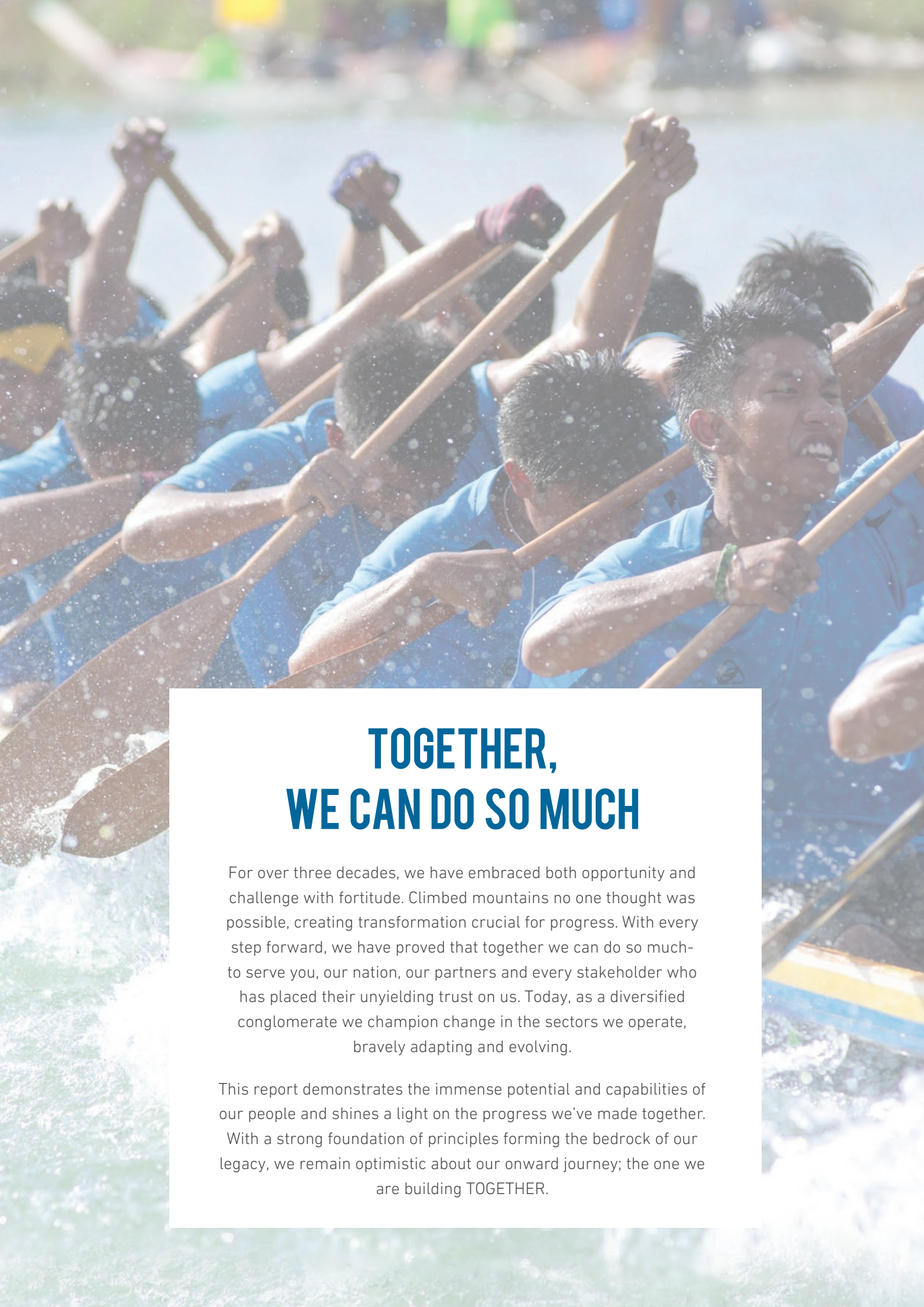




TOGETHER, WE CAN DO SO MUCH

Ceylinco Insurance PLC - Annual Report 2021

 **Sri Lanka, We Always Believe**



TOGETHER, WE CAN DO SO MUCH

For over three decades, we have embraced both opportunity and challenge with fortitude. Climbed mountains no one thought was possible, creating transformation crucial for progress. With every step forward, we have proved that together we can do so much—to serve you, our nation, our partners and every stakeholder who has placed their unyielding trust on us. Today, as a diversified conglomerate we champion change in the sectors we operate, bravely adapting and evolving.

This report demonstrates the immense potential and capabilities of our people and shines a light on the progress we've made together.

With a strong foundation of principles forming the bedrock of our legacy, we remain optimistic about our onward journey; the one we are building TOGETHER.

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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 group 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 brands 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 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 brands 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.



Driving Sustainable Growth

Operating in strategic growth sectors of the economy enabled the Group to sustain its performance amidst a challenging external environment. Deep sector expertise and focused strategies created an enabling culture where the brand value of its Group Companies were enhanced while driving acquisition of new customers.

The diversified nature of the Group supported overall performance while serving the nation in critical sectors that touch and enhance the daily lives of citizens. The year under review, perhaps one of the most challenging to operate in due to the macroeconomic crisis, was navigated through visionary leadership and exceptional contribution from the entire team, working together to fulfil goals and objectives, while growing shareholder wealth.

Pillars of Growth

1



Visionary Leadership

Every sector is helmed by visionary leaders who navigated the pandemic with maturity and wisdom

2

Operational Excellence

Swiftly adapting to challenges, Group Companies implemented prudent management strategies to optimize resources



3



Empowered Employees

A professional and knowledgeable team that is agile and responsive to evolving circumstances, supported by training and development initiatives to achieve their potential.

4

Winning Attitude

A culture of making the impossible possible along with empathy and care for each other during the pandemic



5



Brand Power

The strong branding of Group Companies helped successfully retain existing customers and acquire new business with ease.

Revenue

60.6

Rs. Bn.

Profit After Tax

10.1

Rs. Bn.

Gross Claims and Benefits

27

Rs. Bn.

Market Capitalization

53

Rs. Bn.



Customer
Touch Points
Over 850



Student base of
Over 15,000

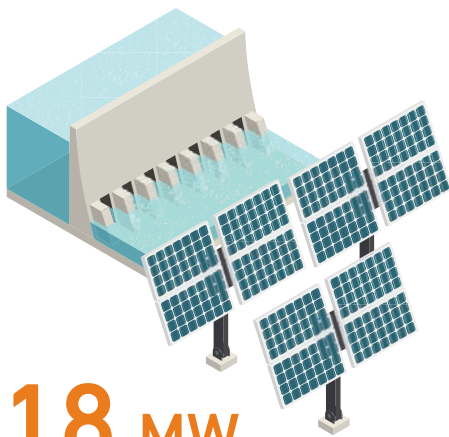


SLIM – Peoples
Insurance Provider of the year
(Ceylinco Life and Ceylinco
General)

**Largest Outdoor
digital network**



**Highest
Ranked
Insurer in
LMD 100**



18 MW
of Hydro & Solar Power



No in Customer
Service
Excellence
in Insurance

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-Life &
Subsidiaries

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

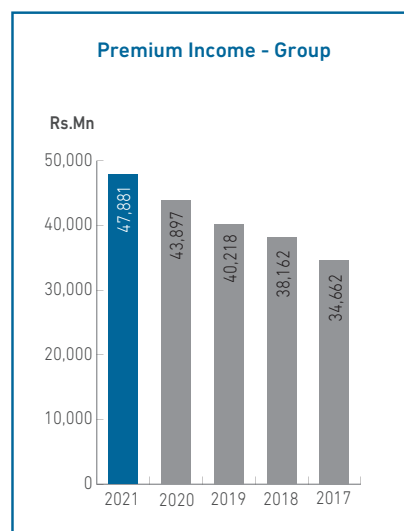
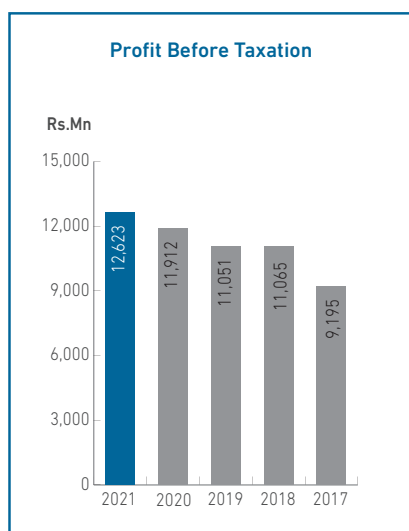
Mrs. Nilika Abhayawardhana A.C.I.S. (U.K.)
A.C.C.S (S.L.)

