to Inputs |
|--|---|--|
| Market Comparable Method This method considers the selling price of a similar property within a reasonably recent period of time in determining the fair value of the property being revalued. This involves evaluation of recent active market prices of similar assets, making appropriate adjustments for differences in size, nature, location, condition of specific property in this process outlier transactions, indicative of particularly motivated buyers or sellers are too compensated for since the price may not adequately reflect the fair market value. | Price per perch for Land Price per square foot for Buildings | Estimated fair value would increase (decrease) if; Price per perch increases (decreases) Price per square foot increases (decreases) Depreciation rate for building (decreases)/ increases |
| Investment Method This method involves capitalisation of the expected rental income at an appropriate Rate of years purchase currently characterised by the real estate market. | Gross Monthly Rental Years | Estimated fair value would increase (decrease) if; Gross Annual Rental increases (decreases) Years Purchase increases (decreases) Void Period (decrease) / increases |

12.(a) Investment in Subsidiaries

| Investment in Subsidiaries | % of Direct/Indirect Holding | | Company Number of Shares | | Cost | |
|---|------------------------------|------|--------------------------|-------------|------------|------------|
| | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 |
| As at 31 December | | | | | Rs.'000 | Rs.'000 |
| Company/Group | | | | | | |
| Serene Resorts Ltd. | 100 | 100 | 500,000 | 500,000 | - | - |
| Ceylinco Healthcare Services Ltd. | 99 | 99 | - | - | - | - |
| Ceylinco Investcorp (Pvt) Ltd. | 75 | 75 | 112,500 | 112,500 | 1,125 | 1,125 |
| Ceylinco Insurance Company (Pvt) Ltd (Maldives) | 79 | 79 | 12,252 | 12,252 | 63,981 | 63,981 |
| Energy Lanka Holdings Ltd | 100 | 100 | 166,603,438 | 166,603,438 | 666,414 | 666,414 |
| International College of Business & Technology Ltd. | 64 | 64 | 150,000 | 150,000 | 1,500 | 1,500 |
| Ceylinco General Insurance Ltd. | 100 | 100 | 2,501,000 | 2,501,000 | 7,348,359 | 7,348,359 |
| Ceylinco Life Insurance Ltd. | 100 | 100 | 50,000,050 | 50,000,050 | 7,811,652 | 7,811,652 |
| CEG Education Holdings (Pvt) Ltd | 63 | 63 | 2,912,499 | 2,912,499 | 64,007 | 64,007 |
| American Education Centre Ltd. | 41 | 41 | 460,000 | 460,000 | 4,600 | 4,600 |
| Preference Shares | | | | | | |
| International College of Business and Technology Ltd.-10% | | | 195,828 | 195,828 | 1,958 | 1,958 |
| International College of Business and Technology Ltd.-08% | | | 2,322,500 | 2,322,500 | 23,225 | 23,225 |
| | | | | | 15,986,821 | 15,986,821 |

Principal place of business of all subsidiaries' except Ceylinco Insurance Company (Pvt) Ltd Maldives is Sri Lanka. The Principal place of business of Ceylinco Insurance Company (Pvt) Ltd (Maldives) is Maldives.

Summarised financial information material Partly-Owned Subsidiaries are set out in note 5.(a)

NOTES TO THE FINANCIAL STATEMENTS

12.(b) Investment in Associates

| Company / Group Investments in Associates | % Direct/Indirect Holding | | Number of Shares | | Value | |
|--|---------------------------|------|------------------|------------|------------------|------------------|
| As at 31 December | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 |
| | | | | | Rs.'000 | Rs.'000 |
| Company | | | | | | |
| Unquoted Investments | | | | | | |
| Ceylinco Homes International Ltd. | 33 | 33 | 1,300,000 | 1,300,000 | 13,050 | 13,050 |
| Sagaramatha Insurance Ltd. | 20 | 20 | 1,076,388 | 1,076,388 | 18,557 | 18,557 |
| Energy Generators (Pvt) Ltd. | 23 | 23 | 86,483,872 | 86,483,872 | 60,907 | 60,907 |
| Company Investments in Associates (At Cost) | | | | | 92,514 | 92,514 |
| Group | | | | | | |
| Citizens Development Business Finance PLC (Cost) | 39 | 39 | | | 876,310 | 926,287 |
| Negative Goodwill on Acquisition Over Consideration | | | | | | |
| Ceylinco Homes International Ltd. | | | | | 13,218 | 13,218 |
| Citizens Development Business Finance PLC | | | | | 14,485 | 14,485 |
| Group's Share of Associates Companies Retained Assets | | | | | | |
| Ceylinco Homes International Ltd. | | | | | 25,737 | 24,860 |
| Sagaramatha Insurance Ltd. | | | | | 383,166 | 329,741 |
| Citizens Development Business Finance PLC | | | | | 3,462,403 | 2,640,761 |
| Energy Generators (Pvt) Ltd. | | | | | 246,882 | 160,746 |
| | | | | | 5,022,201 | 4,110,098 |
| Group Investments in Associates (Equity Basis) | | | | | 5,114,715 | 4,202,612 |
| Group | | | | | | |
| As at 31 December | | | | | 2020 | 2019 |
| | | | | | Rs.'000 | Rs.'000 |
| Share of Associate Statement of Financial Position | | | | | | |
| Total Assets | | | | | 34,418,528 | 32,584,494 |
| Total Liabilities | | | | | (29,303,813) | (28,381,882) |
| Net Assets | | | | | 5,114,715 | 4,202,612 |
| Share of Associate Revenue and Profit | | | | | | |
| Revenue | | | | | 5,511,482 | 5,492,726 |
| Profit | | | | | 928,097 | 493,980 |
| Profit attributable to Ordinary Shareholders | | | | | 928,097 | 493,980 |
| Share of Associate ownership in Other Comprehensive Income | | | | | 10,646 | 32,537 |

Principal place of business of Associate Companies' except Sagaramatha Insurance Ltd is Sri Lanka. The principal place of business of Sagaramatha Insurance Ltd is Nepal.

Fair Value of Investment in Citizens Development Business Finance PLC is amounted to Rs. 2,127,507,525 as at 31st December 2020 (2019 -Rs. 1,928,492,176).

13. FINANCIAL INSTRUMENTS AND FAIR VALUES OF FINANCIAL INSTRUMENTS

The Group's Financial Instruments are summarised by categories as follows:

| As at 31 December | Note | Group | | Company | |
|---|--------|--------------------|--------------------|------------------|------------------|
| | | 2020 Rs.'000 | 2019 Rs.'000 | 2020 Rs.'000 | 2019 Rs.'000 |
| Held to Maturity Financial Assets | 13.(a) | 51,698,662 | 57,153,974 | - | - |
| Loans and Receivables | 13.(b) | 71,215,058 | 56,267,699 | 720,277 | 1,512,758 |
| Available-for-Sale Financial Assets | 13.(c) | 21,301,328 | 13,828,892 | 347,952 | 254,491 |
| Financial Assets at Fair Value Through Profit or Loss | 13.(d) | 3,174,763 | 2,338,700 | - | - |
| Total Financial Instruments | | 147,389,811 | 129,589,265 | 1,068,229 | 1,767,249 |

Available-for-Sale Financial Assets (AFS) have been valued at fair value

Loans and Receivables (L&R) are valued at amortized cost

Financial Assets at Fair Value Through Profit or Loss have been measured at Fair Value

Held to Maturity Financial Assets measured at amortized cost

The following table compares the fair values of the Financial Instruments to their carrying values:

| | Group | | | | Company | | | |
|---|---------------------------|-----------------------|---------------------------|-----------------------|---------------------------|-----------------------|---------------------------|-----------------------|
| | 2020 | | 2019 | | 2020 | | 2019 | |
| | Carrying Value Rs.'000 | Fair Value Rs.'000 | Carrying Value Rs.'000 | Fair Value Rs.'000 | Carrying Value Rs.'000 | Fair Value Rs.'000 | Carrying Value Rs.'000 | Fair Value Rs.'000 |
| Held to Maturity Financial Assets | 51,698,662 | 63,371,199 | 57,153,974 | 57,926,630 | - | - | - | - |
| Loans and Receivables | 71,215,058 | 71,215,058 | 56,267,699 | 56,267,699 | 720,277 | 720,277 | 1,512,758 | 1,512,758 |
| Available-for-Sale Financial Assets | 21,301,328 | 21,301,328 | 13,828,892 | 13,828,892 | 347,952 | 347,952 | 254,491 | 254,491 |
| Financial Assets at Fair Value Through Profit or Loss | 3,174,763 | 3,174,763 | 2,338,700 | 2,338,700 | - | - | - | - |
| Total Financial Instruments | 147,389,811 | 159,062,348 | 129,589,265 | 130,361,921 | 1,068,229 | 1,068,229 | 1,767,249 | 1,767,249 |

NOTES TO THE FINANCIAL STATEMENTS

13.(a) Held to Maturity Financial Assets

| As at 31 December | Note | Group | |
|--|----------|-------------------|-------------------|
| | | 2020 | 2019 |
| | | Rs.'000 | Rs.'000 |
| Amortised Cost | | | |
| Treasury Bills | | 213,205 | 264,108 |
| Treasury Bonds | | 36,964,353 | 37,689,470 |
| Debentures - Quoted | 13.(a).i | 14,521,104 | 19,200,396 |
| Total Held to Maturity Financial Assets at Amortised Cost | | 51,698,662 | 57,153,974 |

| As at 31 December | | Group | |
|--|--|-------------------|-------------------|
| | | 2020 | 2019 |
| | | Rs.'000 | Rs.'000 |
| Fair Value | | | |
| Treasury Bills | | 213,205 | 264,108 |
| Treasury Bonds | | 41,795,175 | 38,825,574 |
| Debentures - Quoted | | 21,362,819 | 18,836,948 |
| Total Held to Maturity Financial Assets at Fair Value | | 63,371,199 | 57,926,630 |

13.(a).i Debentures Quoted

| As at 31 December | | Group | |
|---------------------------------|--|-------------------|-------------------|
| | | 2020 | 2019 |
| | | Rs.'000 | Rs.'000 |
| Hatton National Bank PLC | | 3,145,894 | 3,132,570 |
| Bank of Ceylon | | 1,305,915 | 1,306,802 |
| National Development Bank PLC | | 701,988 | 1,605,711 |
| Sampath Bank PLC | | 3,485,121 | 5,709,501 |
| Seylan Bank PLC | | 1,579,792 | 2,074,514 |
| Commercial Bank of Ceylon PLC | | 1,407,945 | 1,399,633 |
| Peoples' Leasing & Finance PLC | | 304,605 | 507,482 |
| DFCC Bank PLC | | 1,928,844 | 2,743,853 |
| Commercial Credit & Finance PLC | | - | 14,353 |
| Central Finance PLC | | - | 45,111 |
| Nations Trust Bank PLC | | 661,000 | 660,866 |
| | | 14,521,104 | 19,200,396 |

13.(b) Loans and Receivables

| As at 31 December | Note | Group | | Company | |
|--|----------|-------------------|-------------------|-----------------|------------------|
| | | 2020 Rs.'000 | 2019 Rs.'000 | 2020 Rs.'000 | 2019 Rs.'000 |
| Staff Vehicle Loans | | 749,907 | 718,566 | - | - |
| Staff Loans other than Vehicle Loans | | 567,184 | 726,102 | - | - |
| Repo Investment | | 538,600 | 102,186 | 143,600 | 43,000 |
| Debentures - Unquoted | 13.(b).i | 5,430,754 | 5,432,180 | - | - |
| Debentures - Quoted | | 6,703,742 | 6,703,775 | - | - |
| Term Deposits | | 57,224,871 | 42,584,890 | 576,677 | 1,469,758 |
| Total Loans and Receivables at Amortised Cost | | 71,215,058 | 56,267,699 | 720,277 | 1,512,758 |

13.(b).i Debentures - Unquoted

| As at 31 December | Group | |
|---------------------------|------------------|------------------|
| | 2020 Rs.'000 | 2019 Rs.'000 |
| Fair Value | | |
| National Savings Bank | 5,131,316 | 5,132,717 |
| Regional Development Bank | 299,438 | 299,463 |
| Total | 5,430,754 | 5,432,180 |

13.(c) Available-For-Sale Financial Assets

| As at 31 December | Note | Group | | Company | |
|--|------------|-------------------|-------------------|-----------------|-----------------|
| | | 2020 Rs.'000 | 2019 Rs.'000 | 2020 Rs.'000 | 2019 Rs.'000 |
| Treasury Bonds & Bills | | 17,199,922 | 10,153,317 | 84,019 | - |
| Unquoted Share Investment | 13.(c).i. | 583,616 | 337,919 | 18,305 | 16,874 |
| Unquoted Preference Share Investment | 13.(c).ii. | 30,000 | 30,000 | 30,000 | 30,000 |
| Quoted Debentures | 13.(c).iii | 2,940,359 | 2,782,473 | - | - |
| Quoted Share Investment | | 349,580 | 382,699 | 215,628 | 207,617 |
| Unit Trust Investments | 13.(c).iv. | 197,851 | 142,484 | - | - |
| Total Available-for-Sale Financial Assets at Fair Value | | 21,301,328 | 13,828,892 | 347,952 | 254,491 |

NOTES TO THE FINANCIAL STATEMENTS

13.(c).i Unquoted Share Investment

| As at 31 December | Group | | Company | |
|-----------------------------------|---------|---------|---------|---------|
| | 2020 | 2019 | 2020 | 2019 |
| | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 |
| Ultratech Cement Lanka (Pvt) Ltd. | 543,158 | 300,387 | - | - |
| Modern Montessorie (Pvt) Ltd. | 22,153 | 20,658 | - | - |
| Asset Trust Management (Pvt) Ltd. | 5,401 | 4,712 | 5,401 | 4,712 |
| Asian Reinsurance Corporation | 12,904 | 12,162 | 12,904 | 12,162 |
| | 583,616 | 337,919 | 18,305 | 16,874 |

13.(c).ii Unquoted Preference Share Investment

| As at 31 December | Group | | Company | |
|--|---------|---------|---------|---------|
| | 2020 | 2019 | 2020 | 2019 |
| | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 |
| Ceylinco Homes International (Lotus Tower) 10% | 30,000 | 30,000 | 30,000 | 30,000 |
| | 30,000 | 30,000 | 30,000 | 30,000 |

13.(c).iii Quoted Debentures

| As at 31 December | Group | |
|--------------------------------|-----------|-----------|
| | 2020 | 2019 |
| | Rs.'000 | Rs.'000 |
| Sampath Bank PLC | 405,676 | 379,896 |
| Seylan Bank PLC | 557,687 | 513,310 |
| People's Leasing & Finance PLC | 215,890 | 210,112 |
| Commercial Bank of Ceylon | 586,658 | 564,805 |
| Bank of Ceylon | 330,833 | 326,475 |
| Hatton National Bank PLC | 58,234 | 54,480 |
| National Development Bank PLC | 50,940 | 72,713 |
| DFCC Bank PLC | 235,728 | 221,899 |
| Central Finance PLC | - | 10,125 |
| Nations Trust Bank PLC | 50,947 | 50,944 |
| National Savings Bank | 391,276 | 377,714 |
| Asia Asset Finance PLC | 56,490 | - |
| | 2,940,359 | 2,782,473 |

13.(c).iv Unit Trust Investments

| As at 31 December | Group | | 2019 | 2019 |
|-------------------|--------------|------------|---------|---------|
| | 2020 | 2020 | | |
| | No. of Units | Rs.'000 | Rs.'000 | Rs.'000 |
| Astrue Alpha Fund | 15,363,980 | 15,363,880 | 197,851 | 142,484 |
| | | | 197,851 | 142,484 |

13.(d) Financial Assets at Fair Value Through Profit or Loss

| As at 31 December | Group | | 2019 |
|--|---------|------------------|------------------|
| | 2020 | 2020 | |
| | Rs.'000 | Rs.'000 | Rs.'000 |
| Fair value | | | |
| Treasury Bonds | | 3,096,757 | 2,305,764 |
| Short Term Investment - Quoted/Unquoted | | 15,217 | 26,214 |
| Unit Trust | | 62,789 | 6,722 |
| Total Financial Assets at Fair Value Through Profit or Loss | | 3,174,763 | 2,338,700 |

13.(e) Carrying Values of Financial Instruments - Company

| | Loans and | Available- | Total |
|---|----------------|----------------|------------------|
| | Receivables | For-Sale | |
| | Rs.'000 | Rs.'000 | Rs.'000 |
| At 1st January 2020 | 1,512,759 | 254,490 | 1,767,249 |
| Purchases | 395,456 | 84,021 | 479,477 |
| Maturities | (1,192,252) | - | (1,192,252) |
| Fair Value Gains Recorded in Other Comprehensive Income | - | 9,441 | 9,441 |
| Interest Accrual Adjustment | 4,314 | - | 4,314 |
| At 31 December 2020 | 720,277 | 347,952 | 1,068,229 |

NOTES TO THE FINANCIAL STATEMENTS

Carrying Values of Financial Instruments - Group

| | Held to Maturity | Loans and Receivables | Available-For-Sale | Fair value Through Profit or Loss | Total |
|---|------------------|-----------------------|--------------------|-----------------------------------|---------------|
| | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 |
| At 1st January 2020 | 57,153,974 | 56,267,699 | 13,828,892 | 2,338,700 | 129,589,265 |
| Purchases | - | 73,259,049 | 100,133,185 | 12,679,592 | 186,071,826 |
| Maturities | (5,291,406) | (56,888,095) | - | - | (62,179,501) |
| Disposals | (50,903) | (3,399,902) | (94,485,852) | (12,156,158) | (110,092,815) |
| Fair Value Gains Recorded in the Income Statement | - | - | 707,647 | 36,155 | 743,802 |
| Fair Value Gains Recorded in Other Comprehensive Income | - | - | 517,367 | - | 517,367 |
| Interest Accrual Adjustment | 76,618 | 33,614 | (78,210) | (9,667) | 22,355 |
| Amortisation Adjustment | (189,621) | 1,942,693 | 678,299 | 286,141 | 2,717,512 |
| At 31 December 2020 | 51,698,662 | 71,215,058 | 21,301,328 | 3,174,763 | 147,389,811 |

Fair Value of Financial Assets and Liabilities not Carried at Fair Value

The following describes the methodologies and assumptions used to determine fair values for those financial instruments which are not already recorded at fair value in the Financial Statements (i.e., held to maturity and loans and receivables).

Assets for which fair value approximates carrying value

For Financial Assets and Financial Liabilities that have a short-term maturity (less than three months), it is assumed that the carrying amounts approximate to their fair value. This assumption is also applied to demand deposits, and savings accounts without a specific maturity.

Fixed Rate Financial Instruments

The fair value of fixed rate Financial Assets and Liabilities carried at amortised cost are estimated by comparing market interest rates when they were first recognised with current market rates for similar financial instruments.

For quoted debt instruments the fair values are determined based on quoted market prices.

13(f) **Determination of Fair Value and Fair Values Hierarchy**

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: Quoted (unadjusted) prices in active markets for identical assets or liabilities

Level 2: Other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly and

Level 3: Techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data

Transfer between levels of the fair value hierarchy;

For assets and liabilities that are recognised in the financial statements at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy:

| | Group | | | | | |
|---|---------------------------------|-------------------------------|---------------------------------|---------------------------------|-------------------------------|---------------------------------|
| | 2020 | | | 2019 | | |
| | Level 1 | Level 2 | Level 3 | Level 1 | Level 2 | Level 3 |
| | Quoted Prices in active markets | Significant Observable Inputs | Significant Unobservable Inputs | Quoted Prices in active markets | Significant Observable Inputs | Significant Unobservable Inputs |
| | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 |
| | Total Fair Value | Total Fair Value | Total Fair Value | Total Fair Value | Total Fair Value | Total Fair Value |
| | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 |
| Financial Assets | | | | | | |
| Financial Assets at Fair Value Through Profit/Loss | | | | | | |
| Equity Securities | 927 | - | - | 12,158 | - | - |
| Debt Securities | 3,096,757 | - | - | 2,305,765 | - | - |
| | 3,097,684 | - | - | 2,317,923 | - | - |
| Available-For-Sale Financial Assets: | | | | | | |
| Equity Securities | 587,531 | | 543,158 | 359,499 | - | 300,387 |
| Debt Securities | 16,428,040 | 2,674,210 | - | 9,578,750 | 2,488,236 | - |
| Unit Trust | - | 192,023 | - | - | 137,211 | - |
| Total Financial Assets (Insurance Business) | 17,015,571 | 2,866,233 | 543,158 | 9,938,249 | 2,625,447 | 300,387 |
| Financial Instruments at Fair Value -Other Businesses & Ceylinco Insurance PLC | 20,113,255 | 2,866,233 | 543,158 | 12,256,172 | 2,625,447 | 300,387 |
| Total Financial Assets (Group) | 20,113,255 | 2,866,233 | 1,496,603 | 13,148,177 | 2,637,442 | 381,973 |
| | | | 953,445 | 892,005 | 11,995 | 81,586 |
| | | | 24,476,091 | 26,374,422 | 16,167,592 | 16,167,592 |

13.(g) Financial Instruments not under the fair value measurement hierarchy

The following is a list of financial instruments which have not been considered under the fair value measurement hierarchy, because the carrying amount of those financial instruments is a reasonable approximation of fair value since they are short-term in nature or reprise to current market rates frequently.

Assets

Cash and Cash Equivalents

Repo

Reinsurance Receivables

Premium Receivables

Loan to Policyholders

Liabilities

Reinsurance Payables

Other Liabilities (Excluding Government Levies and Accruals)

14. GRATUITY BENEFIT LIABILITY/(ASSET)

This note indicates the assumptions used and the movement in the Employee Benefit Plan. As at 31 December 2020 the Gratuity Liability was actuarially valued under the Projected Unit Credit Method (PUC) by M/S.K.A.Pandit Actuarial valuer. The valuation is performed annually.

The amounts recognised in the Income Statement are as follows:

| As at 31 December | Group | |
|---|-----------|-----------|
| | 2020 | 2019 |
| | Rs.'000 | Rs.'000 |
| Current Service Cost | 160,041 | 119,507 |
| Interest Cost on Benefit Obligation | 322,544 | 339,385 |
| Expected Return on Plan Assets | (773,301) | (836,334) |
| | (290,716) | (377,442) |
| Net Actuarial Gain/ (Loss) recognised in the Other Comprehensive Income | (820,604) | (917,251) |

The amounts recognised in the Statement of Financial Position at the reporting date are as follows:

| As at 31 December | Group | |
|---|-------------|-------------|
| | 2020 | 2019 |
| | Rs.'000 | Rs.'000 |
| Present Value of the Defined Benefit Obligation | (3,565,892) | (3,152,918) |
| Fair Value of Plan Assets | 8,291,541 | 7,559,148 |
| Total Net Defined Benefit Asset | 4,725,649 | 4,406,230 |

NOTES TO THE FINANCIAL STATEMENTS

14. GRATUITY BENEFIT LIABILITY/(ASSET)

The Movement in the Defined Benefit Liability is as follows:

| | Group | |
|---|-------------|-------------|
| | 2020 | 2019 |
| | Rs.'000 | Rs.'000 |
| At 1 January | 3,420,621 | 3,028,660 |
| Current Service Cost | 207,612 | 160,791 |
| Interest Cost | 341,850 | 361,258 |
| Benefits Paid | (292,887) | (435,215) |
| Actuarial (Gains)/ Losses | 226,406 | 305,126 |
| At 31 December | 3,903,603 | 3,420,621 |
| Defined Gratuity Benefit Obligation of the Insurance Business | (3,565,892) | (3,152,918) |
| Gratuity Liability -Other Subsidiaries | 337,711 | 267,703 |

The Gratuity Benefit Liability of the Insurance Businesses is valued by M/S.K.A.Pandit Actuarial valuer.

The average duration of the defined benefit plan obligation at the end of the reporting period is 10 years.

The Movement in the Plan Assets is as follows:

| | Group | |
|--------------------------------|-------------|-------------|
| | 2020 | 2019 |
| | Rs.'000 | Rs.'000 |
| At 1 January | (7,559,148) | (6,941,308) |
| Expected Return on Plan Assets | (773,301) | (836,334) |
| Recognition of Plan Assets | - | - |
| Actuarial Gains | 296,691 | 612,895 |
| Benefit Paid | 371,325 | 82,321 |
| Contribution Paid by Employer | (627,108) | (476,722) |
| At 31 December | (8,291,541) | (7,559,148) |

The distribution of the Plan Assets at the reporting date is as follows:

| | Group | |
|--------------------------|------------------|------------------|
| | 2020 | 2019 |
| | Rs.'000 | Rs.'000 |
| Investment in Shares | 6,181,659 | 5,976,535 |
| Short Term Investment | - | 28,074 |
| Other Assets | 2,109,882 | 1,554,539 |
| Total Plan Assets | 8,291,541 | 7,559,148 |

Gratuity funds' Plan Assets include investment in equity shares of Ceylinco Insurance PLC, market value amounting to Rs. 1,729,543,406 as at the reporting date (2019 - Rs. 1,720,107,015).

The overall expected rate of return on assets is determined based on market expectations prevailing on that date, applicable to the period over which the obligation is to be settled.

The principal actuarial assumptions used in determining the Gratuity Benefit Obligation for the Group's plan assets are as follows:

| As at 31 December | 2020 | 2019 |
|--|---------|--------|
| Future Salary Increases | 10.00% | 10.00% |
| Discount Rate | 7% - 8% | 10.23% |
| Expected Rate of Return on Plan Assets | 8.02% | 10.23% |
| Retirement Age | 55 | 55 |

NOTES TO THE FINANCIAL STATEMENTS

Changes in the Defined Benefit Obligation and Fair Value of Plan Assets

| Group - 2020 | Amount Charged to Income Statement | | | | Re-measurement Gains/(Losses) in Other Comprehensive Income | | | | | | | | |
|-----------------------------|------------------------------------|----------------------------|--------------|--------------|---|--------------|--------------------|---|---|------------------------|--------------------------|---------------------------|-------------|
| | 1-Jan-20 | Recognition of Plan assets | Service Cost | Net Interest | Subtotal included in Profit or Loss | Benefit Paid | Assets transferred | Return on Plan Assets (Excluding amounts included in Net Interest Expenses) | Actuarial Changes Arising from Changes in Financial Assumptions | Experience Adjustments | Subtotal included in OCI | Contribution by Employers | |
| | Rs.000 | Rs.000 | Rs.000 | Rs.000 | Rs.000 | Rs.000 | Rs.000 | Rs.000 | Rs.000 | Rs.000 | Rs.000 | Rs.000 | Rs.000 |
| Defined Benefit Obligation | (3,152,918) | - | (160,041) | (322,544) | (482,585) | 284,304 | - | - | (493,773) | 279,080 | (214,693) | - | (3,565,892) |
| Fair Value of Plan Assets | 7,559,148 | - | - | - | - | (62,105) | - | 773,301 | - | (605,911) | (605,911) | 627,108 | 8,291,541 |
| Benefit Assets/ (Liability) | 4,406,230 | - | (160,041) | (322,544) | (482,585) | 222,199 | - | 773,301 | (493,773) | (326,831) | (820,604) | 627,108 | 4,725,649 |

| Group - 2019 | Amount Charged to Income Statement | | | | Re-measurement Gains/(Losses) in Other Comprehensive Income | | | | | | | | |
|-----------------------------|------------------------------------|----------------------------|--------------|--------------|---|--------------|--------------------|---|---|------------------------|--------------------------|---------------------------|-------------|
| | 1-Jan-19 | Recognition of Plan assets | Service Cost | Net Interest | Subtotal included in Profit or Loss | Benefit Paid | Assets transferred | Return on Plan Assets (Excluding amounts included in Net Interest Expenses) | Actuarial Changes Arising from Changes in Financial Assumptions | Experience Adjustments | Subtotal included in OCI | Contribution by Employers | |
| | Rs.000 | Rs.000 | Rs.000 | Rs.000 | Rs.000 | Rs.000 | Rs.000 | Rs.000 | Rs.000 | Rs.000 | Rs.000 | Rs.000 | Rs.000 |
| Defined Benefit Obligation | (2,808,979) | (119,507) | (339,385) | (458,892) | (458,892) | 419,309 | - | - | (321,959) | 17,603 | (304,356) | - | (3,152,918) |
| Fair Value of Plan Assets | 6,941,309 | - | - | - | - | (82,321) | (150,000) | 836,334 | - | (612,895) | (612,895) | 626,722 | 7,559,148 |
| Benefit Assets/ (Liability) | 4,132,329 | (119,507) | (339,385) | (458,892) | (458,892) | 336,988 | (150,000) | 836,334 | (321,959) | (695,292) | (917,251) | 626,722 | 4,406,230 |

A quantitative sensitivity analysis for significant assumptions as at 31 December 2020 & 2019 are shown below:

| As at 31 December | Discount Rate | | Future Salary Increase Rate | |
|---|---------------|----------|-----------------------------|-----------|
| | Increase | Decrease | Increase | Decrease |
| | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 |
| Impact on Defined Benefit Obligation 2020 | (226,913) | 262,946 | 273,779 | (240,802) |
| Impact on Defined Benefit Obligation 2019 | (183,512) | 210,729 | 209,162 | (185,444) |

Following payments are expected contributions to the Defined Benefit Plan Obligation in the future years.

| As at 31 December | 2020 | 2019 |
|---------------------------|-----------|-----------|
| | Rs.'000 | Rs.'000 |
| Within the next 12 Months | 906,007 | 949,865 |
| Between 2 and 5 Years | 768,201 | 743,866 |
| Between 6 and 10 Years | 1,359,799 | 1,423,170 |

15. PENSION BENEFIT OBLIGATION

The Group has two Defined Benefit Pension Plans, both of which require contributions to be made to separately administered funds namely Pension Trust Fund of Ceylinco Insurance PLC and The Pension Fund of Ceylinco Insurance PLC.

Changes in the Defined Benefit Obligation, Fair Value of Plan Assets and unrecognised past service costs :

| Group - 2020 | Amount Charged to Income Statement | | | | Re-measurement Gains/(Losses) in Other Comprehensive Income | | | | 31-Dec-20 | | | | |
|--|------------------------------------|----------------------------|--------------|--------------|---|--------------|---|---|--------------------------|---------------------------|---------------------------|---------|-------------|
| | 1-Jan-20 | Recognition of Plan assets | Service Cost | Net Interest | Subtotal included in Profit or Loss | Benefit Paid | Return on Plan Assets (Excluding amounts included in Net Interest Expenses) | Re-measurement Gains/(Losses) in Other Comprehensive Income | | Subtotal included in OCI | Contribution by Employers | | |
| | Rs,000 | Rs,000 | Rs,000 | Rs,000 | Rs,000 | Rs,000 | Rs,000 | Rs,000 | Rs,000 | Rs,000 | Rs,000 | | |
| Defined Benefit Obligation | (1,621,366) | - | (2,211) | (115,265) | (117,476) | 279,891 | - | (55,961) | (14,130) | (53,784) | (67,914) | - | (1,526,865) |
| Fair Value of Plan Assets | 3,398,147 | - | 222,347 | - | 222,347 | (279,891) | 125,282 | 120,514 | (182,236) | (102,239) | (284,475) | 99,842 | 3,281,252 |
| Total Recognised Benefit (Liability) / Asset | 1,776,779 | - | 220,136 | (115,265) | 104,871 | - | 125,282 | 64,554 | (182,236) | (156,023) | (352,389) | 99,842 | 1,754,384 |
| Group - 2019 | | | | | | | | | | | | | |
| | 1-Jan-19 | Recognition of Plan assets | Service Cost | Net Interest | Subtotal included in Profit or Loss | Benefit Paid | Return on Plan Assets (Excluding amounts included in Net Interest Expenses) | Re-measurement Gains/(Losses) in Other Comprehensive Income | Subtotal included in OCI | Contribution by Employers | | | 31-Dec-19 |
| | Rs,000 | Rs,000 | Rs,000 | Rs,000 | Rs,000 | Rs,000 | Rs,000 | Rs,000 | Rs,000 | Rs,000 | Rs,000 | Rs,000 | Rs,000 |
| Defined Benefit Obligation | (1,799,363) | (27,18) | (121,996) | (124,714) | 308,563 | - | - | (51,571) | (4,291) | (1,561) | (5,852) | - | (1,621,366) |
| Fair Value of Plan Assets | 3,590,222 | 290,424 | - | 290,424 | (308,563) | 141,838 | - | 137,070 | (284,224) | (138,276) | (422,500) | 106,726 | 3,398,147 |
| Total Recognised Benefit (Liability) / Asset | 1,790,859 | 287,706 | (121,996) | 165,710 | - | 141,838 | - | 85,499 | (284,224) | (139,837) | (428,352) | 106,726 | 1,776,779 |

NOTES TO THE FINANCIAL STATEMENTS

A quantitative sensitivity analysis for significant assumption as at 31 December 2020 & 2019 are as shown below.

| Sensitivity level | Change in Discounting Rate | |
|---|----------------------------|----------------|
| | Increase 1% | Decrease 1% |
| Impact on defined benefit obligation 2020 | (2,487,837) | 2,827,448 |
| Impact on defined benefit obligation 2019 | (2,487,392) | (2,826,930) |

The distribution of the plan assets at the reporting date is as follows:

| | 2020 Rs.'000 | 2019 Rs.'000 |
|----------------------|-----------------|-----------------|
| Investment in Shares | 1,783,895 | 1,785,679 |
| Others * | 1,497,357 | 1,612,464 |
| | 3,281,252 | 3,398,143 |

*Others include Fixed Deposit, Interest Receivable and Others.

Projected Pension Benefit Obligation has been valued based on Projected Unit Cost Method.

Actuarial Gains and Losses have been recognised immediately in the Statement of Other Comprehensive Income.

The principal assumptions used in determining pension and post-employment medical benefit obligations for the Company's plans are shown below:

| | 2020 | 2019 |
|-------------------------------|-------------------------|-------------|
| Discount Rate | 6% - 8% | 10.23% |
| Rate of Return on Plan Assets | Current 8.02% | 10.23% |
| Salary Escalation Rate | Scheme A,B & D 0% | 0% |
| | Scheme C 10% | 10% |
| Attrition Rate | 0% | 0% |
| Retirement Age | Scheme A 60 Yrs | 60 Yrs |
| | Scheme B,C & D 55Yrs | 55Yrs |
| Mortality Table | IALM2006/08 | IALM2006/08 |

Plan Assets include investment in equity shares of Ceylinco Insurance PLC , market value amounting to Rs. 1,783,894,320 /- at the Reporting date (2019 - Rs.1,785,680,000/-).

16. REINSURANCE RECEIVABLES

| As at 31 December | Group | |
|--------------------------------------|------------------|------------------|
| | 2020 | 2019 |
| | Rs.'000 | Rs.'000 |
| Reinsurance of Insurance Contracts | 4,200,999 | 3,538,374 |
| Total Reinsurance Receivables | 4,200,999 | 3,538,374 |

Reinsurance receivables on paid claims represent dues within 6 months.

The carrying amounts disclosed above is in respect of the reinsurance of insurance contracts approximate fair value at the reporting date.

17. LOANS TO POLICY HOLDERS

Policyholder Loans are granted up to 90% of the surrender value of a Life Insurance Policy at a rate equivalent to market rate.

Policyholder loans are initially measured at Fair value of Loan amount granted and subsequently measured at the amortised cost. If the policyholder dies before the full repayment of the loan, the loan balance is deducted from the death benefit.

Policyholder Loans are reviewed for impairment at each reporting date. Loans receivable as at reporting date as follows:

| | Group | |
|---------------------------------|-------------|-------------|
| | 2020 | 2019 |
| | Rs.'000 | Rs.'000 |
| At 1 January | 1,335,469 | 1,190,274 |
| Loans Granted During the Period | 1,163,021 | 1,414,928 |
| Repayment During the Period | (1,215,765) | (1,269,733) |
| At 31 December | 1,282,725 | 1,335,469 |

17.(a).i Fair value of Loans to Life Policyholders

The fair value of the policyholder loans are equal to its carrying value as those are given at competitive market rates.

17.(a).ii Concentration risk of Loans to Life Policyholders

There is lower concentration of credit risk with respect to policyholders, as the Group has a large number of dispersed receivables.

The total receivable of the loan, including interest due and accrued, exceeds the cash surrender value, the policy terminates and becomes void.

The Group has a first lien on all policies which are subject to policy loans. This mitigates the Group's credit exposure on Policy Loans.

17.(a).iii Impairment of Loans to Life Policyholders

The Board of Directors has assessed the potential impairment loss of Loans to Life Policyholders as at 31st December 2020.

Based on the assessment, no impairment provision is required to be made in the Financial Statements as at the reporting date in respect of Loans to Life Policyholders.

17.(a).iv Number of Policy Loans

Number of policy loans due as at 31 December 2020 was 33,841 (2019 - 35,948).

17.(a).v Collateral Details

The Group does not hold any collateral as security against potential default by policyholders other than surrender value.

NOTES TO THE FINANCIAL STATEMENTS

18. TAXATION

| As at 31 December | Note | Group | | Company | |
|---|------|--------------------|------------------|-----------------|-----------------|
| | | 2020 Rs.'000 | 2019 Rs.'000 | 2020 Rs.'000 | 2019 Rs.'000 |
| Tax Receivable | | | | | |
| At 1 January | | 73,420 | 273,901 | (13,131) | (14,923) |
| Amounts recorded in the Income Statement | 38 | (2,495,352) | (2,150,936) | (35,017) | (25,480) |
| Notional Tax Recognised | | - | 531,368 | - | - |
| Payments made on-account during the year | | 1,188,097 | 683,822 | 83,519 | 27,272 |
| At 31 December | | (1,233,835) | (661,845) | 35,371 | (13,131) |
| Payable balance included under Trade & Other Payable | | | | | |
| | 28 | 1,290,527 | 735,266 | - | 13,131 |
| At 31 December | | 56,692 | 73,420 | 35,371 | - |

There is a tax appeal relating on VAT on Reinsurance Recoveries and there is a tax intimation on life insurance taxation. (Refer Note 45.(a).i and 45.(a).ii).

18.(a) Deferred Tax Asset- Group

| As at 31 December | Other Comprehensive Income Statement | | Income Statement | | Statement of Financial Position | |
|---|---|-----------------|------------------|-----------------|------------------------------------|-----------------|
| | 2020 Rs.'000 | 2019 Rs.'000 | 2020 Rs.'000 | 2019 Rs.'000 | 2020 Rs.'000 | 2019 Rs.'000 |
| Temporary Difference from Retirement Benefit Liability | 48,116 | 51,992 | 18,799 | (10,908) | 606,860 | 536,675 |
| Temporary Difference from Property Plant and Equipment | - | 224 | 61,900 | 44,111 | (237,834) | (299,541) |
| Revaluation Reserve | - | (86,446) | - | - | (182,090) | (182,090) |
| Available For Sale Financial Assets | 33,517 | (23,282) | - | - | (52,197) | (83,355) |
| Temporary Difference from allowance for Impairment | - | - | 21,153 | 360 | (13,691) | 10,945 |
| Temporary Difference for unrealised exchange gain | - | - | (13,648) | - | 32,099 | - |
| Temporary Difference from Allowance for net of ROU & Lease creditors | - | - | (25,192) | 15,337 | (10,530) | 15,337 |
| Temporary Difference from Intangible Assests | - | - | (2,904) | (7,003) | 3,723 | 6,627 |
| Deferred Tax Expense/(Income) | 81,633 | (57,512) | 60,108 | 41,897 | | |
| Deferred Tax Asset | | | | | 146,340 | 4,598 |

Total Deferred Tax Assets

| | Group | |
|--|-----------------|-----------------|
| | 2020 Rs.'000 | 2019 Rs.'000 |
| At 1 January | 4,598 | 20,214 |
| Amounts recorded in the Income Statement | 60,108 | 41,897 |
| Amounts recorded in Other Comprehensive Income | 81,634 | (57,512) |
| At 31 December | 146,340 | 4,598 |

A Deferred Tax Asset is recognised for a tax loss carried forward only to the extent that realisation of the related tax benefit is probable.

18.(b) Deferred Tax Liabilities- Group

| As at 31 December | Other Comprehensive Income Statement | | Income Statement | | Statement of Financial Position | |
|--|---|-----------------|------------------|-----------------|------------------------------------|-----------------|
| | 2020 Rs.'000 | 2019 Rs.'000 | 2020 Rs.'000 | 2019 Rs.'000 | 2020 Rs.'000 | 2019 Rs.'000 |
| Losses Carried Forward | - | - | (5,647) | 1,517 | (5,693) | - |
| Temporary Difference from Retirement Benefit Obligation | 673 | (494) | (10,850) | 10,600 | (42,924) | (29,358) |
| Temporary Difference from Property Plant and Equipment | - | - | 8,120 | 29,387 | 314,875 | 298,214 |
| Revaluation Reserve | 64,218 | 215,050 | - | - | 474,923 | 411,259 |
| Temporary Difference from Allowance for impairment | - | - | - | (115) | (115) | (115) |
| Right of Use Asset | - | - | 3,254 | (1,530) | (5,188) | (1,530) |
| Available For Sale Financial Assets | 43,039 | 4,468 | - | - | 49,866 | 4,468 |
| Temporary Difference from Retained Reserves of Associates | - | - | 104,366 | 113,525 | 385,847 | 281,480 |
| Deferred Tax Expense/(Income) | 107,930 | 219,024 | 99,243 | 153,384 | | |
| Deferred Tax Liability | | | | | 1,171,591 | 964,418 |

Total Deferred Tax Liability

| | Group | |
|--|-----------------|-----------------|
| | 2020 Rs.'000 | 2019 Rs.'000 |
| At 1 January | 964,418 | 592,014 |
| Amounts recorded in the Income Statement | 99,243 | 153,384 |
| Amounts recorded in Other Comprehensive Income | 107,930 | 219,024 |
| At 31 December | 1,171,591 | 964,418 |

A Deferred Tax Asset is recognised for a tax loss carried forward only to the extent that realisation of the related tax benefit is probable.

The Inland Revenue Act No 24 of 2017 applied in determining the differed tax asset/liabilities of the group.

NOTES TO THE FINANCIAL STATEMENTS

19. INSURANCE RECEIVABLES/TRADE DEBTORS

| As at 31 December | Group | |
|--------------------------|-----------|-----------|
| | 2020 | 2019 |
| | Rs.'000 | Rs.'000 |
| Premium Receivables | 6,672,915 | 6,032,516 |
| Due from Trade Debtors | 394,425 | 556,639 |
| Provision for Impairment | (114,639) | (39,091) |
| | 6,952,701 | 6,550,064 |

19.(a) Credit Quality of Premium Receivables/Trade Debtors that are neither past due nor impaired is explained below;

| As at 31 December | Group | | |
|-------------------|---------------|---------------|-----------|
| | Below 60 days | Above 60 days | Total |
| | Rs.'000 | Rs.'000 | Rs.'000 |
| 2020 | 4,585,051 | 2,367,650 | 6,952,701 |
| 2019 | 5,384,996 | 1,165,068 | 6,550,064 |

In the age analysis Loans to policyholders are not included.