BANKERS

Bank of Ceylon
Cargills Bank Limited
Commercial Bank of Ceylon PLC
DFCC Bank
DFCC Vardhana Bank
Hatton National Bank PLC
Housing Development Finance
Corporation
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
State Mortgage and Investment Bank
Union Bank of Colombo PLC

Performance Highlights

| For the year ended 31 December | 2021 Rs. '000 | 2020 Rs. '000 | Change % |
|---|------------------|------------------|-------------|
| Group | | | |
| Gross Written Premium | 47,881,540 | 43,896,576 | 9.08 |
| Net Earned Premium | 38,583,559 | 35,208,695 | 9.59 |
| Investments and Other Income | 18,177,406 | 17,403,602 | 4.44 |
| Revenue From Subsidiaries | 3,852,427 | 3,312,190 | 16.31 |
| Net Income | 60,613,392 | 55,924,487 | 8.38 |
| Benefits /Claims Operation Admin & Other Expenses | (49,294,828) | (44,940,092) | 9.69 |
| Profit Before share of Associates | 11,318,564 | 10,984,395 | 3.04 |
| Share of Profit of Associates | 1,304,768 | 928,097 | 40.59 |
| Profit Before Taxation | 12,623,332 | 11,912,492 | 5.97 |
| Profit After Taxation | 10,060,649 | 9,378,004 | 7.28 |
| Position at the Year End | | | |
| Shareholders' Funds | 70,185,814 | 61,098,561 | 14.87 |
| Life Insurance Funds | 118,780,428 | 105,883,025 | 12.18 |
| Non - Life Insurance Contract Liabilities | 15,227,333 | 13,033,217 | 16.83 |
| Investments | 181,129,789 | 154,616,448 | 17.15 |
| Total Assets | 232,338,365 | 201,139,763 | 15.51 |
| Market Capitalisation | 52,673,133 | 46,510,316 | 13.25 |



Performance Highlights

| Per Ordinary Share | 2021 Rs. | 2020 Rs. |
|---|-------------|-------------|
| Earnings (Basic) | 368.6 | 351.2 |
| Dividends - Recommended | 42.0 | - |
| Net Assets (Shareholders' Equity) | 2,657.1 | 2,313.1 |
| Market Value at the Year End - Voting | 2,249.7 | 1,997.8 |
| Market Value at the Year End - Non Voting | 1,197.0 | 1,021.8 |
| Ratios | | |
| Return on Equity (%) | 13.9 | 15.2 |
| Dividend Cover (Times) | 8.8 | - |
| Price Earning (Times) - Voting | 6.1 | 5.7 |
| Price Earning (Times) - Non Voting | 3.2 | 2.9 |

Gross Written Premium

Rs. **47.9** Bn.

+ 9.1%

Profit after Tax

Rs. **10.1** Bn.

+ 7.3%

Shareholders' Fund

Rs. **70.2** Bn.

+ 14.9%

Life Insurance Fund

Rs. **118.8** Bn.

+ 12.2%

Market Capitalization

Rs. **52.7** Bn.

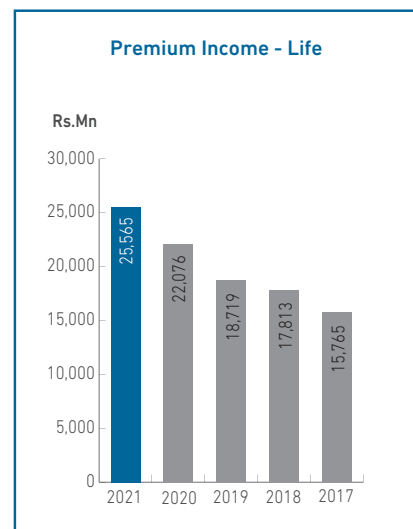
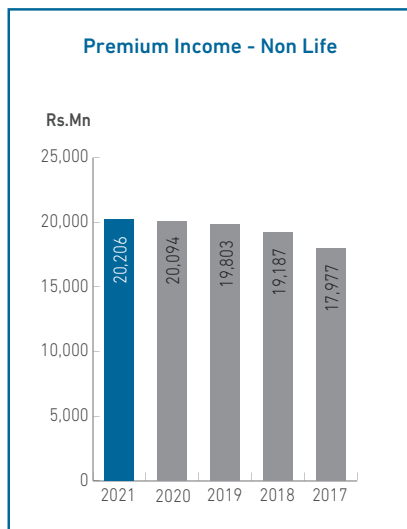
+ 13.2%

Net Claims

Rs. **19.8** Bn.

+ 4.2%

| For the year ended 31 December | Non - Life Insurance | | | Life Insurance | | |
|--|----------------------|------------------|-------------|---------------------|------------------|-------------|
| | 2021 Rs. '000 | 2020 Rs. '000 | Change % | 2021 Rs. '000 | 2020 Rs. '000 | Change % |
| Gross Written Premium | 20,206,104 | 20,094,192 | 0.56 | 25,565,050 | 22,076,250 | 15.80 |
| Net Claims / Net Benefits | (7,063,541) | (6,635,199) | 6.46 | (12,736,308) | (12,266,513) | 3.83 |
| Increase in Long Term Insurance Funds | - | - | - | (11,803,985) | (9,423,994) | 25.25 |
| Investments and Other Income (including reinsurance commission) | 2,534,915 | 2,009,735 | 26.13 | 15,129,139 | 14,912,201 | 1.45 |
| Profit Before Taxation | 1,747,523 | 1,862,479 | (6.17) | 8,545,373 | 8,766,512 | (2.52) |
| Profit After Taxation | 1,509,346 | 1,471,800 | 2.55 | 6,774,490 | 6,934,121 | (2.30) |





Executive Chairman/ Chief Executive Officer's Review



Nevertheless, our theme this year, 'Together we can do so much' reflects the outlook the Group adopted to overcome the situation. The Group is no stranger to tackling difficult economic conditions and other crises. Over the decades, it has taken all obstacles in its stride. The technical superiority of our employees and their determination to achieve set targets, coupled with strong brand equity, helped the Group clear the hurdles.



Dear Shareholders

It gives me great pleasure to welcome you to the 35th Annual General Meeting of Ceylinco Insurance PLC and to place before you the Annual Report and Audited Financial Statements for the year ended 31st December 2021.

Despite the fact that the year under review commenced on an optimistic note marked by an element of relief in the declining COVID-19 cases and easing of travel restrictions, this optimism was short-lived. By April of the year, yet another wave of COVID-19 infections brought with it lockdowns and impacted business activity adversely. Nevertheless, the commencement of the COVID-19 vaccination drive from February onwards provided a silver lining, offering hopes of a faster economic reversal by the end of the year. However, the nation's precarious economic condition, particularly, its depleting foreign reserves and rising inflation was concerning and pointed to serious problems ahead for the economy.