20. OTHER ASSETS

| As at 31 December | Group | | Company | |
|----------------------------------|-----------|-----------|---------|---------|
| | 2020 | 2019 | 2020 | 2019 |
| | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 |
| Advances, Deposits & Prepayments | 642,745 | 936,953 | 6,068 | 5,923 |
| Inventories | 99,617 | 68,848 | - | - |
| Deferred Staff Benefits | 72,317 | 92,113 | - | - |
| Other Receivables | 212,160 | 338,699 | - | 15,441 |
| | 1,026,839 | 1,436,613 | 6,068 | 21,364 |

21. CASH AND CASH EQUIVALENTS

| As at 31 December | Note | Group | | Company | |
|---------------------------------|------|-----------|-------------|----------|----------|
| | | 2020 | 2019 | 2020 | 2019 |
| | | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 |
| Favourable Balances | | | | | |
| Cash in Hand and at Bank | | 1,640,927 | 1,128,411 | 45,555 | 70,727 |
| Unfavourable Balance | | | | | |
| Bank Overdraft | 26 | (917,620) | (1,088,772) | (76,256) | (76,003) |
| Total Cash and Cash Equivalents | | 723,307 | 39,639 | (30,701) | (5,276) |

The carrying amounts disclosed above reasonably approximate fair value at the reporting date.

22.(a) Stated Capital

| As at 31 December | Group | | Company | |
|--|-----------|-----------|-----------|-----------|
| | 2020 | 2019 | 2020 | 2019 |
| | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 |
| Classes of Shares | | | | |
| 97,500,000 Ordinary Shares | | | | |
| 2,500,000 Unclassified Shares | | | | |
| 100,000,000 Non Voting Ordinary Shares | | | | |
| Issued & Fully Paid | | | | |
| Ordinary Shares - Voting 22(a).i | 200,000 | 200,000 | 200,000 | 200,000 |
| Ordinary Shares - Non Voting 22(a).ii | 1,122,534 | 1,122,534 | 1,122,534 | 1,122,534 |
| Share Premium 22 (a).iii | 2,288 | 2,288 | 2,288 | 2,288 |
| | 1,324,822 | 1,324,822 | 1,324,822 | 1,324,822 |

The holders of ordinary shares - voting 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.(a).i Ordinary Shares - Voting

| As at 31 December | Group | | Company | |
|-----------------------------------|---------|---------|---------|---------|
| | 2020 | 2019 | 2020 | 2019 |
| | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 |
| 20,000,000 Ordinary Shares Voting | 200,000 | 200,000 | 200,000 | 200,000 |
| | 200,000 | 200,000 | 200,000 | 200,000 |

22.(a).ii Ordinary Shares - Non - Voting

| At 31 December | Group | | Company | |
|--|-----------|-----------|-----------|-----------|
| | 2020 | 2019 | 2020 | 2019 |
| | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 |
| 6,414,480 Ordinary Shares - Non-Voting | 1,122,534 | 1,122,534 | 1,122,534 | 1,122,534 |
| | 1,122,534 | 1,122,534 | 1,122,534 | 1,122,534 |

22. (a).iii Share Premium

| As at 31 December | Group | | Company | |
|------------------------|---------|---------|---------|---------|
| | 2020 | 2019 | 2020 | 2019 |
| | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 |
| Balance as at year end | 2,288 | 2,288 | 2,288 | 2,288 |
| | 2,288 | 2,288 | 2,288 | 2,288 |

NOTES TO THE FINANCIAL STATEMENTS

22.(b) Other Reserves

| As at 31 December | Group | | Company | |
|--------------------------------------|-----------|-----------|-----------|-----------|
| | 2020 | 2019 | 2020 | 2019 |
| | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 |
| Other Retained Reserves | 2,057,437 | 2,057,437 | 2,057,437 | 2,057,437 |
| Available for Sale Reserve | 864,006 | 230,496 | (5,190) | (14,631) |
| Foreign Currency Translation Reserve | 58,567 | 50,506 | - | - |
| | 2,980,010 | 2,338,439 | 2,052,247 | 2,042,806 |

Other Retained Reserves represent General Reserves.

23. INSURANCE CONTRACT LIABILITIES

| As at 31 December | Note | Group | |
|---|-------|--------------------|--------------------|
| | | 2020 | 2019 |
| | | Rs.'000 | Rs.'000 |
| Life Insurance Contracts | 23(a) | 105,883,025 | 95,349,737 |
| Non-life Insurance Contracts | 24 | 13,033,217 | 12,470,431 |
| Total Insurance Contract Liabilities | | 118,916,242 | 107,820,168 |

Unearned Premium Reserve Included in non-life insurance contract liabilities had been presented on net basis.

The actuaries have performed Liability Adequacy Test in accordance with SLFRS -4 Insurance Contracts requirements.

23.(a) Life Insurance Contract Liabilities

| | Insurance Contract Liabilities with DPF | Insurance Contract Liabilities without DPF | Total Gross Insurance Contract Liabilities |
|---|---|--|--|
| | Rs.'000 | Rs.'000 | Rs.'000 |
| At 1 January 2020 | 57,264,214 | 38,085,524 | 95,349,737 |
| Gross Premium Income | 6,052,857 | 16,023,394 | 22,076,251 |
| Premiums Ceded to Reinsurers | (3,234) | (502,229) | (505,463) |
| Liabilities Paid for Death, Maturities, Surrenders, Benefits and Claims | (5,564,143) | (6,702,369) | (12,266,512) |
| Investment Return | 6,827,355 | 5,328,620 | 12,155,975 |
| Other Operating and Admin Expenses including Income Tax | (2,371,507) | (3,440,255) | (5,811,762) |
| Underwriting and Net Acquisition Cost | (624,962) | (1,498,686) | (2,123,648) |
| Net transfer to Shareholder | (200,849) | (3,900,000) | (4,100,849) |
| Increase in Pension Saver Fund | - | 180,573 | 180,573 |
| Revaluation Reserve and AFS Reserve transferred to Life Fund | 656,449 | 272,273 | 928,722 |
| At 31 December 2020 | 62,036,180 | 43,846,845 | 105,883,025 |

The valuation of the Life Insurance business as at 31 December 2020 was carried out by our Consulting Actuary, Mr Vivek Jalan, FIA, on behalf of Willis Towers Watson. In the opinion of the Consulting Actuary, proper reserves have been provided for all known liabilities in respect of the Life Insurance business and the Company has adequate financial resources to cover its capital requirements in accordance with the Solvency Margin (risk-based capital) Rules 2015 dated 15th December 2015.

Following the actuarial valuation as at 31 December 2020 the Consulting Actuary has approved a transfer of Rs. 4.10 Bn (2019 - Rs.3.90 Bn) from the Life Fund to the Shareholder's Retained Profit Account.

The Company's Capital Adequacy Ratio (CAR) as at 31 December 2020 is 424% (2019- 347%) and is well above the minimum requirement of 120%.

23.(b) Restricted Regulatory Reserve

Restricted Regulatory reserve is created as result of One-Off Surplus generated due to change in valuation method from 'Net Premium Valuation' to 'Gross Premium Valuation' as specified in Direction 16, issued by IRCSL on 20th March 2018, for identification and treatment of One-Off Surplus. Complying with the same, the transfer made from policyholders' to Shareholders' fund is limited to surplus generated from other than participating business, whereas the surplus generated from the participating business will be maintained within the participating fund.

The basis for computation of one-off surplus is in line with the Direction issued by IRCSL titled "Directions on the Identification and Treatment of One-off Surplus" dated 20th March 2018.

The Company's One-off Surplus is equal to the minimum One-off Surplus prescribed in the recommendations in the Direction issued by the IRCSL. The basis is same for both participating business and other than participating business.

The One-Off Surpluses in amounts, created for participating business and other than participating business are as follows:

| Line item | One-off Surplus Rs.000 |
|--|---------------------------|
| Participating Business | 2,736,685 |
| Other than Participating Business/Restricted Reserve | 3,456,184 |
| Tabarru Reserve | 1,920 |
| Total | 6,194,789 |

Distribution of One-Off Surplus to Shareholders, held as part of the Restricted Regulatory Reserve, is subject to meeting governance requirements stipulated by the IRCSL and can only be released upon receiving approval from IRCSL. The One-Off Surplus in the Shareholders' fund will remain invested in assets in below note as per directions of IRCSL.

One-off surplus of participating business amounted to Rs. 2,736,685,339/- will be held within the participating fund as part of the unallocated valuation surplus and may only be transferred to the shareholders by means of bonuses to policyholders in line with Section 38 of the "Regulation of Insurance Industry, Act No.43 of 2000".

NOTES TO THE FINANCIAL STATEMENTS

The composition of the assets, which will be held to support the Restricted Regulatory Reserves (One-off Surplus for other than participating business) as at 31 December 2020 are disclosed below at their market values:

| Assets | Market Value Rs.000 |
|-------------------------------|------------------------|
| Government Debt Securities | 1,519,172 |
| Deposits | |
| Sampath Bank PLC | 1,402,017 |
| National Development Bank PLC | 743,251 |
| Total | 3,664,440 |

24. NON-LIFE INSURANCE CONTRACT LIABILITIES

| As at 31 December | Note | 2020 | 2019 |
|--|--------|---|---|
| | | Insurance Contract Liabilities Rs.'000 | Insurance Contract Liabilities Rs.'000 |
| Provision for Reported Claims by Policyholders | | 5,069,036 | 4,342,943 |
| Provision for Claims IBNR/IBNER | | 424,947 | 422,432 |
| Outstanding Claims Provision | 24.(a) | 5,493,983 | 4,765,375 |
| Provision for Unearned Premiums | 24.(b) | 7,539,234 | 7,705,056 |
| Total Non Life Insurance Contract Liabilities | | 13,033,217 | 12,470,431 |

24.(a) Outstanding Claims Provision

| | 2020 | | | 2019 | | |
|--|---|---|------------------|---|---|------------------|
| | Insurance Contract Liabilities Rs.'000 | Reinsurance of Liabilities Rs.'000 | Net Rs.'000 | Insurance Contract Liabilities Rs.'000 | Reinsurance of Liabilities Rs.'000 | Net Rs.'000 |
| At 1 January | 4,765,375 | 3,264,966 | 1,500,409 | 4,578,486 | 3,406,522 | 1,171,964 |
| Claims Incurred in the Current Accident Year | 9,860,745 | 3,750,896 | 6,109,849 | 10,838,937 | 2,384,831 | 8,454,106 |
| Other Movements in Claims Incurred in Prior Accident Years | 359,242 | (191,501) | 550,743 | 254,024 | 431,242 | (177,218) |
| Claims Paid During the year | (9,491,379) | (2,903,371) | (6,588,008) | (10,906,072) | (2,957,629) | (7,948,443) |
| At 31 December | 5,493,983 | 3,920,991 | 1,572,992 | 4,765,375 | 3,264,967 | 1,500,409 |

Reinsurance Receivable on paid claims are included under above Reinsurance Receivables amounting to Rs. 714,837,000 in 2020 and Rs. 531,018,000 in 2019 respectively.

Reinsurance Receivables on paid claims represent dues within 6 months.

Significant delays occur in the notification of claims and a substantial measure of experience and judgment is involved in assessing outstanding liabilities, the ultimate cost of which cannot be known with certainty as of the reporting date.

The Incurred But Not Reported (IBNR) and Incurred But Not Enough Reported (IBNER) claim reserve have been actuarially computed by M/S K.A.Pandit - Consultants and Actuaries. The valuation is performed on an annual basis.

The reserves are determined based on the information currently available. However, it is inherent to the nature of the business written that the ultimate liability may vary as a result of subsequent developments.

This represents entitle Reinsurance Commission on Insurance Business to be recognised in the future periods proportionately.

24.(b) Provision for Unearned Premiums

| Group | 2020 | 2019 |
|---------------------------------|---|---|
| | Insurance Contract Liabilities Rs.'000 | Insurance Contract Liabilities Rs.'000 |
| At 1 January | 7,705,056 | 7,774,724 |
| Premiums Written in the Year | 13,472,083 | 14,434,525 |
| Premiums Earned During the Year | (13,637,905) | (14,504,193) |
| At 31 December | 7,539,234 | 7,705,056 |

25 DEFERRED REVENUE

| Group | 2020 | 2019 |
|------------------|--|--|
| | Deferred Revenue on Insurance Contracts Rs.'000 | Deferred Revenue on Insurance Contracts Rs.'000 |
| At 1 January | 437,688 | 353,737 |
| Revenue Deferred | 895,923 | 903,481 |
| Amortisation | (844,110) | (819,530) |
| At 31 December | 489,501 | 437,688 |

NOTES TO THE FINANCIAL STATEMENTS

26. INTEREST BEARING LOANS & BORROWINGS

| As at 31 December | Note | Group | | Company | |
|-------------------------|-------|------------------|------------------|---------------|---------------|
| | | 2020 | 2019 | 2020 | 2019 |
| | | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 |
| Bank Overdraft | | 917,620 | 1,088,772 | 76,256 | 76,003 |
| Borrowings | 26(a) | 1,154,282 | 1,586,867 | - | - |
| Total Borrowings | | 2,071,902 | 2,675,639 | 76,256 | 76,003 |

26.(a) Borrowings

| As at 31 December | Note | Group | |
|----------------------------------|----------|------------------|------------------|
| | | 2020 | 2019 |
| | | Rs.'000 | Rs.'000 |
| Bank Loans | 26.(a).i | 525,418 | 640,159 |
| Corporate Borrowings | | 91,164 | 155,023 |
| Repo Borrowings | | 441,215 | 699,651 |
| Funds under Management Agreement | | 81,485 | 77,034 |
| Promisory Notes | | 15,000 | 15,000 |
| Total | | 1,154,282 | 1,586,867 |

26.(a).i Bank Loans

| | As at 01 Jan | Loans | Repayments | As at 31 Dec |
|-----------------------|----------------|---------------|------------------|----------------|
| | 2020 | Obtained | | 2020 |
| | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 |
| Sampath Bank PLC | 339,517 | - | (114,961) | 224,556 |
| Nation Trust Bank PLC | 287,223 | 69,435 | (55,796) | 300,862 |
| People's Bank | 13,419 | - | (13,419) | - |
| Total | 640,159 | 69,435 | (184,176) | 525,418 |

Loans were obtained at variable rates and it is assumed that the carrying value approximates fair value.

The Assets pledged against borrowings are disclosed in Note 46.

27. REINSURANCE PAYABLES

| As at 31 December | Group | |
|---|------------------|------------------|
| | 2020 | 2019 |
| | Rs.'000 | Rs.'000 |
| Domestic Reinsurer - National Insurance Trust Fund (NITF) | 657,079 | 482,798 |
| Domestic Reinsurers - Others | 43,313 | 3,752 |
| Foreign Reinsurers | 3,860,276 | 3,002,804 |
| Total | 4,560,668 | 3,489,354 |

The above amounts include Reinsurance payable to National Insurance Trust Fund, Local reinsurers and Foreign reinsurers.

28. TRADE AND OTHER PAYABLES

| As at 31 December | Note | Group | | Company | |
|----------------------------------|--------|------------------|------------------|---------------|---------------|
| | | 2020 | 2019 | 2020 | 2019 |
| | | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 |
| Policyholders Payment in Advance | | 863,553 | 654,058 | - | - |
| Agency Commission Payable | | 1,400,205 | 1,170,434 | - | - |
| Government Levies | | 168,702 | 141,178 | - | - |
| Trade Creditors | | 3,496,349 | 4,032,186 | 64,046 | 57,100 |
| Death Claims Payable | | 125,105 | 119,727 | - | - |
| Accrued Expenses | | 1,114,682 | 486,482 | - | - |
| Lease Creditors | 28.(a) | 1,054,060 | 942,705 | - | - |
| Income Tax Payable | | 1,290,527 | 735,266 | - | 13,131 |
| Total | | 9,513,183 | 8,282,036 | 64,046 | 70,231 |

The carrying amounts disclosed above reasonably approximate fair value at the reporting date.

All amounts except for lease creditors are payable within one year.

28.(a) Lease Creditor

| | 2020 |
|--------------------------|------------------|
| | Rs.'000 |
| As at 01 January | 942,705 |
| Addition | 456,099 |
| Accretion of interest | 131,839 |
| Payments | (386,298) |
| Derecognition | (90,285) |
| As at 31 December | 1,054,060 |

28.(a) Maturity analysis for Lease Creditors are as follows ,

| As at 31 December | Maturity Analysis | | | Total |
|-------------------|-------------------|-----------|---------------|-----------|
| | Within 1 year | 1-3 years | Above 3 years | |
| | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 |
| 2020 | 281,247 | 716,744 | 56,069 | 1,054,060 |
| 2019 | 220,814 | 557,225 | 164,666 | 942,705 |

NOTES TO THE FINANCIAL STATEMENTS

29. NET PREMIUMS

29.(a) Gross Written Premium

| Year ended 31 December | Note | Group | |
|------------------------------------|-----------|-------------------|-------------------|
| | | 2020 | 2019 |
| | | Rs.'000 | Rs.'000 |
| Non-Life Insurance | 29.(a).i | 21,820,326 | 21,499,338 |
| Life Insurance | 29.(a).ii | 22,076,250 | 18,718,553 |
| Total Gross Written Premium | | 43,896,576 | 40,217,891 |

The premium income for the year by major classes of business is as follows;

29.(a).i Non - Life Insurance

| Year ended 31 December | | Group | | |
|------------------------|--|-------------------|-------------------|----------|
| | | 2020 | 2019 | Change |
| | | Rs.'000 | Rs.'000 | % |
| Fire | | 3,701,317 | 3,398,512 | 9 |
| Motor | | 11,030,775 | 11,268,497 | (2) |
| Marine | | 827,285 | 1,004,796 | (18) |
| Miscellaneous | | 4,740,913 | 4,436,477 | (7) |
| Engineering | | 1,330,950 | 1,207,033 | (10) |
| Employers' Liability | | 189,086 | 184,023 | (3) |
| Total | | 21,820,326 | 21,499,338 | 1 |

The Gross written premium of 2020 includes Rs.49,937,577/- and US\$ 49,272 (2019- Rs.37,330,903 and US\$ 50,445) which are collected on behalf of Co-Insurance Partners.

29.(a).ii Life Insurance

| Year ended 31 December | | Group | | |
|--------------------------------------|--|-------------------|-------------------|-----------|
| | | 2020 | 2019 | Change |
| | | Rs.'000 | Rs.'000 | % |
| New Businesses | | 4,868,610 | 4,256,370 | 14 |
| Single Premium | | 2,967,291 | 2,104,212 | 41 |
| Renewal Premium | | 12,151,247 | 11,453,266 | 6 |
| Group Life Premium | | 2,089,102 | 904,705 | 131 |
| Total | | 22,076,250 | 18,718,553 | 18 |
| Annualised New Business Life Premium | | 7,626,838 | 6,054,291 | 26 |

29.(b) Premiums Ceded to Reinsurers

| Year ended 31 December | Note | Group | |
|-------------------------------------|-----------|------------------|------------------|
| | | 2020 | 2019 |
| | | Rs.'000 | Rs.'000 |
| Non-Life Insurance | 29.(b).i | 8,349,380 | 7,064,791 |
| Life Insurance | 29.(b).ii | 505,463 | 550,122 |
| Premiums Ceded to Reinsurers | | 8,854,843 | 7,614,913 |

29.(b).i Non- Life Insurance

| Year ended 31 December | Group | | |
|---------------------------------|------------------|------------------|-----------|
| | 2020 | 2019 | Change |
| | Rs.'000 | Rs.'000 | % |
| Fire | 3,414,589 | 2,933,107 | 16 |
| Motor | 1,241,278 | 742,838 | 67 |
| Marine | 518,106 | 636,674 | (19) |
| Miscellaneous | 1,975,488 | 1,872,616 | 5 |
| Engineering | 1,185,576 | 864,663 | 37 |
| Employers' Liability | 14,343 | 14,893 | (4) |
| Total | 8,349,380 | 7,064,791 | 18 |
| National Insurance Trust Fund | | | |
| Compulsory Reinsurance Cessions | 632,684 | 863,820 | (27) |
| Strike , Riots, Civil Commotion | 1,354,626 | 1,355,345 | - |
| Foreign Reinsurers | 6,303,049 | 4,799,381 | 31 |
| Local Coinsurance Partners | 59,021 | 46,245 | 28 |
| | 8,349,380 | 7,064,791 | 18 |

29.(b).ii Life Insurance

| Year ended 31 December | Group | | |
|------------------------|----------------|----------------|--------|
| | 2020 | 2019 | Change |
| | Rs.'000 | Rs.'000 | % |
| Foreign Reinsurers | 505,463 | 550,122 | (8) |
| | 505,463 | 550,122 | |

NOTES TO THE FINANCIAL STATEMENTS

29.(c) Net Income

| Year ended 31 December | Group | | Company | |
|---------------------------|-------------------|-------------------|----------------|------------------|
| | 2020 | 2019 | 2020 | 2019 |
| | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 |
| Net Earned Premium | 35,208,695 | 32,672,321 | - | - |
| Revenue from Subsidiaries | 3,312,190 | 3,756,530 | - | - |
| Other Revenue | 17,403,602 | 16,111,017 | 494,834 | 1,401,344 |
| Total Net Income | 55,924,487 | 52,539,868 | 494,834 | 1,401,344 |

30. FEES AND COMMISSION INCOME

| Year ended 31 December | Group | | Company | |
|---|----------------|------------------|----------|----------|
| | 2020 | 2019 | 2020 | 2019 |
| | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 |
| Reinsurance Commission Income | 937,725 | 983,844 | - | - |
| Other Fees | 40,227 | 58,893 | - | - |
| Total Fees and Commission Income | 977,952 | 1,042,737 | - | - |

31. INVESTMENT INCOME

| Year ended 31 December | Group | | Company | |
|--|-------------------|-------------------|----------------|------------------|
| | 2020 | 2019 | 2020 | 2019 |
| | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 |
| Rental Income from Investment Properties | 55,424 | 53,337 | - | - |
| Financial Assets at Fair Value through Profit or Loss (Held for Trading Purposes) | | | | |
| Interest Income | 298,048 | 283,059 | - | - |
| Held to Maturity Financial Assets Interest Income | 6,451,446 | 5,096,995 | - | - |
| Available-For-Sale Financial Assets | | | | |
| Interest Income | 1,663,596 | 1,268,701 | - | - |
| Dividend Income* | 38,442 | 83,832 | 402,092 | 1,307,605 |
| Loans and Receivables Interest Income | 6,337,980 | 7,306,791 | 90,443 | 96,481 |
| Interest Income from Staff Loan | 76,517 | 23,732 | - | - |
| Other Operating Revenue | 281,211 | 420,248 | 2,299 | 421 |
| Total Investment Income | 15,202,664 | 14,536,695 | 494,834 | 1,404,507 |

*Dividend income of the Company has dropped significantly because two fully owned insurance subsidiaries namely Ceylinco General Insurance Ltd. and Ceylinco Life Insurance Ltd. have not paid their final dividends.