Nevertheless, our theme this year, 'Together we can do so much' reflects the outlook the Group adopted to overcome the situation. The Group is no

stranger to tackling difficult economic conditions and other crises. Over the decades, it has taken all obstacles in its stride. The technical superiority of our employees and their determination to achieve set targets, coupled with strong brand equity, helped the Group clear the hurdles. The task though was not an easy one: as one of the leading diversified groups in Sri Lanka, Ceylinco Insurance PLC had to be mindful of the performance of each of the sectors where it has its presence. However, most of the sectors that the Group is engaged in performed exceptionally in view of the prevailing environment. Overall, group performance was underscored by strict adherence to health protocols.

STRONG PERFORMANCE AMIDST ADVERSITY

Ceylinco Insurance PLC achieved consolidated Profit After Tax of Rs. 10.1 billion for the year ended 31st December 2021, with a growth of 7% while the Profit Before Tax stood at Rs. 12.6 billion recording a growth of 6%. Meanwhile, total Group turnover reached Rs. 60.6 billion to mark an increase of Rs 4.7 billion, with a growth of 8.4% when compared with 2020. The true test of any entity is to shine amidst

adversity, which is exactly what the Ceylinco Insurance PLC did, achieving growth and seamless operations through the period under review.

In order to achieve these extraordinary results under extremely stressful conditions lies an impressive team effort. Our main concern during the year was the well-being of staff and thus every form of assistance needed was extended to COVID-19 infected staff by way of hospitalization expenses for them and their families, which were fully borne by the Company. In order to ensure the safety of staff, they were provided with facilities to work remotely.

SECTOR PERFORMANCE

Insurance

Ceylinco General and Life Insurance Companies sustained their performance for yet another year, clearly demarcating the two companies as highly sought-after insurers. The insurance industry in Sri Lanka is highly price competitive, and maintaining leadership despite rising above price considerations is a commendable achievement.

The two insurers operate under the dynamic leadership of Mr. R. Renganathan, Executive Chairman of Ceylinco Life, and Mr. Patrick Alwis, Executive Chairman/Chief Executive Officer of Ceylinco General, who have led the business with great success. More importantly, our customers have felt supported and cared for amidst the chaotic year, which is the eventual goal of both these customer-centric entities.

The overall insurance industry, both Life and General recorded Gross Written Premiums valued at Rs. 226.3 billion in 2021, which reflects an increase of 12% year-on-year. The General insurance industry recorded an overall growth of 2.8% with a premium income of Rs. 102.3 billion mainly due to the 11.3% growth recorded by the non-motor segment, whilst Life insurance industry recorded an encouraging growth of 21% with a premium income of 124

Executive Chairman/Chief Executive Officer's Review



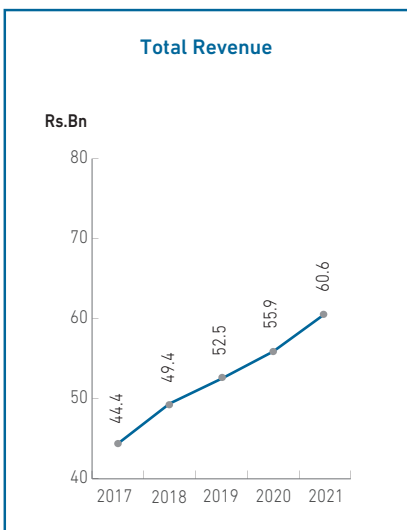
Rs. 10.1 Bn.

Profit after Tax (+7.3%)

billion. Of this combined performance, General Insurance accounted for 45% of total premiums, while Life premiums accounted for 55%. The government's decision to ban vehicle imports affected the general insurance industry for yet another year and had the biggest impact on the industry.

During the year under review, Ceylinco General Insurance recorded a premium income of Rs. 20.2 billion (Rs. 20,206 million), marking a growth of 0.6%, which amounted to an increase of Rs. 112 million over 2020. Profit after tax of Ceylinco General Insurance stood at Rs. 1.5 billion with a 2.5% increase whilst Profit before tax was Rs. 1.7 billion. Ceylinco Life Insurance recorded a Premium Income of Rs. 25.5 Billion (Rs. 25,565 million) with a growth of 15.8% year on year. The Profit after tax of Ceylinco Life Insurance stood at a mammoth Rs. 6.8 billion, whilst profit Before Tax was Rs. 8.5 billion.

Selling insurance is a challenging task because it is as an intangible

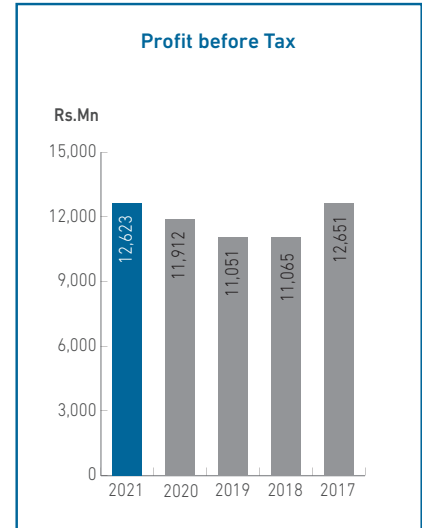


product and customers realize its importance only in times of adversity. Understanding this dilemma faced by customers, Ceylinco General Insurance unfailingly settles genuine claims swiftly even through the peak of lockdowns, which has made it a preferred insurance partner. During the year, Gross Claims paid by Ceylinco General Insurance reached Rs. 13.7 billion. Similarly Ceylinco Life Insurance paid claims and benefits to the tune of Rs. 12.9 billion in 2021.

Today, the industry is faced with unprecedented challenges - be it the impact of the COVID-19 pandemic, economic turbulence, natural or man made catastrophes, cyber threats, increase in consumer expectations or any other unprecedented challenge. We should take this opportunity to build the resilience of the industry, navigate through the crisis and be innovative and proactive to overcome these obstacles. The industry should also be geared to face the post-pandemic 'new normal' and adapt to new norms while leveraging on rapid digitalization. The insurance industry has to be reimagined with products and services backed by technology – this is an undeniable fact. Companies should be agile to chart the course that suits their markets and customer the best.

Strengthening our global presence

The Company is deeply entrenched beyond Sri Lanka's shores – in United Arab Emirates, Bahrain, Oman, Qatar and Kuwait through strategic partnerships, with a subsidiary in the Maldives, an associate company in Nepal and a strategic alliance in Mauritius. These entities have made strong progress under our strategic leadership, recording steady growth year after year. It is a source of pride for us that Ceylinco General Insurance continues to share its technical expertise and knowledge coupled with product innovation strategies with these entities.



The existing partnership with Mitsui Sumitomo Insurance of Japan enhances the insurance company's brand equity and reflects its financial stability. It also gives the Group the opportunity to cater to Japanese clients in Sri Lanka, while drawing from Mitsui Sumitomo's technical expertise.

Power and Energy Sector

The Power and Energy Sector of the group now comprise of 4 small hydro power plants with a combined capacity of 14MW and four ground mounted solar power projects with a combined capacity of 4MW. The Solar Power Projects in Mathugama (2MW) and Galle (2MW) commenced commercial operation in September and December 2020 respectively. The plants performed to 85% of its expectations during the year under review as the country was blessed with heavy rainfall, which in turn proved unfavourable for performance of our solar power plants. The 4 hydro power plants, namely Rajjamma, Kumburuthaniwala, Loggal Oya Phase 1 & Phase 2 operated seamlessly during the year, achieving targets above 100% due to exceptionally wet weather conditions which were favourable for hydro power generation.

It is heartening to see the power and energy sector steadily enhancing its footprint under the able guidance of



Committed to expanding shareholder wealth even amidst the most dire external conditions, I am delighted to recommend a final dividend of Rs. 42/- per share - a historic figure, as it is the highest-ever offered by Ceylinco Insurance PLC. This achievement is a clear indication to our valued shareholders that safeguarding their investment and upholding their trust is our foremost priority.



the Director / CEO of the sector, Mr. Upali Witharana. The sector contributed a profit after tax of Rs. 493 million to the overall group profit whilst the total revenue of the sector reached Rs.1,029 million. With the increase in demand for renewable energy growing more than ever, the future of the power sector looks promising and encouraging.

Education Sector

The education remained one of the worst affected during the year 2021 as the pandemic ravaged through secondary, tertiary and advanced education sectors, forcing them to curtail physical activities almost to near zero and rely on online activities right throughout the year.

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 and making ICBT and ANC market leaders. The total revenue of the Education sector companies stands at Rs. 3.2 billion while a Profit after tax of Rs. 818 million contributed to overall Group profit.

The two prime institutions in the higher education sector in Sri Lanka, ICBT and ANC, were proactive, providing online facilities for students at the very outset and continued their admirable efforts even during the pandemic using highly effective on-line tools to attract new students. Both ICBT and ANC command market leadership, amounting to well above 50% of the higher education market in Sri Lanka, and together with their subsidiaries have a student base of over 15,000.

Sri Lanka's education industry can be developed as a regional education hub to attract students from overseas to pursue international degree programmes at affordable rates as opposed to studying at partner University locations. Meanwhile, current Sri Lankan immigration policies need to facilitate this hub concept by making it easy for foreign students to obtain student visas.

AWARDS AND ACCOLADES

Driven by a customer-centric and innovation mind-set, the Group has, over decades, pioneered many first in its respective segments. This drive to succeed ensured that the Group delivered a compelling performance in the 2021 financial year as well. Yet again, group companies were bestowed with leading industry awards.

In the year under review, Ceylinco Insurance was ranked in the 23rd position in the prestigious LMD 100 edition from amongst all listed companies in the island - the first-ever insurance entity from the industry to spearhead the ranking. Ceylinco Insurance has carved its place in the LMD 100 hall of fame since for the last 27 years.

Ceylinco Insurance was also selected amongst the 'Business Today Top 30' companies in Sri Lanka in 2021, while Ceylinco General Insurance and Ceylinco Life Insurance were selected as the unanimous choice for 'People's Insurance Brand of The Year' awards 2021 for a record 15th consecutive year, reflecting the favourable perception of the two brands by the people of the nation.

Attracting accolades for its diverse achievements, an exclusive survey carried out on service providers by LMD magazine amongst the general public resulted in Ceylinco General Insurance and Ceylinco Life Insurance being chosen as the most popular insurers for Service Excellence. This is an affirmation of the customer-centricity we always strive to achieve across our operations.

In addition, Ceylinco Life Insurance was named among the '10 Most Admired Companies in Sri Lanka' at the 2021 awards presented by the International Chamber of Commerce in collaboration with the Chartered Institute of Management Accountants.



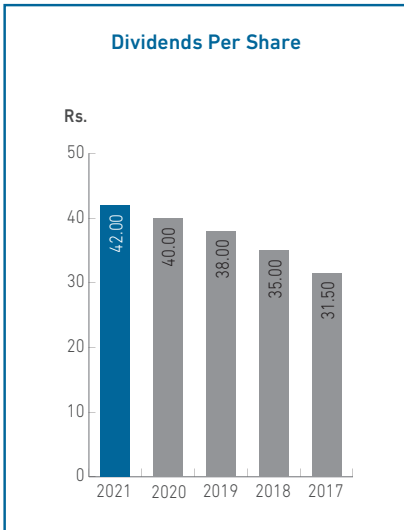
Rs.42

Dividend per Share

Executive Chairman/Chief Executive Officer's Review

DIVIDENDS

Committed to expanding shareholder wealth even amidst the most dire external conditions, I am delighted to recommend a final dividend of Rs. 42/- per share - a historic figure, as it is the highest-ever offered by Ceylinco Insurance PLC. This achievement is a clear indication to our valued shareholders that safeguarding their investment and upholding their trust is our foremost priority.



FUTURE PROSPECTS

Although the economic crisis in the nation looks grave and requires strong measures to be taken to turn the situation around, we are hopeful that intervention by the International Monetary Fund will serve to place the economy back on track. However, it is pertinent to note that this process will take some time - and until the economy is set on a more stable footing, many sectors will continue to face hardships.

As a Group, based on exceptional growth amidst the volatile 2021 year, we remain optimistic as the strategic sectors in which we operate will continue to see rising demand. Backed by an industry-best team, we have the utmost confidence that 'Together we can do so much'.

APPRECIATION

I am pleased to thank the President of Sri Lanka, His Excellency Gotabhaya Rajapakse for his management of the COVID-19 pandemic and the subsequent vaccination drive, which placed Sri Lanka at the forefront of nations with the most vaccinated populations.

I would like to place on record my appreciation to the Chairman, the Director General and officials of the Insurance Regulatory Commission of Sri Lanka for their steady support as always. The insurance ombudsman, Dr. Ranjith Ranaraja, is a source of knowledge and wisdom to support the industry.

Our valued reinsurers and reinsurance brokers and actuaries have our deepest appreciation for their support. Our partner universities and local authorities with whom we partner have also been extremely cooperative.

We are especially touched by the faith reposed in us by our shareholders which drives us to repeat our strong performance year after year.

Customers are at the heart of our success. As a Group we will always customise our services to suit their needs. Their loyalty and support is very valuable for us.

Last but the most important, we are eternally grateful to the entire Ceylinco Family for their dedication and superlative efforts during the year. 'Together we can do so much' reflects our approach today and for ever more.

Ajith R. Gunawardena
Executive Chairman/Chief Executive Officer

4th April 2022

Deputy Chairman's Message



As a country with a population of 22 million but less than 1% penetration in life insurance, tremendous potential exists for life insurance companies to provide life cover to the citizens of Sri Lanka. Thus, our future focus will be on increasing the penetration of life insurance in Sri Lanka.



Dear Stakeholders,

It gives me great pleasure to welcome you to the 35th Annual General Meeting of Ceylinco Insurance PLC.

Ceylinco Life Insurance Limited successfully maintained its market leadership position in the life insurance industry through yet another challenging year, while continuing to infuse sustainable value for its stakeholders and the wider community. The proactive approach towards strengthening the organisational core and technological capabilities, along with focused execution helped us overcome the challenges in the business landscape whilst committing to derisk the nation today and beyond.

CONTEXT TO PERFORMANCE

The business sector of Sri Lanka demonstrated resilience in yet another year where the pandemic took centre-stage. Sri Lanka's GDP expanded by 4.4% during the first 9 months of 2021, despite the disruptions induced by the pandemic. Businesses demonstrated adaptability to the emergent challenges posed by the pandemic.

Global travel restrictions affected the country's tourism industry significantly creating a drastic decline in tourism earnings. Worker remittances, a key source of foreign exchange income declined by over 22% in 2021, reflecting border closures and pandemic-induced job cuts in key markets. These factors, together with significant international debt payments led to the gradual depletion of the country's foreign reserves in 2021, inserting significant pressure on the external position and exchange rate thus creating a debilitating impact on the economy.

In response the Central Bank of Sri Lanka (CBSL) imposed several measures to curtail the outflow of foreign currency whilst tightening monetary policy, increasing the Bank Rate, Standing Deposit Facility Rate, Standing Lending Facility Rate and Statutory Reserves Ratio on rupee deposit liabilities. During the year 2021, inflationary pressures escalated, reflecting supply side disruptions and materialisation of pent-up demand. Presently, economic recovery remains a top priority for the Government whilst managing forex challenges and debt service concerns.

PERFORMANCE OF THE LIFE INSURANCE INDUSTRY

Sri Lanka's insurance sector, which recovered from pandemic-induced circumstances in 2020, continued to grow in the first and second quarters of 2021, with practically a positive movement in all key performance metrics. However, a divergence in performance between the life and non-life insurance segments was evidenced. While Gross Written Premiums (GWPs), profitability indicators, Risk-Based Capital (RBC), and industry growth all outperformed, the pandemic and its aftermath rekindled future prospects, particularly for the life insurance segment, as people became increasingly aware of the risks to their lives and sought additional life protection.