32. NET REALISED GAINS

| Year ended 31 December | Group | | Company | |
|--|-----------|---------|---------|---------|
| | 2020 | 2019 | 2020 | 2019 |
| | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 |
| Property, Plant and Equipment | | | | |
| Realised Gains | 91,908 | 146,536 | - | (3,163) |
| Available-For-Sale Financial Assets | | | | |
| Realised Gains | | | | |
| Equity Securities | 32,554 | 1,421 | - | - |
| Debt Securities | 930,000 | 202,655 | - | - |
| Realised Losses | | | | |
| Equity Securities | - | (4,468) | - | - |
| Total Realised Gains for Available-For-Sale Financial Assets | 962,554 | 199,608 | - | - |
| Total Realised Gains | 1,054,462 | 346,144 | - | (3,163) |

33. NET FAIR VALUE GAINS AND LOSSES

| Year ended 31 December | Group | |
|---|---------|---------|
| | 2020 | 2019 |
| | Rs.'000 | Rs.'000 |
| Fair Value Gains on Investment Properties | 132,369 | 74,839 |
| Fair Value Gains on Financial Assets at Fair Value Through Profit or Loss (Held for Trading Purposes) | 36,155 | 110,602 |
| Total Fair Value Gains and Losses | 168,524 | 185,441 |

NOTES TO THE FINANCIAL STATEMENTS

34. NET BENEFITS AND CLAIMS

| Year ended 31 December | Note | Group | |
|--|--------|--------------------|--------------------|
| | | 2020 | 2019 |
| | | Rs.'000 | Rs.'000 |
| 34.(a) Gross Benefits and Claims Paid | | | |
| Life Insurance Contracts | | 12,510,505 | 10,769,988 |
| Non-Life Insurance Contracts | | 9,491,378 | 10,906,082 |
| Total Gross Benefits and Claims Paid | | 22,001,883 | 21,676,070 |
| 34.(b) Claims Ceded to Reinsurers | | | |
| Life Insurance Contracts | | (243,992) | (165,923) |
| Non-Life Insurance Contracts | | (2,903,579) | (2,957,629) |
| Total Claims Ceded to Reinsurers | | (3,147,571) | (3,123,552) |
| 34.(c) Gross Change in Contract Liabilities | | | |
| Change in Life Insurance Contract Liabilities | | 9,423,994 | 7,189,811 |
| Change in Non-Life Insurance Contract Outstanding Claims Provision | | 753,974 | 189,456 |
| Total Gross Change in Contract Liabilities | | 10,177,968 | 7,379,267 |
| 34.(d) Change in Contract Liabilities Ceded to Reinsurers | | | |
| Change in Non-Life Insurance Contract Outstanding Claims Provision | | (645,966) | 139,585 |
| Total Change in Contract Liabilities Ceded to Reinsurers | | (645,966) | 139,585 |
| Net Benefits and Claims | | 28,386,314 | 26,071,370 |
| Net Benefits and Claims - Non Life Insurance | 34.(f) | 6,695,807 | 8,277,494 |
| Net Benefits and Claims - Life Insurance | | 21,690,507 | 17,793,876 |
| | | 28,386,314 | 26,071,370 |

34.(e) Gross Claims and Benefits (Excluding Life Fund Increase)

| Year ended 31 December | Group | |
|---|-------------------|-------------------|
| | 2020 | 2019 |
| | Rs.'000 | Rs.'000 |
| Claims - Death,Disability and Hospitalisation | 1,196,759 | 909,224 |
| Policy Maturities | 8,611,773 | 6,949,340 |
| Interim Payments on Anticipated Endowment Plans | 1,056,412 | 1,093,305 |
| Surrenders | 1,443,211 | 1,648,033 |
| Cash Bonus Expenses | 149,877 | 144,593 |
| Annuities | 52,473 | 25,492 |
| | 12,510,505 | 10,769,987 |
| Reinsurance Recoveries | (243,992) | (165,923) |
| Life Insurance Net Claims and Benefits | 12,266,513 | 10,604,064 |

34.(f) Non - Life Net Claims Incurred

| Year ended 31 December | Group | |
|----------------------------------|------------------|------------------|
| | 2020 | 2019 |
| | Rs.'000 | Rs.'000 |
| Gross Claims Incurred | 10,245,352 | 11,095,538 |
| Reinsurance Recoveries | (3,549,545) | (2,818,044) |
| Total Net Claims Incurred | 6,695,807 | 8,277,494 |

34.(g) The Net Claims Incurred for the year by major classes of business is as follows.

| Year ended 31 December | Group | |
|------------------------|-----------|-----------|
| | 2020 | 2019 |
| | Rs.'000 | Rs.'000 |
| Fire | 362,925 | 639,379 |
| Motor | 4,705,753 | 5,705,068 |
| Marine | 88,623 | 116,203 |
| Miscellaneous | 1,283,678 | 1,410,355 |
| Engineering | 230,767 | 363,236 |
| Employer's Liability | 24,061 | 43,253 |
| | 6,695,807 | 8,277,494 |

NOTES TO THE FINANCIAL STATEMENTS

35. ACQUISITION COSTS

| Year ended 31 December | Group | | Company | |
|------------------------------|-----------|-----------|---------|---------|
| | 2020 | 2019 | 2020 | 2019 |
| | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 |
| Fees and Commission Expenses | 4,085,050 | 3,879,661 | - | - |
| Deferred Expenses | (10,838) | (11,168) | - | - |
| | 4,074,212 | 3,868,493 | - | - |

36. OTHER OPERATING AND ADMINISTRATIVE EXPENSES

| Year ended 31 December | Note | Group | | Company | |
|--|--------|-------------------|-------------------|----------------|----------------|
| | | 2020 | 2019 | 2020 | 2019 |
| | | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 |
| Amortisation of Intangible Assets & Goodwill | 7 | 167,700 | 143,029 | - | - |
| Depreciation on Property, Plant and Equipment | 9 | 979,185 | 930,835 | - | - |
| Depreciation on Right of Use Assets | | 371,141 | 278,180 | - | - |
| Other Operating Expenses | 36.(b) | 2,605,085 | 2,455,401 | 13,978 | 9,390 |
| Auditors' Remuneration | | 18,422 | 22,921 | 999 | 975 |
| Employee Benefits Expense | 36.(a) | 5,535,232 | 5,078,946 | 142,250 | 79,682 |
| Selling Expenses | | 1,582,570 | 1,596,851 | - | - |
| Legal Expenses | | 38,865 | 64,727 | 14,980 | 19,855 |
| Donations | | 24,280 | 25,253 | - | - |
| Total Other Operating and Administrative Expenses | | 11,322,480 | 10,596,142 | 172,207 | 109,902 |

36.(a) Employee Benefits Expense

| Year ended 31 December | Note | Group | | Company | |
|---|--------|------------------|------------------|----------------|---------------|
| | | 2020 | 2019 | 2020 | 2019 |
| | | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 |
| Wages and Salaries Including Bonus & Incentives | | 5,099,825 | 4,787,984 | 114,460 | 64,520 |
| Employees' Provident Fund | | 378,098 | 383,828 | 9,645 | 5,333 |
| Employees' Trust Fund | | 94,581 | 95,916 | 2,411 | 1,333 |
| Defined Gratuity Benefit & Pension Costs | 36.(c) | (383,808) | (534,815) | 9,644 | 5,334 |
| Other Staff Related Cost | | 346,536 | 346,033 | 6,090 | 3,162 |
| Total Employee Benefits Expense | | 5,535,232 | 5,078,946 | 142,250 | 79,682 |

36.(b) Other Operating Expenses

The Operating Expenses incurred in respect of Investment Property which does not earn rental income is Rs.198,000. (2019 - Rs. 4,619,000/-) The Operating Expenses incurred in respect of Investment Property which earns rental income is Rs.5,726,000 (2019- Rs.1,746,000).

36.(c) Net Gratuity Benefit and Pension Cost shows a negative amount primarily due to expected return on plan assets over current service cost and interest cost on benefit obligations.

37. FINANCE COSTS

| Year ended 31 December | Group | | Company | |
|------------------------------------|----------------|----------------|--------------|------------|
| | 2020 | 2019 | 2020 | 2019 |
| | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 |
| Current Borrowings | | | | |
| Interest Expense on Bank Overdraft | 19,238 | 53,223 | - | - |
| Interest Expense on Loans | 35,455 | 98,171 | - | - |
| Other Finance Charges | 86,556 | 42,118 | 1,131 | 864 |
| Lease Interest | 131,839 | 95,094 | - | - |
| Total Finance Cost | 273,088 | 288,606 | 1,131 | 864 |

38. INCOME TAX EXPENSE

The major components of Income Tax Expense for the years ended 31 December 2020 and 2019 are:

38.(a) Current Year Tax Charge

| Year ended 31 December | Group | | Company | |
|---|------------------|------------------|---------------|---------------|
| | 2020 | 2019 | 2020 | 2019 |
| | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 |
| Current tax | | | | |
| Income Tax | 2,494,118 | 2,391,744 | 35,017 | 25,480 |
| Over/Under Provision in respect of Previous Year | 1,234 | (240,808) | - | - |
| Total Current Tax | 2,495,352 | 2,150,936 | 35,017 | 25,480 |
| Deferred Tax | | | | |
| Origination of Temporary Differences (note 18(a) and (b)) | 39,136 | 117,167 | - | - |
| Total Income Tax Expense | 2,534,488 | 2,268,103 | 35,017 | 25,480 |

38.(b) Tax recorded in Other Comprehensive Income (see Note 42)

| Year ended 31 December | Group | | Company | |
|---|---------------|----------------|----------|----------|
| | 2020 | 2019 | 2020 | 2019 |
| | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 |
| Deferred Tax | 26,297 | 278,135 | - | - |
| Total Tax Charge to Other Comprehensive Income | 26,297 | 278,135 | - | - |

NOTES TO THE FINANCIAL STATEMENTS

38.(c) Reconciliation of Tax Charge

| Year ended 31 December | Company | |
|--|----------|-----------|
| | 2020 | 2019 |
| | Rs.'000 | Rs.'000 |
| Reconciliation of Effective Tax Rate | | |
| Profit Before Tax | 321,496 | 1,290,578 |
| Income Tax using the Company's Domestic Tax Rate | 77,159 | 361,362 |
| Tax Exempt Income | (67,296) | (365,244) |
| Net Non-Deductible/(Deductible) Expenses | 25,154 | 29,362 |
| | 35,017 | 25,480 |

| Year ended 31 December | Group | |
|--|-------------|-------------|
| | 2020 | 2019 |
| | Rs.'000 | Rs.'000 |
| Reconciliation of Effective Tax Rate | | |
| Profit Before Tax | 11,912,492 | 11,051,191 |
| Income Tax using the Company's Domestic Tax Rate | 3,285,108 | 3,451,540 |
| Tax Exempt Income | (1,472,840) | (1,860,122) |
| Net Non-Deductible/(Deductible) Expenses | (524,589) | (265,976) |
| Tax Effect of Loss Claimed for the Year | (9,830) | (31,635) |
| Income Tax for Bonuses distributed/declared to policyholders | 68,030 | 20,151 |
| Income Tax for Surplus distributed to Shareholders | 1,148,237 | 1,092,000 |
| Over / (Under) Provision of Previous Years | 1,234 | (255,022) |
| Deferred Tax Charge/(Reverse) | 39,136 | 117,167 |
| | 2,534,488 | 2,268,103 |

The Company is liable to pay income tax at the rate of 28% of its taxable profits in accordance with the provisions of the Inland Revenue Act, No. 24 of 2017 and subsequent amendments thereto.

- Surplus distributed to shareholders from Life Insurance business as certified by appointed actuary @ 28%
- Investment Income of Shareholder fund less any expenses incurred in the production of such income @ 28%
- Bonus Distributed to policyholders @ 14%

CEG Education Holdings (Private) Limited and CEC Events (Pvt) Ltd. are liable to pay tax at 28% on its business income. Other income of the Company is liable for taxation at the normal rate.

Education Subsidiaries are liable at 14% on its business income for the year.

The Statutory income from business of Ceypower Cascades (Pvt) Ltd and Ceyhydro Developers (Pvt) Ltd. are liable for 14% tax on the income for the year of assessment 2019/2020. Other income of the Company is liable for taxation at 28%.

Ceylinco Insurance Company (Pvt) Ltd. -Maldives is liable to pay income tax at 15% on its business income in Maldives.

As per the notice (PN/IT/2020-03) issued by Inland Revenue Department on 18th February 2020 "Implementation of proposed changes to the Inland Revenue Act , No. 24 of 2017 " ; the income tax rates of companies will be reduced from 28% to 24% with effect from 1st January 2020. However the proposed amendments are yet to be formally approved in the parliament. Accordingly, no adjustments are made in the financial statements as at the reporting date.

39. NON CONTROLLING INTERESTS (NCI)

39.(a) Accumulated balances of Non-Controlling Interest

| Year ended 31 December | 2020 | 2019 | Effective ownership by |
|--|------------------|------------------|------------------------|
| | Rs.'000 | Rs.'000 | NCI % |
| Name of Company | | | |
| Ceylinco Healthcare (Pvt) Ltd | 3,490 | 2,875 | 0.80 |
| Ceylinco Insurance (Pvt) Ltd -Maldives | 94,963 | 94,967 | 21 |
| Ceylinco Investcorp (Pvt) Ltd | 30,218 | 20,481 | 25 |
| Energy Lanka Holdings Ltd | 23,796 | 25,723 | - |
| CEG Education Holdings Ltd | 2,170,548 | 2,180,061 | 37.40 |
| | 2,323,015 | 2,324,107 | |

39.(b) Profit allocated to Non-Controlling Interest

| Year ended 31 December | 2020 | 2019 |
|--|----------------|----------------|
| | Rs.'000 | Rs.'000 |
| Name of the Company | | |
| Ceylinco Healthcare (Pvt) Ltd | 615 | 284 |
| Ceylinco Insurance (Pvt) Ltd -Maldives | 7,903 | 8,197 |
| Ceylinco Investcorp (Pvt) Ltd | 4,661 | 4,584 |
| Energy Lanka Holdings Ltd | 112 | 4,953 |
| CEG Education Holdings Ltd | 88,354 | 221,352 |
| | 101,645 | 239,370 |

40. BASIC/DILUTED EARNINGS PER SHARE

Basic/Diluted Earnings Per Share has been calculated by dividing profit after taxation attributable to ordinary shareholders of the parent by the weighted average Ordinary Shares in issue at the year end.

| Year ended 31 December | Group | | Company | |
|--|---------------|---------------|--------------|--------------|
| | 2020 | 2019 | 2020 | 2019 |
| Profit for the Year (Rs.'000) | 9,276,359 | 8,543,718 | 286,479 | 1,265,098 |
| Weighted Average Number of Ordinary Shares ('000) | 26,414 | 26,414 | 26,414 | 26,414 |
| Basic/Diluted Earnings Per Ordinary Share (Rs.) | 351.18 | 323.45 | 10.85 | 47.89 |

There were no potential dilutive Ordinary Shares outstanding at any time during the year. Therefore, Diluted Earnings Per Share is same as Basic Earnings Per Share shown above.

NOTES TO THE FINANCIAL STATEMENTS

41. DIVIDENDS PAID

| Year ended 31 December | 2020 | 2019 |
|--|-----------|---------|
| Final Dividend Paid (Rs.'000) | 1,003,750 | 924,506 |
| No. of Shares in issue for the year ('000) | 26,414 | 26,414 |
| Dividend Paid Per Share (Rs.) | 38.00 | 35.00 |

42. INCOME TAX EFFECTS RELATING TO OTHER COMPREHENSIVE INCOME

| Year ended 31 December | 2020 | | | 2019 | | |
|--|---------------------------------|--|---------------------------------|---------------------------------|--|---------------------------------|
| | Before tax Amount Rs.'000 | Tax (Expense) Benefit Rs.'000 | Net of Tax Amount Rs.'000 | Before Tax Amount Rs.'000 | Tax (Expense) Benefit Rs.'000 | Net of Tax Amount Rs.'000 |
| Group | | | | | | |
| Exchange Differences on Translating Foreign Operations | 9,940 | - | 9,940 | (3,252) | - | (3,252) |
| Net Gain/(Loss) on Available-for-Sale Financial Assets | 1,215,891 | (9,571) | 1,206,320 | (153,791) | (27,751) | (181,542) |
| Actuarial Gain on Defined Benefit Plans | (1,186,607) | 46,939 | (1,139,668) | (1,362,179) | 51,900 | (1,310,279) |
| Revaluation Surplus/(Deficit) During the Year | 691,095 | (63,665) | 627,430 | 2,768,383 | (302,284) | 2,466,099 |
| Total | 730,319 | (26,297) | 704,022 | 1,249,161 | (278,135) | 971,026 |

42.1 Movement of share of Other Comprehensive Income /(Loss) of an associates

| Year ended 31 December | 2020 | 2019 |
|--|-------------------|-------------------|
| | Amount Rs.'000 | Amount Rs.'000 |
| Actuarial Gain on Defined Benefit Plans | (1,532) | (16,719) |
| Revaluation Surplus/(Deficit) During the Year | - | 49,276 |
| Tax Expenses | 20 | (20) |
| Net Gain/(Loss) on Available-for-Sale Financial Assets | (9,133) | - |
| Total | (10,645) | 32,537 |

| Year ended 31 December | 2020 | | | 2019 | | |
|--|---------------------------------|--|---------------------------------|---------------------------------|--|---------------------------------|
| | Before tax Amount Rs.'000 | Tax (Expense) Benefit Rs.'000 | Net of Tax Amount Rs.'000 | Before Tax Amount Rs.'000 | Tax (Expense) Benefit Rs.'000 | Net of Tax Amount Rs.'000 |
| Company | | | | | | |
| Net Gain/(Loss) on Available-for-Sale Financial Assets | 9,441 | - | 9,441 | (616) | - | (616) |
| Total | 9,441 | - | 9,441 | (616) | - | (616) |

43. RISK MANAGEMENT FRAMEWORK

43.(a) Governance Framework

The primary objective of the Group's risk and financial management framework is to protect the Group's shareholders from events that hinder the sustainable achievement of financial performance objectives, including failing to exploit opportunities. Key management recognises the critical importance of having efficient and effective risk management systems in place.

The Group has established a risk management process with specified objectives with clear tasks. The board of directors and senior managers manage the risks through various committees and delegated authorities. The reviews of risks on regular basis and the strategies adopted timely ensures the risk management function an important activity within the organisation.

The risks are identified with clear understanding of market environment, regulatory environment and macro economic changes. The Group has well experienced and skilled directors who could assess the risks and execute appropriate strategies and achieve the targets with less negative effect to shareholders.

43.(b) Capital Management Objectives, Policies and Approach

The Group has established the following capital management objectives, policies and approach to managing the risks that affect its capital position:

- To maintain the required level of stability of the Group thereby providing a degree of security to policyholders
- To allocate capital efficiently and support the development of business by ensuring that returns on capital employed meet the requirements of its capital providers and of its shareholders
- To retain financial flexibility by maintaining strong liquidity and access to a range of capital markets
- To align the profile of assets and liabilities taking account of risks inherent in the business
- To maintain financial strength to support new business growth and to satisfy the requirements of the policyholders, regulators and stakeholders

Operations of the Group are also subject to regulatory requirements within the jurisdictions in which it operates. Such regulations not only prescribe approval and monitoring of activities, but also impose certain restrictive provisions (e.g., capital adequacy) to minimise the risk of default and insolvency on the part of the insurance companies to meet unforeseen liabilities as these arise.

The Insurance business maintains capital, investments and solvency as per the regulations prescribed by Insurance Regulatory Commission of Sri Lanka (IRC SL). Further, under the parallel run requirements of IRC SL the insurance business maintains required Capital Adequacy Ratio (CAR) under the Risk Based Capital (RBC) Regime.

New changes in regulations are timely adopted and necessary changes are made to internal processes.

Approach to Capital Management

The Group allocates capital to businesses as required and ensures the sufficient returns to shareholders and policyholders. The assets and liabilities management establishes the required level of liquidity and reduces the risks of the Group and achieves the required capital levels of the Group.

The primary source of capital used by the Group is equity shareholders' funds. The Group also utilises, where efficient to do so, sources of capital such as reinsurance.

NOTES TO THE FINANCIAL STATEMENTS

The returns expectations are regularly forecast and comparisons are made in order to ensure the requirements of stakeholders are achieved.

The Group has had no significant changes in its policies and processes to its capital structure during the past year from previous years.

Ceylinco General Insurance Ltd has following Capital Resources.

| Year ended 31 December | 2020 | 2019 |
|-------------------------------------|-------------|-------------|
| | Rs.'000 | Rs.'000 |
| Total Equity | 12,972,646 | 11,697,592 |
| Adjustments onto a regulatory basis | (5,500,542) | (6,047,021) |
| Available Capital Resources | 7,472,104 | 5,650,571 |

The adjustments onto a regulatory basis represent assets inadmissible for regulatory reporting purposes.

The Group has had no significant changes in its policies and processes to its capital structure during the past year from previous years.

Ceylinco Life Insurance Ltd has following Capital Resources.

| Year ended 31 December | 2020 | 2019 |
|-------------------------------------|------------|------------|
| | Rs.'000 | Rs.'000 |
| Total Equity | 38,145,035 | 31,492,076 |
| Adjustments onto a regulatory basis | 33,591,988 | 30,456,093 |
| Available Capital Resources | 71,737,023 | 61,948,169 |

The adjustments onto a regulatory basis Includes the followings:

1. Adjustment for valuation differences of Assets and Liabilities between SLFRS and RBC frameaeworks.
2. Unallocated valuation surplus maintained in the insurance funds.
3. 50% of net future bonuses in respect of participating business
4. Value of Inadmissible Assets under RBC framework.

43.(c) Regulatory Framework

Regulators are primarily interested in protecting the rights of policyholders and monitor them closely to ensure that the insurance business is satisfactorily managing affairs for their benefit. At the same time, regulators are also interested in ensuring that the insurance business maintains an appropriate solvency position to meet unforeseen liabilities arising from economic shocks or natural disasters.

The insurance business is regulated by Insurance Regulatory Commission of Sri Lanka (IRCSL) with the objective of protecting shareholders and policyholders. There are various regulations and directive the insurance business is expected to adhere in order to achieve the expected norms, which leads the insurance business to maintain required solvency and maintain sufficient capital.

Financial risks arise due to movements in market rates. The risks mainly involve interest rates risks, share price changes etc. The Group manages these risks through various strategies adopted at asset liability committee, investment committee and risk management committees.

IRCSL ensures that the Company maintains required solvency position to meet future liabilities. The Insurance Companies successfully implemented the Risk Based Capital (RBC) framework on solvency margin as required by IRCSL.

The capital adequacy positions of the Insurance Companies as of 31st December 2020 and 2019 are as follows.

Ceylinco General Insurance Ltd

| | Total Available Capital (TAC) Rs.'000 | Minimum Capital Requirement Rs.'000 | Risk-based Capital Adequacy Ratio (CAR) % | Regulatory Minimum CAR % |
|--------------------|--|--|--|-----------------------------|
| 31st December 2020 | 7,472,104 | 4,084,522 | 183 | 120 |
| 31st December 2019 | 5,650,571 | 3,168,954 | 178 | 120 |

Ceylinco Life Insurance Ltd

| | Total Available Capital (TAC) Rs.'000 | Minimum Capital Requirement Rs.'000 | Risk-based Capital Adequacy Ratio (CAR) % | Regulatory Minimum CAR % |
|--------------------|--|--|--|-----------------------------|
| 31st December 2020 | 71,737,000 | 16,918,000 | 424 | 120 |
| 31st December 2019 | 61,948,000 | 17,865,000 | 347 | 120 |

43.(d) Asset Liability Management (ALM) Framework

ALM is the ongoing process of formulating, implementing, monitoring and revising strategies related to assets and liabilities to achieve an organization's financial objectives, given the organization's risk tolerance and other constraints. ALM deals with the optimal investment of assets in view of meeting current goals and future liabilities.

Various financial risks arise from open positions in interest rates, currency and equity products, all of which are exposed to general and specific market movements. The main risk that the Group faces, due to the nature of its investments and liabilities, is interest rate risk.

NOTES TO THE FINANCIAL STATEMENTS

The Investment committee identifies the nature of the liabilities arising from the product portfolio and evaluates the investment options that best suit to hedge the liability. The Group manages these selected positions within a strategically crafted ALM framework that has been developed considering the cyclical nature of the domestic interest rates to achieve investment returns in excess of its obligations in the long term.

44. INSURANCE AND FINANCIAL RISK

44.(a) Insurance Risk

The principal insurance risk the Group faces is that the actual claims and benefit payments or the timing thereof, differ from expectations. This is influenced by the frequency of claims, severity of claims, actual benefits paid and subsequent development of long-term claims. Therefore, the objective of the Group is to ensure that sufficient reserves are available to cover these liabilities.

The variability of risks is also improved by careful selection and implementation of underwriting strategy guidelines, as well as the use of reinsurance arrangements. The Group has entered into reinsurance treaties with world's leading reinsurers as a part of its risks mitigation programme. All reinsurance is designed to mitigate the group's net exposure to a single claim as well as to catastrophe losses.

Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision and are in accordance with the reinsurance contracts. Although the Group has reinsurance arrangements, it is not relieved of its direct obligations to its policyholders and thus a credit exposure exists with respect to ceded insurance, to the extent that any reinsurer is unable to meet its obligations assumed under such reinsurance agreements. The Group's placement of reinsurance is diversified such that it is not dependent on a single reinsurer. The Group has all reinsurance arrangements with many leading reinsurance companies.

44.(a).i Life Insurance Contracts

Life insurance contracts offered by the Group include: whole life, term assurance and endowment plans.

Whole life and term assurance are conventional regular premium products when lump sum benefits are payable on death.

Death and maturity benefits of endowment products are subject to a guaranteed minimum amount.

For contracts with DPF the guaranteed minimum may be increased by the additions such as bonuses.

The main risks that the Group is exposed to are as follows:

Mortality risk – risk of loss arising due to policyholder death experience being different than expected

Morbidity risk – risk of loss arising due to policyholder health experience being different than expected

Investment return risk – risk of loss arising from actual returns being different than expected

Expense risk – risk of loss arising from expense experience being different than expected

Policyholder decision risk – risk of loss arising due to policyholder experiences (lapses and surrenders) being different than expected

Key Assumptions

The Insurance Companies exercise significant judgment in determining the policy liabilities and in selecting assumptions. The key assumptions to which the liability value can be sensitive are mortality, morbidity, expenses, discount rates, lapse and surrender rates. The choice of assumptions depends on the past and current experience of the Insurance Companies and other available information. Assumptions on future expenses are based on current expense levels, adjusted for expected expense inflation, if appropriate. Lapse and surrender rates are based on the Insurance Companies historical experience. Discount rates are based on current industry risk free rates. All these assumptions are within the guidelines issued by the IRCSL.

Mortality rate

Mortality assumptions are based on standard mortality tables.

Lapse rates

Lapses occur due to non-payment of premiums before the policy acquires a surrender value. Surrenders occur due to termination of policies by policyholders after acquiring a surrender value.

Risk Free Rate

Risk free discount rate is used to discount the cash flows for corresponding durations for guaranteed benefits of non-participating and participating insurance fund policies. The applicable risk free rates are shared by the IRCSL every quarter.

Fund-Based Yield

Fund-based yield is used in the participating fund to discount the cash flows for corresponding durations where total benefits are considered.

Management Expenses

The assumptions for management expenses are determined based on the investigation into the expenses of the Insurance Company over the last four calendar years. Each expense is classified as acquisition/maintenance/termination and then classified as fixed/variable.

44.(a).i.1 Sensitivity of the Value of Insurance Liabilities for Change in Assumptions

| Sensitivity of the Value of Insurance Liabilities as at 31st December 2020 | Changes in Assumptions | Impact on the Net Best Estimate Liabilities |
|---|---------------------------|--|
| Expenses | +10% | 1.58% |
| Mortality | +10% | 0.59% |
| Mortality | -10% | -0.59% |
| Morbidity | +20% | 0.40% |
| Morbidity | -20% | -0.43% |
| Withdrawal Rate | +20% | -0.23% |
| Withdrawal Rate | -20% | 0.33% |

Changing assumptions as mentioned above does not have material impact to the income statement.

NOTES TO THE FINANCIAL STATEMENTS

The Group's underwriting strategy is designed to ensure that risks are well diversified in terms of type of risk and level of insured benefits. This is largely achieved through diversification across industry sectors and geography, the use of medical screening in order to ensure that premium charged takes account of current health conditions and family medical history, regular review of actual claims experience and product pricing, as well as detailed claims handling procedures. Underwriting limits are in place to enforce appropriate risk selection criteria. For example, the Group has the right not to revive individual policies and it has the right to reject the payment of fraudulent claims. Insurance contracts also entitle the Group to pursue third parties for payment of some or all costs. The Group further enforces a policy of actively managing and promptly pursuing claims, in order to reduce its exposure to unpredictable future developments that can negatively impact the Group.

For contracts when death or disability is the insured risk, the significant factors that could increase the overall frequency of claims are epidemics, widespread changes in lifestyle and natural disasters, resulting in earlier or more claims than expected.

The insurance risk described above is also affected by the contract holder's right to pay reduced premiums or no future premiums, to terminate the contract completely. As a result, the amount of insurance risk is also subject to contract holder behaviour.

The main risk faced by non-life insurance business is that the actual claims are varying from the expected claims from different types of policies. The non-life insurance business minimises the risks by evaluating the business in detail and charges the correct premiums so that the company has sufficient reserves to meet any unforeseen claims.

There are other types of risks such as reinsurance, default risk, credit risk, concentration risk, liquidity risks and market risks. The business's risk management policies and processes mitigate the impact of these risks and also benefits the organisation by accepting some calculated risks at appropriate times.

44.(a).ii Non-Life Insurance Contracts

The non-life insurance principally issues the following types of general insurance contracts: motor, marine, engineering, fire, suwa sampatha and miscellaneous products. Risks under non-life insurance policies usually cover twelve months duration. For general insurance contracts, the most significant risks arise from accidents, climate changes, natural disasters and terrorist activities. For longer tail claims that take some years to settle, there is also inflation risk.

These risks do not vary significantly in relation to the location of the risk insured by the Group, type of risk insured and by industry.

The above risk exposure is mitigated by diversification across a large portfolio of insurance contracts and geographical areas. The variability of risks is improved by careful selection and implementation of underwriting strategies, which are designed to ensure that risks are diversified in terms of type of risk and level of insured benefits. Furthermore, strict claim review policies to assess all new and ongoing claims, regular detailed review of claims handling procedures and frequent investigation of possible fraudulent claims are all policies and procedures put in place to reduce the risk exposure of the non-life. Further on the spot claims settlement procedures also helps to reduce the exposure to unpredictable future developments that can negatively impact the business. Inflation risk is mitigated by taking expected inflation into account when estimating insurance contract liabilities.

The non-life has also limited its exposure by arranging reinsurance contracts with rated Reinsurers internationally.

Key Assumptions and Sensitivities

The principal assumption underlying the liability estimates is that the Group's future claims development will follow a similar pattern to past claims development experience.

The non-life insurance claim liabilities are sensitive to the key assumptions in the table below. It has not been possible to quantify the sensitivity of certain assumptions such as legislative changes, impact of natural catastrophic or uncertainty in the estimation process.

| Sensitivity of the Value of Net Outstanding Claim Reserve as at 31/12/2020 | Outstanding Claim Reserve Based on BF with a 5% Increase in the Initial Estimated Ultimate Loss Ratio (IEULR) | Outstanding Claim Reserve Based on BF with a 5% Decrease in the Initial Estimated Ultimate Loss Ratio (IEULR) |
|--|---|---|
| Impact on the best estimate liability (Rs.000) | 585,390 | 893,885 |

Changing assumptions as mentioned above does not have material impact to the income statement.

Claims Development Table

The following table shows the Estimated Net Claims Liability (after considering reinsurance) for each successive accident year at each reporting date for domestic operations of Ceylinco General Insurance Ltd.

| Year | 0 | 1 | 2 | 3 |
|------|---------------|---------------|--------------|-------------|
| 2012 | - | - | 4,118,362 | - |
| 2013 | - | 5,227,313 | (8,690,169) | 499,999 |
| 2014 | 939,339,988 | (5,564,745) | (5,564,745) | - |
| 2015 | 570,867,852 | (103,140,094) | (38,064,835) | 91,881,814 |
| 2016 | (359,345,658) | (201,260,832) | 60,691,997 | 128,183,503 |
| 2017 | 1,024,084,173 | (364,476,124) | 495,972 | 758,285,869 |
| 2018 | 988,889,167 | 20,145,932 | 12,012,341 | - |
| 2019 | 952,207,050 | 30,712,276 | - | - |
| 2020 | 323,652,514 | | | |

Changing assumptions as mentioned above does not have material impact to the income statement.

44.(b) Credit Risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss to the other party by failing to discharge an obligation. The following policies and procedures are in place to mitigate the Life insurance segment exposure to credit risk:

- Credit risk policy is set based on the assessment and IRCSL determination. Accordingly Life insurance segment has the maximum amounts and limits that may be advanced to counter parties by reference to their long-term credit ratings. Policy is monitored at each reporting date or when required for changes in the risk environment.
- Reinsurance is placed with counter parties that have a good credit rating. At each reporting date, an assessment of creditworthiness of reinsurers are performed and updates the reinsurance purchase strategy, ascertaining suitable allowance for impairment.
- The credit risk in respect of customer balances incurred on non-payment of premiums or contributions will only persist during the grace period specified in the policy document until expiry, when the policy is either paid up or terminated. Commission paid to intermediaries is netted off against amounts receivable from them to reduce the risk of doubtful debts.
- The following processes/activities of General insurance segment division reduces the credit risk of financial instruments.
- Credit risk policy is based on the IRCSL determination. The maximum exposures to each type of financial instrument is limited based on the policy.
- The investment committee evaluates the exposure and the new investments in instruments in order to reduce the risks.
- The regular review by the Board also minimises the credit risks.

NOTES TO THE FINANCIAL STATEMENTS

44.(b) i Credit Exposure

The table below shows the maximum exposure to credit risk for the components of the statement of financial position and items such as future commitments.

| Year ended 31 December | Note | 2020 | | 2019 | |
|--|-------|--------------------|--------------------|--------------------|--------------------|
| | | Group Rs.'000 | Company Rs.'000 | Group Rs.'000 | Company Rs.'000 |
| Financial Instrument | | | | | |
| Held-to-Maturity Financial Assets | | | | | |
| | 13(a) | | | | |
| Debt Securities | | 51,698,662 | - | 57,153,974 | - |
| Loans and Receivables | | | | | |
| | 13(b) | | | | |
| Debt Securities | | 69,897,967 | 720,277 | 54,823,031 | 1,512,758 |
| Staff Loans | | 1,317,091 | - | 1,444,668 | - |
| | | 71,215,058 | 720,277 | 56,267,699 | 1,512,758 |
| Available-for-Sale Financial Assets | | | | | |
| | 13(c) | | | | |
| Equity Securities | | 933,196 | 233,933 | 720,618 | 224,491 |
| Debt Securities | | 20,368,132 | 144,019 | 13,108,274 | 30,000 |
| | | 21,301,328 | 347,952 | 13,828,892 | 254,491 |
| Financial Assets at Fair Value through Profit or Loss | | | | | |
| | 13(d) | | | | |
| Equity Securities | | 78,006 | - | 32,936 | - |
| Debt Securities | | 3,096,757 | - | 2,305,764 | - |
| | | 3,174,763 | - | 2,338,700 | - |
| Reinsurance Assets | 16 | 4,200,999 | - | 3,538,374 | - |
| Insurance Receivables | 19 | 6,952,701 | - | 6,550,064 | - |
| Cash and Cash Equivalents | 21 | 1,640,927 | 45,555 | 1,128,411 | 70,727 |
| Total Credit Risk Exposure | | 160,184,438 | 1,113,784 | 140,806,114 | 1,837,976 |

44.(b) ii Industry Analysis

| 31 December 2020 | Financial Services Rs.'000 | Government Rs.'000 | Services Rs.'000 | Manufacturing and Power Rs.'000 | Others Rs.'000 | Total Rs.'000 |
|---|----------------------------------|-----------------------|---------------------|---------------------------------------|-------------------|------------------|
| Assets | | | | | | |
| Held-to-Maturity Financial Assets | | | | | | |
| Debt Securities | 14,521,104 | 36,964,353 | - | - | - | 51,485,457 |
| | 14,521,104 | 36,964,353 | - | - | - | 51,485,457 |
| Loans and Receivables | | | | | | |
| Term Deposits | 54,803,776 | - | - | - | - | 54,803,776 |
| Repo Investments | 395,000 | - | - | - | - | 395,000 |
| Unquoted Debentures | 5,430,754 | - | - | - | - | 5,430,754 |
| Debentures Quoted | 6,703,742 | - | - | - | - | 6,703,742 |
| Staff and Vehicle Loans | | - | - | - | 1,035,985 | 1,035,985 |
| | 67,333,272 | - | - | - | 1,035,985 | 68,369,257 |
| Available-for-Sale Financial Assets | | | | | | |
| Equity Securities | 303,284 | - | 3,913 | 555,361 | 1,982 | 864,540 |
| Debt Securities | 2,940,359 | 16,428,040 | - | - | - | 19,368,399 |
| Unit Trust | 192,023 | - | - | - | - | 192,023 |
| | 3,435,666 | 16,428,040 | 3,913 | 555,361 | 1,982 | 20,424,962 |
| Financial Assets at Fair Value through Profit or Loss | | | | | | |
| Equity Securities | 173 | - | 432 | 322 | - | 927 |
| Debt Securities | - | 3,096,757 | - | - | - | 3,096,757 |
| | 173 | 3,096,757 | 432 | 322 | - | 3,097,684 |
| Sub Total | 85,290,215 | 56,489,150 | 4,345 | 555,683 | 1,037,967 | 143,377,360 |
| Financial Instruments -Other Subsidiaries & Ceylinco Insurance PLC | | | | | | 4,012,451 |
| Total Credit Risk Exposure | | | | | | 147,389,811 |

NOTES TO THE FINANCIAL STATEMENTS

44.(b).ii Industry Analysis

| 31 December 2019 | Financial Services Rs.'000 | Government Rs.'000 | Services Rs.'000 | Manufacturing and Power Rs.'000 | Others Rs.'000 | Total Rs.'000 |
|---|-------------------------------|-----------------------|---------------------|------------------------------------|-------------------|--------------------|
| Assets | | | | | | |
| Held-to-Maturity Financial Assets | | | | | | |
| Debt Securities | 19,200,396 | 37,689,470 | - | - | - | 56,889,866 |
| | 19,200,396 | 37,689,470 | - | - | - | 56,889,866 |
| Loans and Receivables | | | | | | |
| Term Deposits | 39,488,552 | - | - | - | - | 39,488,552 |
| Repo Investments | 59,186 | - | - | - | - | 59,186 |
| Unquoted Debentures | 5,432,180 | - | - | - | - | 5,432,180 |
| Debentures Quoted | 6,703,775 | - | - | - | - | 6,703,775 |
| Staff and Vehicle Loans | - | - | - | - | 1,154,104 | 1,154,104 |
| | 51,683,693 | - | - | - | 1,154,104 | 52,837,797 |
| Available-for-Sale Financial Assets | | | | | | |
| Equity Securities | 342,483 | - | 4,838 | 310,599 | 1,967 | 659,887 |
| Debt Securities | 2,782,473 | 9,284,512 | - | - | - | 12,066,985 |
| Unit Trust | 137,211 | - | - | - | - | 137,211 |
| | 3,262,167 | 9,284,512 | 4,838 | 310,599 | 1,967 | 12,864,083 |
| Financial Assets at Fair Value through Profit or Loss | | | | | | |
| Equity Securities | 230 | - | 363 | 11,565 | - | 12,158 |
| Debt Securities | - | 2,305,764 | - | - | - | 2,305,764 |
| | 230 | 2,305,764 | 363 | 11,565 | - | 2,317,922 |
| Sub Total | 74,146,486 | 49,279,746 | 5,201 | 322,164 | 1,156,071 | 124,909,668 |
| Financial Instruments -Other Subsidiaries & Ceylinco Insurance PLC | | | | | | 4,679,597 |
| Total Credit Risk Exposure | | | | | | 129,589,265 |

44. **INSURANCE AND FINANCIAL RISK CONTD.**

44.(b)iii The below table indicates the rating of investments as at 31st December 2020 & 2019.