As a result of this phenomenon, life insurance GWPs increased by 15.98% in 2020, the highest level since 2017, before exponentially increasing to 34.13% in 1Q, 2021, bringing the penetration level measured by GWPs as a percentage of GDP to 0.69% from 0.59% in 2019, and total insurance penetration to 1.39% of GDP from 1.31% a year ago.

The outlook for the Sri Lankan life insurance industry remains positive with the pandemic casting a silver line of optimism over the utility of life insurance. Against this backdrop, the life insurance sector has managed to weather the pandemic to emerge stronger together with an increased awareness on the value of life insurance and retirement planning.

PERFORMANCE OF LIFE INSURANCE COMPANY

Having navigated through a challenging 2020, with tenacity and strength the company was able to reinforce its market leadership position in 2021 once again across three key pillars: the highest Gross Written Premiums (GWP), above average capital adequacy ratios and increased profitability levels.



Deputy Chairman's Message

Ceylinco Life's GWP levels grew from Rs. 22.08 Bn to Rs 25.56 Bn in 2021 which reflects a 15.8% growth.

Ceylinco Life recorded a Capital Adequacy Ratio (CAR) of 397% as at 31 December 2021, while the minimum requirement of the regulator is 120%. The average CAR of the life insurance industry, based on the latest available IRCSL Statistical Review, stood at 366% as at 31st December 2021. This strong foundation gives confidence to our stakeholders as it reflects the company's ability to deliver long term value and honour its commitments to policyholders.

DIGITAL TRANSFORMATION TO THE FORE

During the year under review, the digitalization process was accelerated further by converting the hitherto printed proposal forms to electronic format, in addition to providing customers with an advanced digital platform to pay premiums online and to deposit their savings, offering them unprecedented convenience in the safety of their home. Now, customers can access Ceylinco Life App and Ceylinco Life website via their smartphones to pay their premiums directly, without having to visit our branches premises.

As a result of the shift to online platforms, the company conducts meetings online, which has resulted in heightened productivity and eliminated time wastage, while enabling managers from outstation branches to join as required. Most of the company's employee training programmes have been converted to digital on a self-paced basis.

Ceylinco Life's digitalization efforts have also seen the inclusion of Robotics Process Automation (RPA) and Artificial Intelligence (AI) to eliminate repetitive manual processes, helping the company to optimize resources while infusing

efficiency and accuracy. In the long-term, this will empower the company to evolve into a lean organization. AI and data analytics will be leveraged by the company in the future to enhance many aspects of our business.

RESPONDING TO EVOLVING DEMOGRAPHIC SHIFTS

Whilst navigating through pandemic-induced challenges, Ceylinco Life is cognizant of the trends which are shaping the industry and adapting to the evolving needs of customers. There is a growing prevalence of more females and younger generations entering the workplace. As the workforce transitions towards an incrementally younger generation, this demographic shift is top of mind when the company develops new products. Another segment that deserves greater attention is the greying population in Sri Lanka.

We recognize the inherent socio-economic challenges posed by an increasingly ageing population which places a significant stress on the country's health care facilities. As a responsible insurer and the market leader, Ceylinco Life has made recommendations to the regulator on how this challenge could be addressed to provide a safety net for senior citizen.

Going ahead, we will further enhance the features of our products to ensure our elderly population can access a life of dignity, secure in the belief that they have not been forgotten. The company now extends policies up to the age of 70 and is studying the viability of raising eligibility of policyholders to 75 years subject to certain riders.

PERFORMANCE OF SUBSIDIARIES OF CEYLINCO LIFE

Ceylinco Healthcare Services Limited and Serene Resorts Limited, two of subsidiaries of Ceylinco Life, recorded profit before tax of Rs. 76.2 Mn and Rs. 4.4 Mn respectively.

Ceylinco Healthcare Services Limited

We continue to provide chemotherapy hormone therapy and radiotherapy services thereby resulting in significant savings in foreign exchange to the country.

Serene Resorts Limited

During the year, our staff fielded an increased number of inquiries from predominantly Sri Lankans living abroad, who are looking for an assisted facility back home to retire. The La Serena, retirement resorts, now has almost 16 occupants – with 12 out of the 44 chalets being occupied. The prospects for the retirement resort are optimistic as we believe it is a concept which is well ahead of time.

GOVERNANCE

Ceylinco Life has in place an impeccable risk and governance framework. The Company voluntarily adopted the Code of Best Practices on Corporate Governance 2017, issued by the Institute of Chartered Accountants of Sri Lanka. During the year, the Board consciously worked on improving the governance system framework and controls to ensure compliance with the requirements under the provisions of the Companies Act, the Listing Rules as applicable and with the Regulation of Insurance Industry Act, No.43 of 2000 and the applicable Rules, Determinations and Directions issued by the IRCSL.

Ceylinco Life is adequately geared to meet compliance norms for the new accounting standard, SLFRS 17, which is to be implemented by the year 2023. The real implications of this standard



Rs. 6.8 Bn.

Profit after Tax

Deputy Chairman's Message



Rs. 119.6 Bn

Life Insurance Fund (+12%)

on the profitability of the company are still being studied, but we are well on our way to being ready for its implementation.

The implementation of another standard, SLFRS 9 is also in progress. We assessed an impairment provision of only Rs. 14 Mn under this standard in relation to our financial investments worth over Rs. 128 Bn as at 31st December 2020. The strong measure of trust reposed in the company is a result of how it manages its investments. This reflects the prudent management of our investments.

ENVIRONMENT AND SOCIAL SUSTAINABILITY

Ceylinco Life achieved significant strides in its sustainability journey by initiating the measurement of its carbon footprint in 2021. It is working towards an annual reduction of between 5% to 10%. During the year, we took a strategic decision to reduce the use of rented buildings for branches and move towards our own properties. Many of the owned properties have been powered by solar power generating significant energy savings which has reduced the dependence on the national grid and instead in some cases the excess power generation is sold to the national grid. As one of our latest projects we have installed solar panels at our resort in Uswetakeiyawa to generate 100 MW. The digitalization process of the company has infused cost savings through significant reduction of paper consumption.

Recognizing the wellbeing and health of our employees during the pandemic we appointed an in-house medical

committee to monitor the health of employees and attend to the medical needs of infected employees by advising on testing, quarantine or hospitalization needs whilst looking after their families in the meantime. We also provided work from home facilities for infected employees until they recover.

Ceylinco Life has over the years placed significant emphasis on supporting the education needs of the future generation of the country. Our signature programme - the Ceylinco Life Pranama scholarships was continued to the 20th consecutive year in 2021 despite the restrictions. Over the years we have been consistently focused on upgrading the facilities of rural schools which lacked basic classroom facilities. This initiative was also continued with Ceylinco Life constructing its 83rd classroom in 2021.

Considering the situation of the country with the pandemic the company took several initiatives to provide urgently needed medical equipment to government hospitals. During the year, the company provided 'High Flow Nasal Cannulas' (HFNCs) to regional-level hospitals. This device is an integral aspect of the COVID-19 treatment process, designed to provide relatively high FiO2 to patients with severe hypoxic respiratory failure. Ceylinco Life invested in providing 7 HFNCs, distributed among seven hospitals across the country. A unique feature of this initiative is the staff's involvement at each level. Ceylinco Life has been a steadfast supporter in upgrading the medical facilities of state sector hospitals having donated 5 High Dependency Units (HDU's) over the last few years.

FUTURE OUTLOOK

As a country with a population of 22 million but less than 1% penetration in life insurance, tremendous potential exists for life insurance companies to provide life cover to the citizens of Sri Lanka. Thus, our future focus will be

on increasing the penetration of life insurance in Sri Lanka. A prospective line of business that the company will explore in the future is private healthcare as there is clearly significant demand for quality healthcare solutions, backed by a trusted brand name.