| Group | AAA | | AA | | AA+ | | A | | A+ | | BBB | | BBB+ | | BBB- | | Unrated | | Total |
|--|-------------------|-------------------|------------------|-------------------|-------------------|------------------|-------------------|----------------|----------------|--------------|----------------|------------------|--------------------|----------|----------|----------|----------|----------|------------------|
| | Rs.000 | Rs.000 | Rs.000 | Rs.000 | Rs.000 | Rs.000 | Rs.000 | Rs.000 | Rs.000 | Rs.000 | Rs.000 | Rs.000 | Rs.000 | Rs.000 | Rs.000 | Rs.000 | Rs.000 | Rs.000 | |
| 31 December 2020 | | | | | | | | | | | | | | | | | | | |
| Insurance Business | | | | | | | | | | | | | | | | | | | |
| Financial Instruments | | | | | | | | | | | | | | | | | | | |
| Held-to-Maturity Financial Assets | | | | | | | | | | | | | | | | | | | |
| Debt Securities | 36964353 | 5859754 | - | 3485121 | 2935437 | 2240792 | - | - | - | - | - | - | - | - | - | - | - | - | 51,485,457 |
| Loans and Receivables | 10845968 | 24365820 | - | 10303075 | 16344455 | 3845836 | 299438 | 824765 | 259055 | - | - | - | - | - | - | - | - | - | 683,692,255 |
| Available-for-Sale Financial Assets | | | | | | | | | | | | | | | | | | | |
| Equity Securities | - | - | - | - | - | - | - | - | 100371 | - | - | - | - | - | - | - | - | - | 764,187 |
| Debt Securities | 16819315 | 1381401 | - | - | 502557 | 608634 | - | 56490 | - | - | - | - | - | - | - | - | - | - | 193,683,997 |
| Unit Trust | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 192,022 |
| Financial Assets at Fair Value through Profit or Loss | | | | | | | | | | | | | | | | | | | |
| Equity Securities | 43 | 28 | - | 126 | 145 | - | - | - | - | - | - | - | - | - | - | - | - | - | 586 |
| Debt Securities | 3,096,757 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 3,096,757 |
| Sub Total | 67,727,436 | 31,607,003 | - | 13,788,332 | 19,782,594 | 6,695,262 | 299,438 | 881,255 | 359,426 | - | 243,858 | 1,992,779 | 143,377,374 | - | - | - | - | - | 401,2437 |
| Financial Instruments - Other Subsidiaries & Ceyfinco Insurance PLC | | | | | | | | | | | | | | | | | | | |
| Total | | | | | | | | | | | | | | | | | | | |
| 31 December 2019 | | | | | | | | | | | | | | | | | | | |
| Insurance Business | | | | | | | | | | | | | | | | | | | |
| Financial Instruments | | | | | | | | | | | | | | | | | | | |
| Held-to-Maturity Financial Assets | | | | | | | | | | | | | | | | | | | |
| Debt Securities | 37689470 | 1,306,802 | 1,399,633 | 6383906 | 7360322 | 660866 | 2,074,514 | - | 14,353 | - | - | - | - | - | - | - | - | - | 56,889,866 |
| Loans and Receivables | 1273245 | 22,639,660 | 5,716,668 | 4,646,760 | 11,998,477 | 299,566 | 3,665,376 | 809,819 | 2,590,111 | 3,576 | 481,135 | 1,051,503 | 5,283,796 | - | - | - | - | - | - |
| Available-for-Sale Financial Assets | | | | | | | | | | | | | | | | | | | |
| Equity Securities | - | - | - | - | - | 8 | - | - | 118,438 | - | - | - | - | - | - | - | - | - | 304,592 |
| Debt Securities | 961,3286 | 7074 | 884,207 | 486,492 | 465,317 | 50944 | 51,3837 | - | - | - | 713 | 281,964 | 1,230,834 | - | - | - | - | - | 1,372,211 |
| Unit Trust | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Financial Assets at Fair Value through Profit or Loss | | | | | | | | | | | | | | | | | | | |
| Equity Securities | 43 | - | - | 267 | 33 | - | - | - | 32 | - | - | - | - | - | - | - | - | - | 11,783 |
| Debt Securities | 2,305,764 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 2,305,764 |
| Sub Total | 50,881,808 | 23,953,536 | 8,000,508 | 11,517,425 | 19,824,149 | 1,011,384 | 62,463,727 | 809,819 | 391,834 | 3,576 | 481,848 | 1,787,053 | 124,909,667 | - | - | - | - | - | 4,679,598 |
| Financial Instruments - Other Subsidiaries & Ceyfinco Insurance PLC | | | | | | | | | | | | | | | | | | | |
| Total | | | | | | | | | | | | | | | | | | | |

NOTES TO THE FINANCIAL STATEMENTS

44.(c) Liquidity Risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations associated with financial instruments. Even at a catastrophic events liquidity risk of Life insurance segment is low as the cash inflow is greater than cash outflow.

The following policies and procedures are in place to mitigate the Life insurance segment exposure to liquidity risk:

- Assessment and determination of Liquidity risk in order to maintain optimal liquidity mix.
- Guidelines are set for asset allocations, portfolio limit structures and maturity profiles of assets, in order to ensure sufficient funding available to meet insurance and investment contracts obligations.
- Contingency funding plans are in place, which specify minimum proportions of funds to meet emergency calls as well as specifying events that would trigger such plans.

The liquidity risks in General insurance segment is where the Group does not have enough cash/arrangements to meet payments/commitments as they fall due. Following processes/activities are in place to minimise the liquidity risk.

- The regular maintenance of investments in accordance with the IRCSL guidelines.
- The investment committee reviews the liquidity levels and take appropriate actions to improve the liquidity.
- Efficient forecasting of future commitments and making investments to meet the pay-outs, mitigate any possible liquidity concerns.

44.(c).i Maturity analysis for Financial Assets and Financial Liabilities

Table below represent the maturity profiles of Financial Assets and Financial Liabilities:

| As at December 2020 | Within One Year | After one year not more than to three years | Above Three Years | Total |
|------------------------------------|--------------------|---|----------------------|--------------------|
| | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 |
| Financial Assets | | | | |
| Financial Instrument | | | | |
| Measured at Fair Value | 5,125,856 | 8,881,187 | 6,584,580 | 20,591,623 |
| Measured at Amortized Cost | 15,773,743 | 41,547,490 | 11,773,537 | 69,094,770 |
| Reinsurance Receivable | 4,200,999 | - | - | 4,200,999 |
| Insurance Receivable | 6,952,701 | - | - | 6,952,701 |
| Other Assets | 1,026,839 | - | - | 1,026,839 |
| Cash and Cash Equivalents | 1,640,927 | - | - | 1,640,927 |
| Total Financial Assets | 34,721,065 | 50,428,677 | 18,358,117 | 103,507,859 |
| Financial Liabilities | | | | |
| Reinsurance Payable | 4,560,668 | - | - | 4,560,668 |
| Other Liabilities | 9,513,183 | - | - | 9,513,183 |
| Total Financial Liabilities | 14,073,851 | - | - | 14,073,851 |
| Total Excess Liquidity | 20,647,214 | 50,428,677 | 18,358,117 | 89,434,008 |

| As at December 2019 | Within One Year | After one year not more than to three years | Above Three Years | Total |
|------------------------------------|--------------------|---|----------------------|-------------------|
| | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 |
| Financial Assets | | | | |
| Financial Instrument | | | | |
| Measured at Fair Value | 1,703,402 | 3,097,168 | 8,063,513 | 12,864,083 |
| Measured at Amortized Cost | 23,928,749 | 15,458,084 | 13,450,964 | 52,837,797 |
| Reinsurance Receivable | 3,239,253 | - | - | 3,239,253 |
| Insurance Receivable | 5,137,905 | - | - | 5,137,905 |
| Other Assets | 409,382 | - | - | 409,382 |
| Cash and Cash Equivalents | 588,914 | - | - | 588,914 |
| Total Financial Assets | 35,007,605 | 18,555,252 | 21,514,477 | 75,077,334 |
| Financial Liabilities | | | | |
| Reinsurance Payable | 2,597,911 | - | - | 2,597,911 |
| Other Liabilities | 6,511,609 | - | - | 6,511,609 |
| Total Financial Liabilities | 9,109,520 | - | - | 9,109,520 |
| Total Excess Liquidity | 25,898,085 | 18,555,252 | 21,514,477 | 65,967,814 |

44.(d) Market Risk

Market risk is the risk that the market value or future cash flows of a financial instrument will fluctuate due to changes in market prices. Market risk comprises three types of risk: foreign exchange rates (currency risk), market interest rates (interest rate risk) and equity price risk and commodity prices (price risk).

The investment committee reviews the impact of market risks and corrective actions are suggested regularly.

44.(d).i Currency Risk

The Group has no significant exposure to currency risk.

However, the investments in foreign currency deposits is subject to currency risks. Since the Group makes some payments in foreign currency the impact of risk is minimised. Further the investment in subsidiary in Maldives is exposed to exchange rate risk (translation risk).

44.(d).ii Interest Rate Risk

Interest rate risk is the risk that the value or future cash flows of a financial instrument will fluctuate because of changes in interest rates.

Floating rate instruments expose the company to cash flow interest risk, whereas fixed interest rate instruments expose the company to fair value interest risk.

The Group's interest risk policy identifies the volatile nature of Sri Lankan interest rate environment. Therefore the Group closely monitors the re-investment calendar of the investment fund and obtains internal and external expert opinion on the behaviour of interest rate environment in taking re-investment decisions. Group maintains mix of short term and long term asset mix and also maintains interest rate sensitive and Inflation rate sensitive asset classes in managing the interest rate risk. The policy also requires it to manage the maturities of interest bearing financial assets and interest bearing financial liabilities. However, the investments in foreign currency deposits is subject to currency risks. Since the Group makes some payments in foreign currency the impact of risk is minimised. Further the investment in subsidiary in Maldives is exposed to exchange rate risk (translation risk).

NOTES TO THE FINANCIAL STATEMENTS

44.(e) Operational Risks

Operational risk is the risk of loss arising from system failure, human error, fraud or external events.

The Group cannot expect to eliminate all operational risks, but by initiating a rigorous control framework and by monitoring and responding to potential risks, the Group is able to manage the risks. Controls include effective segregation of duties, access controls, authorisation and reconciliation procedures, staff education, training and assessment processes, including the use of internal audit.

Business risks such as changes in environment, technology and the industry are monitored through the strategic management and budgeting process. When controls fail to perform, operational risks can cause damage to reputation, have legal or regulatory implications or can lead to financial loss.

45. CONTINGENCIES AND COMMITMENTS

45.(a) Legal Proceedings and Regulations

45.(a).i One of the Subsidiaries, Ceylinco General Insurance Ltd. operates in the insurance industry and is subject to legal proceeding in the normal course of business. While it is not practicable to forecast or determine the final results of all pending or threatened legal proceedings, management does not believe that such proceedings (including litigations) will have a material effect on its results and financial position. However, there is a tax appeal relating on VAT on reinsurance recoveries. (Note 18)

In relation to Ceylinco General Insurance Ltd. the Department of Inland Revenue has issued VAT assessments for the taxable period in the years 2003 and 2004 mainly imposing VAT on Reinsurance recoveries and reinsurance discounts. Upon the determination of the Commissioner General of Inland Revenue, holding the position they are chargeable with VAT, Company appealed to the Tax appeals Commission. The Tax appeals commission has given its decision in favour of Inland Revenue. Hence, upon the receipt of the decision of the tax appeals commission, company appealed to the Honourable Court of appeal on the questions of Law. Now the matter is pending before the Honourable court of appeal for their opinion. The amount so assessed by Inland Revenue is Rs. 195.9 Million.

"The Dept of Inland Revenue has issued a Notice of Assessment on the Income Tax Return submitted by the Company for the Year of Assessment 2016/17 disputing some exemptions claimed by the company under Inland Revenue Act No.10 of 2006. The Company has made an appeal against the said Notice of Assessment. However the Company is of the opinion that such Assessment will not have material impact to the financial position of the Company.

45.(a).ii.1 Assessments on Income Tax

One of the Subsidiaries, Ceylinco Life Insurance Ltd., has received Income Tax Assessments from the Department of Inland Revenue for the years of assessments 2010/11, 2011/12, 2012/13, 2013/14, 2014/15 (under the name of Ceylinco Insurance PLC), 2015/16, 2016/17 and 2017/18 under the Inland Revenue Act, No. 10 of 2006.

For Y/A 2010/11 and 2011/12, The Tax Appeal Commission determined in favour of the Commissioner General of Inland Revenue and therefore, the Company appealed against this Determination to the Court of Appeal in consultation with the Company lawyers. Both of the cases are fixed for support at Court of Appeal.

For the assessments relating to Y/A 2012/13, 2013/14, 2014/15, 2015/16 (under the name of Ceylinco Insurance PLC) and 2016/17, Commissioner General of Inland Revenue has provided his determination against the Company. The Company duly appealed against these determinations of the Commissioner General of Inland Revenue to the Tax Appeal Commission and the case has been stated for the opinion of the Tax Appeal Commission.

Assessments relating to Y/A 2015/16 and 2017/18 are at inquiry level at the Commissioner General of Inland Revenue.

All these Assessments have been made contrary to the Section 92 of the Inland Revenue Act, No. 10 of 2006 and this is a concern for the life insurance industry as a whole.

In the view of the Company, the probability of the Company having to settle any of these tax Assessments are highly unlikely due to the fact that the Company has acted in accordance with the requirements under the Inland Revenue Act No. 10 of 2006.

45.(a).ii.2 Assessments on VAT

Ceylinco Life Insurance Ltd. has received Assessments for year 2016, 2017, 2018 and 2019 under the Value Added Tax Act No 14 of 2002 from the Inland Revenue Department with regard to other income and claimability of input tax. The Company has duly appealed against these Assessments in consultation with the Company's Tax Consultant to the Inland Revenue Department.

Assessments relevant to the taxable period 01.01.2016 - 31.12.2016, the Company has submitted a settlement proposal, on which the Commissioner General of Inland Revenue has agreed on the same. Rest of the Assessments are at inquiry level at the Commissioner General of Inland Revenue.

45.(a).ii.3 Assessments on VAT and NBT on Financial Services

Ceylinco Life Insurance Ltd. has received three Assessments for year 2014 (under the name of Ceylinco Insurance PLC), 2016 and 2017 on VAT and NBT on Financial Services under the Value Added Tax Act No. 14 of 2002 from the Inland Revenue Department.

Assessment relating to year 2014, Commissioner General Inland Revenue has provided his determination against the Company and therefore Company has duly appealed against this Determination to the Tax Appeal Commission. Assessments relating to year 2016 and 2017 are still at the inquiry level of the Commissioner General Inland Revenue.

Management believes that, the Company is outside the scope of VAT and NBT on financial services as the Company engages in the Life Insurance industry and therefore, not liable for VAT or NBT on financial services.

The Company's management is of the view of that the probability of materialization of the above assessments are very remote.

45.(a).ii.4 Compliance with IFRIC 23 - Uncertainty over Income Tax Treatments

Ceylinco Life Insurance Ltd. reviewed its uncertain income tax positions that could have an impact on the financial statements in order to comply with the provisions stipulated in IFRIC 23 interpretation.

Consequently, the management concluded that current accounting treatment for uncertain tax positions is in accordance with IFRIC 23.

NOTES TO THE FINANCIAL STATEMENTS

45.(b) Capital Expenditure Commitments

The Group has following Capital commitment as at the reporting date.

- 45.(b).i International College of business and technology has project expenditure commitments for purpose of carrying out the construction of new office building in Nandana Gardens, Colombo 4.

| As at 31 December | 2020 | 2019 |
|--|-------------|-------------|
| | Rs. | Rs. |
| Commitment under Sub Contractor agreements entered | 689,770,000 | 121,724,019 |

- 45.(b).ii The Ceylinco Life Insurance Ltd has committed to pay an amount of Rs. 98,920,830/- (2019- Rs. 155,531,937/-) as at the reporting date under contract entered into on Capital Expenditure projects.

46. ASSETS PLEDGED

The following assets have been pledged as security for liabilities.

| Nature of Assets | Nature of Liability | Carrying Amount Pledged | Included under |
|---|--|----------------------------|-----------------------------|
| | | Rs.'000 | |
| Building - Company | Mortgaged to Seylan Bank PLC by Golden Key Credit Card Company Limited to obtain loan facility (Note 10) | 153,333 | Investment Property |
| Fixed Deposit - Ceylinco General Insurance Ltd. | Pledged to Seylan Bank PLC to obtain bank overdraft facilities. | 112,779 | Loans & Receivables |
| Unquoted shares - Company | Mortgaged to Sampath Bank PLC by Energy Generators (Pvt) Ltd to obtain loan facility | 60,907 | Investment in Associates |
| Fixed Deposits - Ceylinco Life Insurance Ltd. | Pledged to Seylan Bank PLC to obtain banking facilities. | 560,442 | Loans & Receivables |
| Land & Buildings - CEG Education Holdings Ltd Group | Loan facilities from Sampath Bank PLC and Nation Trust Bank PLC | 2,393,329 | Property, Plant & Equipment |
| Property, Plant & Equipment-Energy Lanka Holdings | Pledged to Sampath Bank PLC to obtain loan facilities. | 161,000 | Property, Plant & Equipment |

47. RELATED PARTY DISCLOSURES

According to Sri Lanka Accounting Standard (LKAS) 24 Related Party Disclosure, Key Management Personnel (KMP) are those having authority and responsibility for planning, directing and controlling the activities of the entity. Accordingly, the Directors (including Executive and Non-Executive Directors) of the Company and their immediate family members have been classified as Key Management Personnel of the Company. In addition, Chief Executive Officer together with their immediate family members have also been classified as Key Management Personnel of the Company.

Immediate family member is defined as spouse or dependent. A dependent is defined as anyone who depends on the respective KMP for his/her financial needs. As the Ceylinco Insurance PLC (CIPLC) is the ultimate parent of the Company, and the Board of Directors of the CIPLC have the authority and responsibility of planning, directing and controlling the activities of the Company, the Directors of the CIPLC and their immediate family members have also been identified as Key Management Personnel of the Company.

47.(a) Compensation of Key Management Personnel

| Year ended 31 December | Group | | Company | |
|---|---------------|---------------|-------------|------------|
| | 2020 | 2019 | 2020 | 2019 |
| | Rs. | Rs. | Rs. | Rs. |
| Short-Term Employee Benefits -Company | 142,160,441 | 79,520,319 | 142,160,441 | 79,520,319 |
| Short Term & Long Term Employee Benefits Received from the Subsidiaries | 918,500,986 | 942,304,309 | - | - |
| | 1,060,661,427 | 1,021,824,628 | 142,160,441 | 79,520,319 |

47.(b) Transaction With Related Parties-Subsidiaries

| Year ended 31 December | 2020 | 2019 |
|---------------------------|-------------|---------------|
| | Rs. | Rs. |
| Dividend Received/ (Paid) | 281,705,337 | 1,217,895,095 |
| | 281,705,337 | 1,217,895,095 |

47.(c) Transaction With Related Parties-Sub Subsidiaries

| Year ended 31 December | 2020 | 2019 |
|---------------------------|------------|------------|
| | Rs. | Rs. |
| Dividend Received/ (Paid) | 98,761,496 | 71,115,283 |
| | 98,761,496 | 71,115,283 |

47.(d) Transaction With Related Parties -Equity Accounted Investees

| Year ended 31 December | 2020 | 2019 |
|---|------------|-------------|
| | Rs. | Rs. |
| Dividend Received/ (Paid) | 21,620,000 | 18,594,032 |
| Purchase of Shares (No of Shares 2,379,654) | - | 204,016,997 |
| | 21,620,000 | 222,611,029 |

NOTES TO THE FINANCIAL STATEMENTS

Transaction With Related Parties - Subsidiaries

47.(b).i Ceylinco Investcorp (Pvt) Ltd

| Year ended 31 December | 2020 | 2019 |
|---------------------------|-----------|-----------|
| | Rs. | Rs. |
| Dividend Received/ (Paid) | 7,425,000 | 6,385,000 |
| | 7,425,000 | 6,385,000 |

47.(b).ii CEG Education Holding (Pvt) Ltd

| Year ended 31 December | 2020 | 2019 |
|---------------------------|------------|------------|
| | Rs. | Rs. |
| Dividend Received/ (Paid) | 53,199,980 | 47,879,982 |
| | 53,199,980 | 47,879,982 |

47.(b).iii Energy Lanka Holdings (Pvt)Ltd.

| Year ended 31 December | 2020 | 2019 |
|---------------------------|------------|------------|
| | Rs. | Rs. |
| Dividend Received/ (Paid) | 86,633,794 | 86,633,788 |
| | 86,633,794 | 86,633,788 |

47.(b).iv Ceylinco Insurance Company(Pvt) Ltd-Maldives

| Year ended 31 December | 2020 | 2019 |
|---------------------------|------------|------------|
| | Rs. | Rs. |
| Dividend Received/ (Paid) | 34,446,563 | 36,521,541 |
| | 34,446,563 | 36,521,541 |

47.(b).v Ceylinco General Insurance Ltd.

| Year ended 31 December | 2020 | 2019 |
|---------------------------|-------------|-------------|
| | Rs. | Rs. |
| Dividend Received/ (Paid) | 100,000,000 | 457,441,804 |
| | 100,000,000 | 457,441,804 |

47.(b).vi Ceylinco Life Insurance Ltd.

| Year ended 31 December | 2020 | 2019 |
|---------------------------|------|-------------|
| | Rs. | Rs. |
| Dividend Received/ (Paid) | - | 583,032,980 |
| | - | 583,032,980 |

Transaction With Related Parties - Sub Subsidiaries

47.(c).i American Education Centre Ltd

| Year ended 31 December | 2020 | 2019 |
|---------------------------|------------|------------|
| | Rs. | RS. |
| Dividend Received/ (Paid) | 13,375,000 | 12,438,750 |
| | 13,375,000 | 12,438,750 |

47.(c).ii International College of Business & Technologies Ltd.

| Year ended 31 December | 2020 | 2019 |
|---------------------------|------------|------------|
| | Rs. | Rs. |
| Dividend Received/ (Paid) | 85,386,496 | 58,676,533 |
| | 85,386,496 | 58,676,533 |

Transaction With Related Parties -Equity Accounted Investees

47.(d).i Energy Generators (Pvt)Ltd.

| Year ended 31 December | 2020 | 2019 |
|---------------------------|------------|------------|
| | Rs. | Rs. |
| Dividend Received/ (Paid) | 21,620,000 | 18,594,032 |
| | 21,620,000 | 18,594,032 |

47.(d).ii Citizen Development Business Finance PLC

| Year ended 31 December | 2020 | 2019 |
|---------------------------|------|-------------|
| | Rs. | Rs. |
| Dividend Received/ (Paid) | - | 204,016,997 |
| | - | 204,016,997 |

48 EMPLOYEE AND INDUSTRIAL RELATIONS

There were no material issues pertaining to Employees & Industrial relations during the year.