Going ahead, the company will continue its policy of occupying its owned buildings and reduce its portfolio of rented branches. The strong digitalization push will perhaps necessitate more compact branches as customers rely more on digital platforms. The company has also embarked on a project to review its strategic IT roadmap for the future and has retained reputed consultants to chart its digital footprint into the long term.

A NOTE OF APPRECIATION

The commitment and adaptability of Ceylinco Life team was the main driver of profitability in 2021. Managing the entire operation prudently during the year, while elevating the customer service levels to become No. 1 in customer service amongst the insurance industry, was an admirable feat achieved collectively by our dedicated Team Ceylinco Life.

Finally, I would like to thank my colleagues on the Ceylinco Life's Board and the entire team for an impressive performance and coordinated effort through the year in charting the course of Ceylinco Life towards success.

R Renganathan
Deputy Chairman

15 March 2022

Board of Directors



MR. A.R. GUNAWARDENA
*Executive Chairman/
Chief Executive Officer*



MR. R. RENGANATHAN
Non - Executive Deputy Chairman



MR. H.D.K.P. ALWIS
Director



MR. E.T.L. RANASINGHE
*Director/Chief Operations Officer-Life &
Subsidiaries*



DR. W.C.J. ALWIS
Director



MR. P. D. M. COORAY
Director/Head of Training



MR. K.I. DHARMAWARDENA
Director



MR. D.H.J. GUNAWARDENA
Director



MR. P.A. JAYAWARDENA
Director

Board of Directors



MR. N.D. NUGAWELA
Director



MR. T.N.M. PEIRIS
Director (Finance) / Head of Finance



MR. U. WITHARANA
Director



MR. S.R. ABEYNAYAKE
Director



MR. S.H.J. WEERASURIYA
Director



MR. YU KITAI
Director



MR. N. VASANTHA KUMAR
Director

01

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.

02

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.

The Life Division & subsequently Ceylinco Life Insurance Ltd., has been the market leader in the life Insurance Industry for the past 18 years.

He facilitated the setting up of Ceylinco Healthcare Services Ltd., which was the first private sector cancer treatment centre that provides Radiotherapy, Chemotherapy and Hormone-therapy.

The centre has treated more than 10,000 patients thereby earning and saving much foreign exchange for the country. It was also the first to introduce the linear accelerator to Sri Lanka.

He also facilitated the setting up of Serene Resorts, the first Retirement Resort in the country.

03

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.

Board of Directors

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.

04

MR. E.T.L. RANASINGHE

Director/Chief Operations Officer-Life & Subsidiaries

Mr. Ranasinghe has over 42 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.

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.

05

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.

Dr. Jagath Alwis was on the Academic Board of the Sabaragamuwa University of Sri Lanka and is a member of the Academic Board of faculty of science in university of Peradeniya.

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.

06

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 an 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.

07

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.

08

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 nearly 50 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.

Board of Directors

09

MR. P.A. JAYAWARDENA

Director

Mr. Palitha Jayawardena counts over 31 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.

10

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.

11

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 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.

12

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.

13

MR. S.R. ABEYNAYAKE*Director*

Mr. Ranga Abeynayake counts over 22 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.

14

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.

He has worked for 4 years in England and 38 years in Sri Lanka as a Civil/ Structural Engineer.

He counts many years of experience having held the position of Chief Structural Engineer and Chief Engineer in private sector design practices.

He has also served as a visiting lecturer of the University of Moratuwa and is a Founder Member and Honorary Fellow of the Sri Lanka Society of Structural Engineers-Sri Lanka and has served in the Executive Committee for over 20 years.

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, UK (Chartered Engineer) an Honorary Life Member of the Institution of Engineers-Sri Lanka and, Honorary Life Member of the Society of Structural Engineers -Sri Lanka and is a Professional Engineer of The Engineering Council of England.

He is also a Fellow of the Institute of Project Managers - Sri Lanka.

He is the retired Chairman of Mercantile Investments and Finance PLC and is a Director of Kognosceti (Pvt) Ltd.

Mr. Weerasuriya is the Proprietor of Saro Weerasuriya Associates.

15

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 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 6% 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.

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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, Asset Trust Management Pvt Ltd, DFCC Bank and as the Chairman of SAFE Holding Pvt Ltd.



TOGETHER, WE CAN FORGE AHEAD

Management Discussion & Analysis

Management Discussion & Analysis

Sector Review: General Insurance



The professionalism of our people; the ethical principles we follow in our business; and our determination to make steady progress despite challenges were the key pillars on which the Company surmounted odds in the year 2021. Neither the pandemic nor any other unfavourable economic conditions could defeat us, as we remained proactive to take control of the situation swiftly.



GENERAL INSURANCE INDUSTRY

The General insurance industry had to contend with difficult conditions created by the pandemic, as lockdowns, restrictions on mobility, disruptions to businesses and the resulting erosion of business and personal incomes had a bearing on people's affordability, thereby impacting the industry. The biggest impact for the general insurance industry caused by pandemic-induced conditions was the government's decision to ban vehicle imports to conserve foreign exchange, as motor insurance accounts for a larger share of the general insurance business in Sri Lanka, accounting nearly 60% of the total non-life Gross Written Premiums (GWP). This is amply reflected in the fall of motor insurance premiums in 2021.

Despite the adverse effects of the pandemic, the general insurance industry showed its resilience by recording an overall growth of 2.8% with a premium income of Rs. 102.3 billion mainly due to the accelerated growth of 11.3% recorded by the non-motor segment. The year-on-year growth of the motor insurance premiums fell to a negative of 2.3% in 2021 with a premium income of Rs. 60.7 billion against the premium income of Rs. 62.2

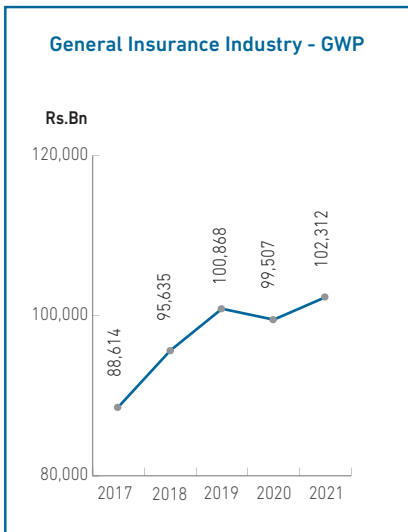
billion recorded in 2020. Non-Motor Insurance premiums, which amounted to 40.6% of the General Insurance industry, stood at Rs. 41.6 billion in 2021. Even with a considerable decline, Motor Insurance remained the largest contributor (59.4%) followed by Fire and Engineering (16.1%), Health products (13.3%), General Accident (8.2%) and Marine (3.0%) as at end 2021.

COMPANY PERFORMANCE

Though uncertainty and upheaval were the order of the day in the wider economy, Ceylinco General Insurance recorded another noteworthy performance in Profits as well as in Turnover. Profit after tax increased by 2.5% compared to previous year and stood at Rs 1.5 billion while Profit before tax stood at Rs. 1.7 billion.



Review by the Executive Chairman/CEO
Mr. Patrick Alwis
Ceylinco General Insurance Ltd



Similarly, the Company earned a premium income of Rs 20.2 billion, an increase of 0.6%. Though not up to expectations in view of the prevailing tough macro conditions, this could be classified a satisfactory performance. Our ability to navigate even in the most turbulent conditions coupled with the untiring efforts of the Company's machinery enabled us to achieve the impossible.

OUR STRATEGIC APPROACH

The professionalism of our people; the ethical principles we follow in our business; and our determination to make steady progress despite challenges were the key pillars on which the Company surmounted odds in the year 2021. Neither the pandemic nor any other unfavourable economic conditions could defeat us, as we remained proactive to take control of the situation swiftly.