49 DISCLOSURES ABOUT THE TEMPORARY EXEMPTION FROM SLFRS 9

Group's activities are predominately connected with Insurance and therefore its permitted by SLFRS 9 temporary exemption to defer SLFRS 9 until adoption of SLFRS 17 which is expected to be adopted in 2023.

As at balance sheet date % of insurance related liabilities = 92%

As required by SLFRS 9 the minimum % to be eligible for the exemption = 90%

50 COVID-19 IMPACT

The Group experienced various impact due to COVID-19 and the results for the year reflect the effect. Following assessments were made in preparing the financial statements for the year ended 31st December 2020

- ☞ The Group assesses at reporting date whether there is an indication that an asset may be impaired. However, the Group has not accounted for any impairment on property, plant and equipment as at the reporting date due to the COVID-19 pandemic.

NOTES TO THE FINANCIAL STATEMENTS

- The Group does not foresee any impairment of right of use assets due to the COVID-19 pandemic since as each branch is operating under the business continuity plans as per the Group's risk management strategy, whilst strictly adhering to and supporting government directives.
- The Group has utilized maximum credit settlement period and accordingly managed working capital requirements. Therefore, there was no requirement for the arrangement of additional credit facilities from suppliers.
- Non Life Insurance Contract Liability: To ensure prudence in the reserves given the uncertainty arising from Covid19, the net IBNR provisions are being maintained at about the same level as previous year.

We engaged actuary to analyze the impact, if any, of the pandemic on the claims payment pattern and incurred claims development as on 31st December 2020. It was observed that the payment pattern was almost identical to last year i.e. year ending 31st December 2019.

However, slight change was observed in the incurred claims development where the reporting was found to be minutely slower than the previous year.

The company did not face any extra ordinary surge in claims due to COVID19 in any class of business including health insurance where both IBNR and case reserves are being maintained nearly at about the same level as last year.

- Recent reductions in the interest rates from 10% to 8% have resulted in high liability of employee benefit obligation at the end of the reporting period due to the reduction in the interest rates that are used in measuring the present value of the liability. The rate used to discount post-employment benefit obligations be determined with reference to market yields at the end of the reporting period on high quality corporate bonds.
- The financial instruments and investment property reviewed to ensure that the values reflect the conditions at the balance sheet date. This involve measurement based on unobservable inputs that reflect how market participants would consider the effect of COVID-19 in their expectations of future cash flows related to the asset at the reporting date. The reviewed noted that there is a significant decrease in volume or level of activity, or the transaction has not been taken place in an orderly manner. Accordingly the Group incorporate certain adjustments to the existing valuation technique in deriving the fair value of an asset.
- During 2020, due to COVID-19, there has been one death claim of amount Rs. 0.49 million and 137 hospitalisation claims of total amount Rs. 3.13 million reported to Ceylinco Life Insurance Limited. These claims are not observed to be material and the impacts of these claims are already reflected within the Statement of Financial Position as at 31 December 2020.

Further, SLFRS 4 requires an insurer to assess whether its recognized insurance liabilities are adequate at the end of each reporting period. Observed impact of COVID-19 pandemic was considered for the Liability Adequacy Test performed as at 31 December 2020 and the same was conducted to reflect most probable estimates of assumptions (with some degree of prudence) and using professional judgment liaising with company's appointed Actuaries (Willis Towers Watson India Private Limited). As at the reporting date, liability adequacy test was performed by the appointed Actuary Mr. Vivek Jalan FIA, FIAI of Willis Towers Watson India Private Limited, and concluded that the liability value has been determined on a "going concern" basis and assumes a continuation of current economic, regulatory and legal environment prevailing in Sri Lanka; and are considered sufficient to meet future benefits and expenses under what is believed to be a view of the "most probable" future experience.

51 EVENTS AFTER THE REPORTING PERIOD

No circumstances have arisen since the reporting date which would require adjustment to, or disclosure in the Financial Statements.

QUARTERLY ANALYSIS 2020

CONSOLIDATED STATEMENT OF INCOME

| | 1st quarter Jan- Mar.20 Rs.'000 | 2nd quarter Apr- Jun.20 Rs.'000 | 3 rd quarter Jul- Sep.20 Rs.'000 | 4th quarter Oct- Dec.20 Rs.'000 | Total Jan- Dec.20 Rs.'000 |
|--|---------------------------------------|---------------------------------------|--|---------------------------------------|---------------------------------|
| Gross Written Premiums | 10,965,016 | 9,721,914 | 11,267,609 | 11,942,037 | 43,896,576 |
| Premiums Ceded to Reinsurers | (2,653,536) | (1,654,229) | (2,080,208) | (2,466,870) | (8,854,843) |
| Net Written Premiums | 8,311,480 | 8,067,685 | 9,187,401 | 9,475,167 | 35,041,733 |
| Net change in Reserve for Unearned Premium | (403,553) | 359,304 | (283,295) | 494,506 | 166,962 |
| Net Earned Premium | 7,907,927 | 8,426,989 | 8,904,106 | 9,969,673 | 35,208,695 |
| Revenue from Subsidiaries | 890,664 | 717,012 | 732,802 | 971,712 | 3,312,190 |
| | 8,798,591 | 9,144,001 | 9,636,908 | 10,941,385 | 38,520,885 |
| Investment and Other Income | 4,071,232 | 4,439,678 | 4,319,801 | 4,572,891 | 17,403,602 |
| Net Income | 12,869,823 | 13,583,679 | 13,956,709 | 15,514,276 | 55,924,487 |
| Net Benefits and Claims | (4,623,753) | (4,775,686) | (5,018,912) | (4,543,969) | (18,962,320) |
| Increase in Life Insurance Fund | (1,809,441) | (2,552,841) | (2,379,660) | (2,682,052) | (9,423,994) |
| Acquisition Cost | (1,005,401) | (981,330) | (1,063,696) | (1,023,785) | (4,074,212) |
| Cost of sales of Subsidiaries | (239,738) | (198,113) | (234,720) | (211,427) | (883,998) |
| Other Operating and Administrative Expenses | (3,031,674) | (2,848,054) | (3,228,692) | (2,214,060) | (11,322,480) |
| Finance Cost | (52,423) | (47,479) | (45,760) | (127,426) | (273,088) |
| Total Benefits, Claims and Other Expenses | (10,762,430) | (11,403,503) | (11,971,440) | (10,802,719) | (44,940,092) |
| Profit Before Share of Associates | 2,107,393 | 2,180,176 | 1,985,269 | 4,711,557 | 10,984,395 |
| Share of Profit of Associates | 228,026 | 254,644 | 195,599 | 249,828 | 928,097 |
| Profit Before Tax | 2,335,419 | 2,434,820 | 2,180,868 | 4,961,385 | 11,912,492 |
| Income Tax Expense | (540,430) | (481,067) | (420,175) | (1,092,816) | (2,534,488) |
| Profit For the Year | 1,794,989 | 1,953,753 | 1,760,693 | 3,868,569 | 9,378,004 |

COMPANY STATEMENT OF INCOME

| | 1st quarter Jan- Mar.20 Rs.'000 | 2nd quarter Apr- Jun.20 Rs.'000 | 3 rd quarter Jul- Sep.20 Rs.'000 | 4th quarter Oct- Dec.20 Rs.'000 | Total Jan- Dec.20 Rs.'000 |
|--|---------------------------------------|---------------------------------------|--|---------------------------------------|---------------------------------|
| Gross Written Premiums | - | - | - | - | - |
| Premiums Ceded to Reinsurers | - | - | - | - | - |
| Net Written Premiums | - | - | - | - | - |
| Net change in Reserve for Unearned Premium | - | - | - | - | - |
| Net Earned Premium | - | - | - | - | - |
| Investment and Other Income | 137,495 | 30,739 | 45,071 | 281,529 | 494,834 |
| Net Income | 137,495 | 30,739 | 45,071 | 281,529 | 494,834 |
| Net Benefits and Claims | - | - | - | - | - |
| Increase in Life Insurance Fund | - | - | - | - | - |
| Acquisition Cost | - | - | - | - | - |
| Other Operating and Administrative Expenses | (45,919) | (45,559) | (42,794) | (37,935) | (172,207) |
| Finance Cost | (27) | (11) | (692) | (401) | (1,131) |
| Total Benefits, Claims and Other Expenses | (45,946) | (45,570) | (43,486) | (38,336) | (173,338) |
| Profit Before Tax | 91,549 | (14,831) | 1,585 | 243,193 | 321,496 |
| Income Tax Expense | (16,932) | 2,631 | (3,132) | (17,584) | (35,017) |
| Profit for the Year | 74,617 | (12,200) | (1,547) | 225,609 | 286,479 |

Note: The financial information reported quarterwise is reflected above for three quarters and based on audited financial statements fourth quarter is shown.

QUARTERLY ANALYSIS 2019

CONSOLIDATED STATEMENT OF INCOME

| | 1st quarter Jan- Mar.19 Rs.'000 | 2nd quarter Apr- Jun.19 Rs.'000 | 3rd quarter Jul- Sep.19 Rs.'000 | 4th quarter Oct- Dec.19 Rs.'000 | Total Jan- Dec.19 Rs.'000 |
|--|---------------------------------------|---------------------------------------|---------------------------------------|---------------------------------------|---------------------------------|
| Gross Written Premiums | 10,055,078 | 9,536,940 | 9,982,246 | 10,643,627 | 40,217,891 |
| Premiums Ceded to Reinsurers | (1,743,857) | (1,761,199) | (1,743,230) | (2,366,627) | (7,614,913) |
| Net Written Premiums | 8,311,221 | 7,775,741 | 8,239,016 | 8,277,000 | 32,602,978 |
| Net change in Reserve for Unearned Premium | (487,969) | 165,861 | (9,451) | 400,902 | 69,343 |
| Net Earned Premium | 7,823,252 | 7,941,602 | 8,229,565 | 8,677,902 | 32,672,321 |
| Revenue from Subsidiaries | 965,938 | 748,238 | 863,607 | 1,178,747 | 3,756,530 |
| | 8,789,190 | 8,689,840 | 9,093,172 | 9,856,649 | 36,428,851 |
| Investment and Other Income | 3,490,947 | 3,941,938 | 4,022,898 | 4,655,234 | 16,111,017 |
| Net Income | 12,280,137 | 12,631,778 | 13,116,070 | 14,511,883 | 52,539,868 |
| Net Benefits and Claims | (4,460,847) | (4,564,706) | (5,236,403) | (4,619,603) | (18,881,559) |
| Increase in Life Insurance Fund | (1,247,847) | (1,425,512) | (1,553,566) | (2,962,886) | (7,189,811) |
| Acquisition Cost | (995,291) | (973,923) | (1,013,263) | (886,016) | (3,868,493) |
| Cost of sales of Subsidiaries | (218,532) | (219,755) | (238,143) | (481,616) | (1,158,046) |
| Other Operating and Administrative Expenses | (2,901,400) | (3,082,800) | (2,927,429) | (1,684,513) | (10,596,142) |
| Finance Cost | (52,045) | (65,306) | (40,690) | (130,565) | (288,606) |
| Total Benefits, Claims and Other Expenses | (9,875,962) | (10,332,002) | (11,009,494) | (10,765,199) | (41,982,657) |
| Profit Before Share of Associates | 2,404,175 | 2,299,776 | 2,106,576 | 3,746,684 | 10,557,211 |
| Share of Profit of Associates | 245,599 | 96,350 | 9,115 | 142,916 | 493,980 |
| Profit Before Tax | 2,649,774 | 2,396,126 | 2,115,691 | 3,889,600 | 11,051,191 |
| Income Tax Expense | (644,855) | (505,057) | (396,269) | (721,922) | (2,268,103) |
| Profit For the Year | 2,004,919 | 1,891,069 | 1,719,422 | 3,167,678 | 8,783,088 |

COMPANY STATEMENT OF INCOME

| | 1st quarter Jan- Mar.19 Rs.'000 | 2nd quarter Apr- Jun.19 Rs.'000 | 3rd quarter Jul- Sep.19 Rs.'000 | 4th quarter Oct- Dec.19 Rs.'000 | Total Jan- Dec.19 Rs.'000 |
|--|---------------------------------------|---------------------------------------|---------------------------------------|---------------------------------------|---------------------------------|
| Gross Written Premiums | - | - | - | - | - |
| Premiums Ceded to Reinsurers | - | - | - | - | - |
| Net Written Premiums | - | - | - | - | - |
| Net change in Reserve for Unearned Premium | - | - | - | - | - |
| Net Earned Premium | - | - | - | - | - |
| Investment and Other Income | 103,811 | 33,302 | 14,684 | 1,249,547 | 1,401,344 |
| Net Income | 103,811 | 33,302 | 14,684 | 1,249,547 | 1,401,344 |
| Net Benefits and Claims | - | - | - | - | - |
| Increase in Life Insurance Fund | - | - | - | - | - |
| Acquisition Cost | - | - | - | - | - |
| Other Operating and Administrative Expenses | (39,066) | (22,957) | (23,088) | (24,791) | (109,902) |
| Finance Cost | (3) | (4) | (1) | (856) | (864) |
| Total Benefits, Claims and Other Expenses | (39,069) | (22,961) | (23,089) | (25,647) | (110,766) |
| Profit Before Tax | 64,742 | 10,341 | (8,405) | 1,223,900 | 1,290,578 |
| Income Tax Expense | (9,204) | (4,386) | (1,135) | (10,755) | (25,480) |
| Profit for the Year | 55,538 | 5,955 | (9,540) | 1,213,145 | 1,265,098 |

Note: The financial information reported quarterwise is reflected above for three quarters and based on audited financial statements fourth quarter is shown.

TEN YEAR SUMMARY

Statement of Financial Position

Group

| As at 31 December | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 |
|--|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|-------------------|-------------------|-------------------|-------------------|
| | Rs.000 | Rs.000 | Rs.000 | Rs.000 | Rs.000 | Rs.000 | Rs.000 | Rs.000 | Rs.000 | Rs.000 |
| Assets | | | | | | | | | | |
| Intangible Assets | 388,710 | 398,227 | 116,208 | 165,621 | 136,861 | 89,005 | 45,170 | 46,731 | 76,706 | 73,827 |
| Property, Plant and Equipment | 21,998,187 | 22,076,319 | 18,926,835 | 17,546,527 | 17,546,496 | 11,988,889 | 9,889,427 | 9,350,410 | 8,751,457 | 7,394,394 |
| Investments | 154,616,448 | 134,973,999 | 120,240,010 | 107,801,759 | 97,387,970 | 78,066,663 | 68,832,062 | 59,820,194 | 52,071,307 | 47,646,298 |
| Other Assets | 24,136,418 | 22,451,495 | 21,649,406 | 19,030,420 | 17,243,197 | 18,020,477 | 19,313,528 | 18,206,848 | 12,189,006 | 10,935,986 |
| Total Assets | 201,139,763 | 179,900,040 | 160,932,459 | 144,544,327 | 132,314,524 | 108,165,034 | 96,080,187 | 87,424,183 | 73,088,476 | 66,050,505 |
| Equity and Liabilities | | | | | | | | | | |
| Issued Share Capital | 1,324,822 | 1,324,822 | 1,324,822 | 1,324,822 | 1,324,822 | 1,324,822 | 1,324,822 | 1,324,822 | 1,324,822 | 1,324,822 |
| Retained Earnings | 48,633,350 | 41,501,562 | 35,174,468 | 26,623,524 | 19,630,683 | 16,185,402 | 13,739,147 | 11,800,609 | 8,030,833 | 5,931,099 |
| Retained Reserves | 2,980,010 | 2,338,439 | 2,477,581 | 2,974,246 | 2,703,501 | 2,560,652 | 2,892,787 | 2,602,521 | 2,375,781 | 2,506,812 |
| Revaluation Reserve | 4,704,195 | 4,434,995 | 3,325,935 | 3,365,706 | 3,411,509 | 2,141,754 | 2,126,854 | 2,120,849 | 2,137,318 | 2,149,541 |
| Restricted Regulatory Reserve | 3,456,184 | 3,456,184 | 3,456,184 | 3,456,184 | - | - | - | - | - | - |
| Total Capital and Reserve | 61,098,561 | 53,056,002 | 45,758,990 | 37,744,482 | 27,070,515 | 22,212,630 | 20,083,610 | 17,848,801 | 13,868,754 | 11,912,274 |
| Minority Interest | 2,323,015 | 2,324,107 | 1,890,031 | 1,658,418 | 1,551,468 | 860,378 | 762,469 | 550,728 | 564,737 | 460,473 |
| Liabilities | | | | | | | | | | |
| Insurance Provision - Life | 105,883,025 | 95,349,737 | 87,194,850 | 80,869,407 | 77,070,762 | 67,157,184 | 60,021,879 | 52,765,411 | 45,110,789 | 38,203,473 |
| Unit Linked Fund | 657,389 | 582,925 | 519,695 | 427,146 | 333,129 | 268,062 | 228,873 | 190,452 | 157,657 | 146,659 |
| Insurance Provision - Non- Life | 13,033,217 | 12,470,431 | 12,353,210 | 11,887,150 | 11,660,029 | 9,576,722 | 9,259,497 | 8,392,748 | 7,753,381 | 7,107,745 |
| Other Liabilities | 18,144,556 | 16,116,838 | 13,215,683 | 11,957,724 | 13,078,621 | 8,090,057 | 5,723,859 | 7,676,044 | 5,633,158 | 8,219,881 |
| Total Liabilities | 137,718,187 | 124,519,931 | 113,283,438 | 105,141,427 | 102,142,541 | 85,092,025 | 75,234,108 | 69,024,655 | 58,654,985 | 53,677,758 |
| Total Equity and Liabilities | 201,139,763 | 179,900,040 | 160,932,459 | 144,544,327 | 130,764,524 | 108,165,034 | 96,080,187 | 87,424,183 | 73,088,476 | 66,050,505 |
| Long Term - Supplementary Information | | | | | | | | | | |
| Assets | | | | | | | | | | |
| Intangible Assets | 362,838 | 349,627 | 37,358 | 56,950 | 2,759 | 645 | 2,198 | 4,609 | 15,105 | 42,396 |
| Property, Plant and Equipment | 9,280,573 | 9,401,315 | 7,567,806 | 7,371,782 | 7,068,634 | 5,343,752 | 4,760,395 | 4,596,053 | 3,906,294 | 3,396,144 |
| Investments | 133,707,835 | 116,918,311 | 103,744,945 | 92,264,065 | 84,220,630 | 67,139,575 | 57,209,653 | 50,751,773 | 44,198,752 | 40,410,190 |
| Other Assets | 7,450,140 | 6,542,149 | 6,709,280 | 6,402,008 | 5,166,066 | 7,751,193 | 9,096,076 | 8,593,577 | 4,771,500 | 4,845,898 |
| Total Assets | 150,801,386 | 133,211,402 | 118,059,390 | 106,094,805 | 96,458,089 | 80,235,165 | 71,068,323 | 63,946,012 | 52,891,651 | 48,694,628 |
| Liabilities | | | | | | | | | | |
| Insurance Provision - Life | 106,737,377 | 96,204,089 | 88,049,202 | 81,723,759 | 77,925,114 | 68,011,535 | 60,021,879 | 52,765,411 | 45,110,789 | 38,203,473 |
| Unit linked Fund and Other Funds | 657,389 | 582,925 | 519,695 | 427,146 | 33,129 | 268,062 | 228,872 | 190,135 | 157,657 | 146,659 |
| Equity and Other Liabilities | 43,406,620 | 36,424,389 | 29,490,493 | 23,943,900 | 18,199,816 | 11,955,568 | 10,817,572 | 10,990,466 | 7,623,205 | 10,344,494 |
| Total Equity and Liabilities | 150,801,386 | 133,211,402 | 118,059,390 | 106,094,805 | 96,458,089 | 80,235,165 | 71,068,323 | 63,946,012 | 52,891,651 | 48,694,628 |

TEN YEAR SUMMARY

Statement of Financial Position

Group

| As at 31 December | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 |
|---|--------|----------|----------|----------|----------|----------|----------|----------|--------|--------|
| Investor Information | | | | | | | | | | |
| Return on Net Assets | % | 19.50 | 20.83 | 24.18 | 24.36 | 18.45 | 19.76 | 17.26 | 16.75 | 14.09 |
| Net Assets Per Share - Group | Rs. | 2,313.07 | 2,008.60 | 1,732.34 | 1,428.90 | 840.93 | 760.33 | 675.72 | 525.04 | 450.98 |
| Net Assets Per Share - Company | Rs. | 652.39 | 679.19 | 666.32 | 653.09 | 622.99 | 671.02 | 601.35 | 475.60 | 413.90 |
| Market Price Per Share 31st December | | | | | | | | | | |
| Voting | Rs. | 1997.80 | 1986.90 | 1990.00 | 1597.00 | 1410.10 | 1,379.00 | 1,340.00 | 855.90 | 746.70 |
| Non -Voting | Rs. | 1021.80 | 840.00 | 950.00 | 825.10 | 800.00 | 550.00 | 398.00 | 330.50 | 343.00 |
| Earnings Per Share | Rs. | 351.18 | 323.45 | 317.76 | 306.21 | 132.32 | 96.46 | 98.78 | 73.94 | 57.09 |
| Price Earnings (times) - Voting | | 5.69 | 6.14 | 6.26 | 5.22 | 10.66 | 14.00 | 13.00 | 11.58 | 13.08 |
| Price Earnings (times) - Non Voting | | 2.91 | 2.60 | 2.99 | 2.69 | 6.05 | 5.00 | 4.00 | 4.47 | 6.01 |
| Market Capitalisation | Rs.Mh | 46,510 | 45,126 | 45,894 | 37,233 | 33,334 | 31,103 | 29,358 | 19,238 | 17,134 |
| Dividend Per Share | Rs. | - | 38.00 | 35.00 | 31.50 | 22.50 | 20.00 | 16.00 | 12.50 | 6.50 |
| Employee Information | | | | | | | | | | |
| Revenue Per Employee | Rs.Mh | 14,881 | 15,132 | 12,709 | 11,942 | 14,450 | 9,100 | 9,300 | 8,165 | 7,478 |
| Net Profit Per Employee | Rs.000 | 3,169.90 | 3,182.95 | 2,845.15 | 3,403.64 | 1,708.41 | 1,116.00 | 947.00 | 699.33 | 547.11 |
| Number of Employees | Nos. | 3,758 | 3,472 | 3,889 | 3,717 | 3,336 | 3,556 | 3,253 | 3,321 | 3,067 |

Note: Financial information for the years 2011 to 2020 are based on LKAS/SLFRS.