Our main objective was to keep the staff healthy and safe. As a first step, we activated the business continuity plan in place which was developed almost three years ago – bringing in less than 20% of staff at one time for most of 2021. During the peak of lockdown, less than 10% of our key staff was physically working in office while the rest of the teams worked from home. To ensure operations flowed smoothly and were

practically contactless, all internal approvals and correspondence was facilitated online. The drive to automate processes will continue in the future for a wholly contactless process.

Cohesive policy decisions were taken on how to care of our staff and dependents, negotiating with hospitals and intermediate care centres for our staff. We spent over Rs. 50 million for COVID-19 related hospitalizations of staff and their dependants during 2021. Those with complications were kept in private hospitals and those who did not have complications were kept at intermediate care centres. In instances where the entire family was affected, they were kept at intermediate care centres too. A clear framework was established to look after staff financially and health-wise.

Secondly, the Company was committed to providing job security; as a result, not a single staff member was retrenched nor did they have fixed income deducted during the pandemic period. Thus, the Company was powered by a very motivated and loyal team determined to do all they could to mitigate any negative impact of the challenging economic environment on the Company.

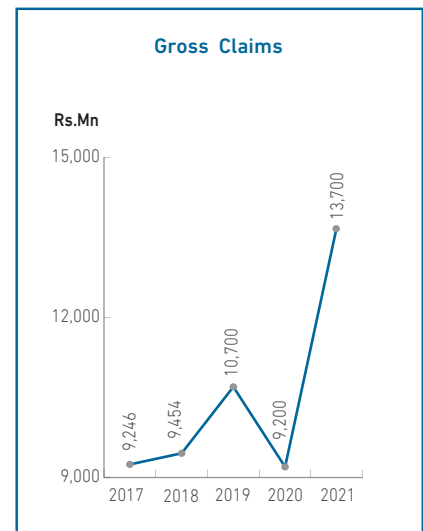
However challenging the circumstances became, business activities continued uninterrupted and customers were provided with the complete gamut of services, with an even more special emphasis to see that they were being well taken care of. Another notable and a bold move was to purchase a large stock of spare parts of almost all popular models of vehicles. Though initially a considerable amount of capital had to be blocked for this purpose, in the long run this initiative proved cost-saving as prices of spares were escalating by the day. As a result, the Company was able to provide the spare parts needed without any hindrance, which was highly appreciated by customers.

PRODUCT INNOVATION

With the outbreak of the pandemic, demand for health-related products increased considerably. A greater awareness of medical insurance benefits due to hospitalizations resulting from COVID-19 led to an increased demand for insurance products related to health and hospitalization. Aligning with this trend, the Company introduced several solutions through digital channels.

Further, steps have been taken to adopt digital channels in lieu of face-to-face sales, and product developments accelerated to better align with demands of the younger generation whose interest in purchasing insurance notably increased with the outbreak of the pandemic.

DELIVERING ON OUR PROMISES



Even under the most trying situations that the country faced, the Company never avoided its responsibility for offering benefits and compensation to policy holders. Claims to the tune of Rs. 13.7 billion were paid during the year 2021 of which Rs. 321 million was paid for COVID-19 related hospitalizations. Compensation amounting to Rs. 453 million paid to a local manufacturing plant that was completely gutted was the biggest claim settled during the

year 2021. There's no doubt that swift settlement of claims helped ease the burdens of policy holders to a great extent, bringing them much-needed relief.

BRANCH AND CHANNEL EXPANSION

The 550-strong branch network gave the Company an unprecedented advantage in every aspect of operations; not only did it generate a mammoth revenue, but it enabled the Company to provide an unparalleled service to valued customers. Nine new outlets were opened during the year under review notwithstanding the trying circumstances that prevailed. All product offerings were sustained through the year under review, as were specialised insurance services through bancassurance partnerships and by fulfilling needs of clientele of partner banks.

IT FRAMEWORK

During 2021, the Company further strengthened the 'work from home' mode for employees, adapting to the lockdowns and travel restriction. Aiding this process was a sound IT framework, systems and processes, and digitalization initiatives that the Company had already embarked upon. Committed to facilitate customer convenience, various initiatives were introduced to ensure the Company remains abreast of digitalization trends that customers are seeking. We remain committed to investing in technologies that will deliver tangible benefits both to the organization and our stakeholders, chiefly our customers.

STRONG PARTNERSHIPS

The strong bonds the Company enjoys with the world's leading Reinsurers provide optimal support and served to catapult it to the forefront of the industry as an insurer that always honours claims amidst any catastrophe. The highest reinsurance coverage levels were maintained during the year, well beyond statutory levels.

MATTER OF CONCERN

In a recent move, the Insurance Regulatory Commission of Sri Lanka banned selling of insurance schemes through mobile operators. At a time when insurance penetration is low and people are finding it extremely difficult to afford high premiums, schemes such as these marketed through mobile operators are extremely affordable and beneficial to the masses. At the time of imposing the ban, four insurance companies collectively had over 10 % of the population covered under insurance schemes promoted through mobile operators. We expect that the regulator will look to reverse their decision in a prudent manner.

Further, Motor business growth was hampered to a certain extent due to regulatory interventions during the year. The Insurance Regulatory Commission of Sri Lanka suspended 3rd party insurance promotions in the industry, thereby restricting the Company's ability to promote 3rd party cover to its customers.

LOOKING AHEAD

We are heading towards a more challenging economic and social environment which will have a huge impact on consumer lifestyles, spending patterns, buying behaviours and needs and wants. We remain hopeful that the economic climate in Sri Lanka will take a turn for the better so that all sectors of the economy can come back on track. We remain optimistic about the Company's future prospects, as macroeconomic conditions improve. After navigating two of the most highly volatile years in our history, no challenge will be too great for the Company to surmount.

Sector Review: Life Insurance



Tough times never last, tough people do

– Dr Robert H. Schuller



Dear Stakeholders,

Ceylinco Life has traversed through many periods of challenge and adversity through its corporate journey, but the last two years have been unprecedented in many ways. Challenges of this magnitude call for companies to act with a long-term approach by closely monitoring economic dynamics and responding in a resourceful and resilient manner. Ceylinco Life was successful in sustaining its market leadership position into the second year of the pandemic, demonstrating unequivocal strength, dedication and professionalism of our Team.

Our performance demonstrates our strong foundation while reflecting the quality of professionalism of Team Ceylinco Life. Against this backdrop, I am pleased to report that Ceylinco Life delivered on its financial, operational and strategic aspirations by taking a long-term sustainable approach, thereby creating value for all stakeholders.

RESILIENT PERFORMANCE

Ceylinco Life recorded Gross Written Premium of Rs. 25.56 Bn, marking an important milestone amidst adversity. This represents a growth of 16% in

2021, a marginal dip from 17% growth recorded in 2020. The Company was successful in maintaining profitability levels driven mainly by growth in Gross Written Premium (GWP). The Life Fund of the Company reached the Rs. 119.63 Bn mark while the Shareholders' Fund rose to Rs. 44.19 Bn, which represents an increase of 15.86% compared to the previous year. The Return on Equity (ROE) stood at 15.33% while the Capital Adequacy Ratio (CAR), computed as per the Risk Based Capital regulations imposed by the Insurance Regulatory Commission of Sri Lanka (IRC SL), was 397% as at 31st December 2021 which is far above the statutory requirement of 120%.

Ceylinco Life maintained the highest standards of investment credit quality through prudent investment strategies. In cognizance of the volatile nature of the business environment, the company focused mainly on AAA and AA rated instruments and counterparties to safeguard and maintain a balanced portfolio of investments.

Review by the Managing Director/CEO

Mr. Thushara Ranasinghe
Ceylinco Life Insurance Ltd.