Statement of Comprehensive Income

Group

| Year ended 31 December | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 |
|--|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| | Rs.000 | Rs.000 | Rs.000 | Rs.000 | Rs.000 | Rs.000 | Rs.000 | Rs.000 | Rs.000 | Rs.000 |
| Non- Life (Sri Lanka) | | | | | | | | | | |
| Gross Written Premium | 20,094,192 | 19,802,995 | 19,186,707 | 17,976,991 | 16,116,889 | 13,557,833 | 12,164,864 | 11,568,284 | 11,093,583 | 10,041,212 |
| Net Earned Premium | 13,555,494 | 14,386,415 | 14,192,538 | 13,209,435 | 11,783,117 | 10,152,931 | 9,359,977 | 8,842,712 | 8,622,152 | 7,782,907 |
| Investment Income and Other Income | 1,367,114 | 1,605,967 | 1,686,768 | 1,509,953 | 1,099,638 | 888,870 | 1,022,541 | 1,009,183 | 736,134 | 674,463 |
| Net Claims | (6,635,199) | (8,253,594) | (7,523,261) | (7,371,429) | (6,699,268) | (5,690,518) | (5,259,911) | (4,641,733) | (4,556,428) | (4,475,745) |
| Acquisition Expenses (Net of Reinsurance Commission) | (1,221,200) | (1,112,842) | (1,034,245) | (1,123,388) | (883,178) | (726,892) | (570,376) | (724,493) | (709,502) | (589,533) |
| Operating & Administrative Expenses | (5,150,081) | (4,800,854) | (4,933,854) | (4,474,776) | (3,856,112) | (3,653,431) | (3,684,496) | (3,505,144) | (3,283,927) | (2,712,239) |
| Operating Profit Before Interest Expenses | 1,916,128 | 1,825,092 | 2,387,946 | 1,749,795 | 1,444,197 | 970,960 | 867,735 | 980,525 | 808,429 | 679,853 |
| Life | | | | | | | | | | |
| Gross Written Premium | 22,076,250 | 18,718,553 | 17,812,774 | 15,765,484 | 15,027,600 | 13,456,827 | 12,002,524 | 11,122,906 | 10,829,470 | 9,833,905 |
| Net Written Premium | 21,570,787 | 18,168,431 | 17,355,265 | 15,343,267 | 14,653,771 | 13,146,772 | 11,715,219 | 10,866,904 | 10,576,066 | 9,597,478 |
| Investment Income and Other Income | 14,781,176 | 13,214,619 | 11,254,983 | 10,153,418 | 8,660,289 | 6,650,585 | 6,735,305 | 6,617,979 | 4,754,938 | 3,889,608 |
| Net Claims and Benefit | (12,266,513) | (10,604,065) | (9,803,550) | (3,230,796) | (6,651,682) | (5,956,744) | (4,893,847) | (4,757,321) | (3,990,881) | (2,946,295) |
| Commission (Net of Reinsurance commission) | (1,992,619) | (1,784,857) | (1,787,203) | (1,655,350) | (1,573,586) | (1,519,801) | (1,299,135) | (1,265,544) | (1,356,742) | (1,237,818) |
| Increase in Life Insurance Fund | (9,423,994) | (7,189,811) | (6,457,292) | (7,258,502) | (8,397,889) | (7,135,304) | (7,256,468) | (7,654,622) | (6,765,658) | (6,335,332) |
| Operating & Administrative Expenses | (3,823,330) | (3,550,209) | (3,384,487) | (3,532,496) | (2,937,262) | (2,994,098) | (2,673,584) | (2,517,219) | (2,213,918) | (2,163,561) |
| Operating Profit Before Interest Expenses | 8,845,507 | 8,254,108 | 7,177,716 | 9,819,541 | 3,753,641 | 2,191,410 | 2,327,490 | 1,290,177 | 1,003,805 | 804,080 |
| Total Business (Group) | | | | | | | | | | |
| Gross Written Premium | 43,896,576 | 40,217,891 | 38,161,544 | 34,662,431 | 31,818,590 | 27,984,159 | 25,222,854 | 23,691,376 | 22,636,715 | 20,216,205 |
| Revenue | 55,924,487 | 52,539,868 | 49,425,436 | 44,388,628 | 39,824,723 | 34,670,693 | 32,262,950 | 30,396,748 | 27,114,875 | 22,933,515 |
| Net Earned Premium | 35,208,695 | 32,672,321 | 31,688,100 | 28,651,040 | 26,551,980 | 23,486,332 | 21,301,922 | 19,899,630 | 19,322,492 | 17,457,253 |
| Benefit Losses and Expenses | (29,270,312) | (27,229,416) | (24,770,538) | (18,728,842) | (22,503,122) | (19,560,433) | (18,091,004) | (17,704,318) | (15,871,737) | (13,894,730) |
| Other Revenue | 20,715,792 | 19,867,547 | 17,736,336 | 15,737,588 | 13,272,743 | 11,184,361 | 10,962,028 | 10,497,118 | 7,792,383 | 5,476,262 |
| Operating and Administrative Expenses | (15,396,692) | (14,464,635) | (14,065,610) | (13,248,750) | (11,665,905) | (11,163,293) | (10,187,694) | (9,627,485) | (9,045,433) | (7,429,293) |
| Operating Profit Before Interest Expenses | 11,257,483 | 10,845,817 | 10,589,288 | 12,411,036 | 5,655,696 | 3,946,967 | 3,985,252 | 3,064,945 | 2,197,705 | 1,609,492 |
| Interest Expenses | (273,088) | (288,606) | (170,888) | (153,112) | (143,853) | (124,218) | (167,890) | (127,116) | (55,726) | (42,704) |
| Income from Associates | 928,097 | 493,980 | 646,371 | 393,414 | 288,518 | 275,724 | 150,917 | 143,421 | 180,494 | 111,189 |
| Profit Before Taxation | 11,912,492 | 11,051,191 | 11,064,771 | 12,651,338 | 5,800,361 | 4,098,473 | 3,968,279 | 3,081,250 | 2,322,473 | 1,677,977 |
| Income Tax Expenses | (2,534,488) | (2,268,103) | (2,399,319) | (868,751) | (953,741) | (448,257) | (1,118,602) | (211,590) | (227,794) | (140,147) |
| Profit for the Year | 9,378,004 | 8,783,088 | 8,665,452 | 11,782,587 | 4,846,618 | 3,650,216 | 2,849,677 | 2,969,660 | 2,094,679 | 1,537,830 |

Note: Financial information for the years 2011 to 2020 are based on LKAS/SLFRS.

* Net benefits and claims of financial year 2017 is shown with the change in contract liabilities due to transfer of one - off surplus.

GLOSSARY OF FINANCIAL & INSURANCE TERMS

- 1. ACQUISITION EXPENSES - LONG TERM INSURANCE**

All expenses which vary with and are primarily related to, the acquisition of new insurance contracts and renewal of existing Insurance contracts.
- 2. ACQUISITION EXPENSES - NON LIFE**

All expenses which vary with and are primarily related to the acquisition of new insurance contracts and the renewal of existing insurance contracts.
- 3. ACTUARY**

An expert concerned with the application of probability and statistical theory to problems of insurance, investment, financial management and demography.
- 4. ACTUARIAL VALUATION**

A determination by an actuary at a specific date of the value of a life insurance Company's assets and its liabilities. The purpose of a valuation is to ensure that the Company holds adequate assets to fund the Company's liabilities.
- 5. ADMISSIBLE ASSETS**

Assets that are included in determining an insurer's statutory solvency margin, specified under the rules made by the Insurance Regulatory Commission of Sri Lanka under the regulation of Insurance Industry Act No. 43 of 2000 (No 50 and No. 51)
- 6. ANNUITY**

A series of regular payments. Annuities include annuities, where payments are made at definite times and life annuities where payments depend on the survival of an annuitant. A life Annuity is a contract that provides a regular payment, typically monthly, during the life time of the policyholder or a fixed period if less. If the payment starts at the outset of the contract, it is an immediate annuity. If it starts at some point in the future, it is a deferred annuity.
- 7. BENEFICIARY**

The person or financial institution (for e.g. a trust fund) named in the policy as the recipient of insurance money in the event of the policyholder's death.
- 8. BONUS**

Bonus is a method of distribution of surplus amongst the participating policyholders of a Life Insurance Company. A bonus is an enhancement to the basic sum assured under a contract and is declared as a percentage of the sum assured.
- 9. CLAIMS**

The amount payable under a contract of insurance arising from occurrence of an insured event such as destruction or damage of property and related death or injuries, the incurring of hospital or medical bills, death or disability of the insured and gratuity claims.
- 10. CLAIMS INCURRED**

The aggregate of all claims paid during the accounting period together with attributable claims handling expenses, where appropriate, adjusted by the gross claims reserve (No.18) at the beginning and end of the accounting period.
- 11. CLAIMS INCURRED BUT NOT REPORTED (IBNR)**

A Reserve to cover the expected cost of losses that have occurred by the Balance Sheet date but have not yet been reported to the insurer.
- 12. CLAIMS OUTSTANDING - LONG TERM INSURANCE**

The amounts provided to cover the estimated ultimate cost of settling claims arising out of events which have been notified by the Balance Sheet date, being sums due to beneficiaries together with claims handling expenses, less amounts already paid in respect of those claims.
- 13. COMMISSION**

Remuneration to an intermediary for services such as selling and servicing an insurer's products. This is one component of acquisition expenses. (No.1 and No.2)
- 14. DEFERRED ACQUISITION EXPENSES / DEFERRED ACQUISITION EXPENSE RESERVE**

Expenses which vary with and are primarily related to the acquisition of new insurance contracts and renewal of existing contracts, which are deferred as they relate to a period of risk subsequent to the Balance Sheet date.
- 15. DIVIDEND COVER**

Profits after tax divided by Dividend measures the number of times dividends are covered by distributable profits for the period.
- 16. EARNED PREMIUM**

Written premium (No.56) adjusted by the unearned premium reserve (No.55) at the beginning and end of the accounting period.
- 17. EARNINGS PER SHARE**

Net Profits of the Company after tax divided by the Number of Ordinary shares in issue.

- 18. GROSS CLAIMS RESERVE - NON LIFE**
The amount provided, including claims incurred but not reported (No.11) and claims handling expenses, to cover the estimated ultimate cost, arising out of events occurred by the end of the accounting period, less amounts already paid in respect of those claims.
- 19. GROSS WRITTEN PREMIUM - LIFE**
Premium to which the insurer is contractually entitled and receivable in the accounting period.
- 20. GROSS WRITTEN PREMIUM - NON LIFE**
Premium which an insurer is contractually entitled to receive from the insured in relation to contracts of insurance.
- 21. INSURANCE**
Insurance is a contract whereby one party the insurer, in return for a consideration i.e, the premium, undertakes to pay to the other party - the insured, a sum of money or its equivalent in kind, upon the happening of a specified event that is contrary to the interest of the insured.
- 22. INSURANCE PROVISION - NON LIFE**
This comprises of the gross claims reserve (No.18), unearned premium reserve (No.55) net of re-insurance and the deferred acquisition expenses
- 23. INSURANCE PROVISION - LONG TERM**
The funds or funds to be maintained by an insurer in respect of its Long Term insurance business in accordance with the Regulation of Insurance Industry Act.
- 24. INTERIM PAYMENTS**
Periodic payments to the policyholders on a specific type of policy.
- 25. LIFE SURPLUS**
The excess of the assets over the liabilities as determined by the actuary and after the distribution of dividends to policyholders.
- 26. LAPSED POLICY**
A policy terminated at the end of the grace period because of non - payment of premiums.
- 27. LONG TERM INSURANCE**
Commonly referred to life insurance contracts, as opposed to annual Non - Life insurance policies.
- 28. MARKET CAPITALISATION**
Number of shares in issue multiplied by the market value of each share as at the Balance Sheet date.
- 29. MATURITY**
The time at which payment of the sum insured under a Life Insurance policy falls due at the end of its term.
- 30. NET COMBINED RATIO - NON LIFE**
This ratio indicates the profitability of the insurer's operations by combining the net loss ratio (No. 33) with net expense ratio.
- 31. NET EARNED PREMIUM**
Gross Written Premium adjusted for the reinsurance incurred and for the increase or decrease in Unearned Premium (No. 55)
- 32. NET EXPENSE RATIO - NON LIFE**
A formula used by insurance companies to relate to income to acquisition and administrative (e.g. commissions, taxes, staff, selling and operating expenses).
- FORMULA :**

$$\frac{\text{Reinsurance commission (net of acquisition expenses) and expenses excluding non technical expenses}}{\text{Net Earned Premium}}$$
- 33. NET LOSS RATIO - NON LIFE**
A formula used by insurers to relate net claims incurred (No.36) to net earned premium (i.e. after deducting relevant reinsurance)
- Formula:**

$$\frac{\text{Net claims incurred}}{\text{Net earned Premium}}$$
- 34. NET ASSETS PER SHARE**
Net assets attributable to Shareholders' equity divided by the number of Ordinary shares issued.
- 35. NET WRITTEN PREMIUM**
Gross Written Premium (No.19 and No.20) less reinsurance premium (No.45)
- 36. NET CLAIMS INCURRED**
Claims incurred (No.10) less reinsurance recoveries.
- 37. NON LIFE INSURANCE**
Non Life Insurance and General Insurance have the identical meaning.

GLOSSARY OF FINANCIAL & INSURANCE TERMS

- 38. POLICY**
The printed document issued to the policyholder by the Company stating the terms of the insurance contract.
- 39. POLICY LOAN**
Under an insurance policy, the amount that can be borrowed at a specific rate of interest from the issuing Company by the policyholder, who used the value of the policy as collateral for the loan. In the event the policyholder dies with the debt partially or fully unpaid, the insurance company deducts the amount borrowed, plus any accumulated interest, from the amount payable.
- 40. PRICE EARNING RATIO**
Market Price of a share divided by earnings per share.
- 41. PREMIUM**
The payment of one of the regular periodic payments that a policyholder makes to own an insurance policy.
- 42. REINSTATEMENT**
The restoration of a lapsed policy to full force and effect. The Company requires evidence of insurability and payment of past due premiums plus interest.
- 43. REINSURANCE**
A method of insurance arranged by insurers to share the exposure of risks accepted.
- 44. REINSURANCE COMMISSION**
Commission received or receivable in respect of premium paid or payable to a reinsurer.
- 45. REINSURANCE PREMIUM**
The premium payable to the reinsurer.
- 46. SEGMENT**
Constituent business units grouped in terms of nature and similarity of operations.
- 47. RETURN ON SHAREHOLDERS' EQUITY**
Profits after tax divided by the Capital employed as at Balance Sheet date.
- 48. RETURN ON TOTAL ASSETS**
Profits after Tax divided by Total assets attributable to Shareholders.
- 49. REVENUE RESERVE**
An account which shows a financial summary of the insurance related revenue transactions for the accounting period.
- 50. RIDER**
An amendment to an insurance policy that modifies the policy by expanding or restricting its benefits or excluding certain conditions from coverage.
- 51. RISK BASED CAPITAL (RBC)**
An amount of capital based on an assessment of risks that company should hold to protect policy holders against adverse developments.
- 52. SURPLUS**
This is the excess of assets held by the Company after deducting the actuarial liability and the provision for margin of solvency as determined by the actuary at the actuarial valuation.
- 53. SURRENDER VALUE**
The amounts refundable to Life policyholders when they terminate their insurance contracts after a specific period.
- 54. UNDERWRITING RESULT**
This is the profit generated purely from the Non life Insurance business without taking into account the investment income and other non-technical income and expenses.
- 55. UNEARNED PREMIUM / UNEARNED PREMIUM RESERVE**
It represents the portion of premium already entered in the accounts as due but which relates to a period of risk subsequent to the Balance Sheet date.
- 56. WRITTEN PREMIUM**
Total premium received or due from all sources, including premiums for reinsurance assumed, during a period.

NOTICE OF MEETING

Notice is hereby given that the Thirty Fourth Annual General Meeting of the Shareholders of the Company will be held on 06th May, 2021 at 10.30 a.m. at the Auditorium - Level 7, ICBT Building, No. 36, De Krestler Place, Bambalapitiya, Colombo 04 and Auditorium, Level 6, Buddhist Cultural Centre, 32, Sri Sambuddhathwa Jayanthi Mw, Colombo 05 (Please refer Circular to Shareholders dated 1st April 2021) and the business to be brought before the meeting will be :

1. To read the Notice convening the Meeting.
2. To receive, consider and adopt the Report of the Directors and the Financial Statements for the year ended 31st. December, 2020 and the Report of the Auditors thereon.
3. To declare a Dividend for the year ended 31st. December, 2020.
4. To re-elect Mr. Elmo Thushara Lalindra Ranasinghe, who retires by rotation at the Annual General Meeting in terms of Article 95, as a Director.
5. To re-elect Mr. Peter Devaan Marlon Cooray who retires by rotation at the Annual General Meeting in terms of Article 95, as a Director.
6. To re-elect Mr. Hettiarachige Don Kamal Patrick Alwis who retires by rotation at the Annual General Meeting, in terms of Article 95, as a Director.
7. To re-elect Mr. Don Herschel Jayaprithi Gunawardena, who retires at the Annual General Meeting as a Director, in terms of Section 210 of the Companies Act No. 07 of 2007. Special Notice having been given pursuant to Sections 210 and 211 of the Companies Act No. 07 of 2007 of the intention to propose the following resolution as an ordinary resolution :

"Resolved that Mr. Don Herschel Jayaprithi Gunawardena who will be 72 years in December, 2021 be re-elected as a Director of the Company and it is specifically declared that the age limit specified in Section 210 of the Companies Act No. 07 of 2007 shall not apply to Mr. Don Herschel Jayaprithi Gunawardena"
8. To authorise the Directors to determine payments for charitable purposes for the year 2021.
9. To re-appoint Auditors and authorise the Board of Directors to determine their remuneration.
10. To transact any other business of which due notice shall be given.

By order of the Board of Ceylinco Insurance PLC



Mrs. Nilika Abhayawardhana

Company Secretary

31st March 2021

Note :

Any shareholder unable to attend the Meeting may appoint another to attend and vote for him and such proxy need not be a shareholder of the Company.

A Form of Proxy is attached to the Report. The completed Form of Proxy should be deposited at the Head Office of the Company , "Ceylinco House", 69, Janadhipathi Mawatha, Colombo 1, before 10.30 a.m. on 04th May, 2021. A Proxy drop box is also available on Ground floor of the Ceylinco House.

Shareholders/Proxyholders should bring with them their National Identity Card or any form of valid identification when attending the Meeting.

NOTES

A series of horizontal dotted lines for writing notes.

NOTES

A series of horizontal dotted lines for writing notes.

NOTES

A series of horizontal dotted lines for writing notes.

Designed & produced by



Digital Plates & Printing by Gunaratne Offset Ltd
Photography by Taprobane Street