During the year we honoured Rs. 12.73 Bn in policyholder claims and benefits. Hospitalization claims increased marginally during the year due to the pandemic, but the company ensured that all claims were honoured. The company disbursed Rs. 1.4 Bn in death claims in 2021, compared to Rs. 725 Mn in the previous year.

HIGHLIGHTS OF OPERATIONAL PERFORMANCE

Ceylinco Life considers its employees to be its key competitive advantage that drives market leadership status. As always, our foremost priority was to maintain a 'Safe' and 'Great' place to work for our team. The Company maintained health and well-being of employees by ensuring strict compliance to COVID-19 protocols and investing in appropriate hygiene and sanitation equipment. Our key strategy in ensuring workplace safety was raising awareness of staff at all levels of our organisation and in our customers.

Although our operational expenses are the lowest in the industry, we continued our efforts of deriving operational excellence and efficiency through digitalization of repetitive tasks and introducing Robotic Process Automation (RPA).

The most awaited policyholder engagement event - the popular Family Savari programme - could not be conducted this year too due to the travel restrictions, but we ensured that the tangible value of this program was maintained by awarding the winners with gold coins of equivalent value amounting to Rs. 30 Mn.

Our Pranam scholarships programme was conducted for the 20th consecutive year contributing to the education pillar, one of the key strategic corporate social responsibility and policyholder engagement initiatives of the company. Scholarships amounting to Rs. 11.8 Mn were awarded for 162 student beneficiaries in 2021. Surmounting the

restrictions for gatherings, we continued our engagement activities on virtual platforms while building relationships for life with our key stakeholder groups - our policyholders, sales team and employees. This ensured the bonds of connectivity and camaraderie being maintained despite the restrictions to connect in person.

DELIVERING ON OUR STRATEGY

Retaining market leadership

Over the years we have placed considerable emphasis on expanding our geographical footprint. Our strategy of constructing branch offices in company owned properties has elevated our positioning within the local communities by instilling confidence in the financial stability of the company. During FY 2021 we saw the completion of the Negombo and Piliyandala branches despite challenges faced by the construction industry. Construction of the Matale and Ja-Ela branches are underway while the proposed Nugegoda branch will commence construction in 2022 to expand our footprint in strategic locations.

Ceylinco Life seamlessly migrated most of its products and services online to maintain smooth customer service through the pandemic through the online platform by introducing digital signatures or e-signatures for authentication purposes. During the year, the company recorded a growth of over 100% in new business through online channels.

Ceylinco Life monitors overall customer satisfaction levels across service touch points through regular surveys. LMD conducted a Customer Service Survey and ranked Ceylinco Life number one in customer service in the insurance industry for 2021.

The brand also enjoys a 48% top of mind brand recall. The net promoter score is being measured currently to understand how many customers are likely to recommend the company to others.

In line with our vision of taking the message of life insurance and retirement planning to every Sri Lankan, we launched the "Life Insurance Week" campaign for the 14th year, where the sales force made a concerted effort to educate the general public about the importance of life insurance. As a company that has its finger on the pulse of evolving consumer preferences, we strived to capture the emerging opportunities in the market by launching two new products during the year.

The Future Saver plan caters to the age groups of 30- to 40-year-olds who prefer to pay for a shorter period of 5-10 years but seek the benefits to pay out over 15-20 years to ensure a steady cash flow at later stages. The second product, Education Protector, covers the school fees of a child in case of the demise of the breadwinner in the family. The product ensures that agreed amount of school fees is paid to the surviving parent to protect the child's education.

Transforming through technology

The commencement of the pandemic in 2020 accelerated our initiatives on the digital frontier and in year 2021 we maintained the momentum of our transformation process through a multitude of digitalization initiatives and use of Robotic Process Automation (RPA) which derived many productivity and efficiency advantages. The digitalization of processes has infused greater efficiency, empowering our workforce, reducing our carbon footprint and driving business continuity. During the year, the company strengthened its digital platforms to conduct business in the new normal by launching the customer App 'Ceylife Digital', which introduces a wide spectrum of benefits to our current and potential policyholders at the touch of a button. A significant investment was made in this initiative and the App has onboarded 12,000 users within five months of launching. The aim is to

Management Discussion & Analysis

onboard up to 100,000 users by the end of 2022.

Ceylinco Life's effort in digitalizing both internal and external systems has elevated its service standards exponentially to offer best-in-class experiences to our customers. Electronic submission of policies gathered momentum during the year, with 65% of all new policies taking place online. Within the next year, Ceylinco Life aims to drive this to 100% deriving cost savings and efficiencies. Digital onboarding of policyholders through the combined use of digital signatures, images and documents for data collection will also be accelerated.

Currently, the process of digitalizing receipts is underway, which will enable all sales agents in the field to use their electronic devices, such as tablets and mobile phones, to receive money and issue digital receipts to customers. This will shorten the time taken for transactions and make it easy for policyholders to keep track of their payments.

During the year, the Company invested Rs. 35 Mn to completely replace the non-computing equipment at the data center with a new "smart server room". The new server room will minimize disruptions due to power failure as it has increased the backup time available with an enhanced environmental footprint by halving electricity consumption and eliminating noise from outdoor AC compressors. Other benefits include server room temperature and humidity monitoring, fire alerts and enhanced physical access controls to the servers.

We are presently working with a consultancy firm to develop a three-year IT roadmap, with the main focus of leveraging technology by utilising data analytics and artificial intelligence to fuel company's growth momentum. This significant investment over the next three-year period will help the

Company to take strides of progress and be future ready. The Company has already deployed artificial intelligence with its chat bot "Ceylena" to resolve customer queries. The IT roadmap also envisions the use of robotics company-wide to reduce repetitive work and artificial intelligence to drive marketing and customer service departments, and even fraud assessment of claims.

Nurturing our environment and society

The Company has proved its credentials as a responsible corporate steward by engaging in a host of sustainability initiatives for many years. Our long-term sustainability and success are inextricably linked to the degree of value we deliver to the society and community at large. We aim to play our part by contributing to the development of the country and delivery of products and services for societal needs, during a period where our nation is grappling with many challenges.

The Company donated high flow oxygen machines to 7 regional hospitals to better treat COVID-19 infected patients. Other life-saving medical equipment was donated to strengthen the medical facilities of hospitals which were grappling with a surge in the number of patients. As a forerunner in environmental conservation under its Go Green project, a 100 Mw rooftop solar energy project was launched at La Serena at a cost of Rs. 15 Mn – a significant step in the direction of achieving the objective of reducing the carbon footprint.

Investing in our people

The entire staff at Ceylinco Life adapted quickly to the new norm of online meetings and even training programmes, which ensured there was no disruption when it came to enhancing skill sets of frontline employees. During the year we participated in the Great Place to Work survey and based on the feedback received, launched some key initiatives to increase opportunities for idea generation which has proved to be

a motivational tool. 'Customer Service Champion' and 'Super Idea Hero' projects were launched to encourage employees to engage further with the company.

The marketing team joined an international training programme conducted by a professor from the UK which was received well by the participants. Our professional sales force is upskilled with regular training programmes while giving them the latest digital tools to remain competitive, even more so due to the digitalization drive taking place in the company presently. Staff is actively looking at increasing online business and in time we may have to build a different business model for our sales force that leverages more on digital platforms.

Ceylinco Life's performance-driven culture is enhanced by its commitment to continuous learning and open lines of communication to ensure employee concerns are heard and addressed at any point in the employee life cycle.

AWARDS AND ACCOLADES

Ceylinco Life was ranked as the 'Most Valuable Life Insurance Brand' in Sri Lanka in the 18th edition of the Brand Finance Awards. We also emerged SLIM Nielson People's Life Insurance Brand of the Year in 2021. This is the 15th consecutive year that the Company has been recognized with this accolade since the inception of the awards.

Ceylinco Life was ranked amongst the '10 Most Admired Companies in Sri Lanka' by the International Chamber of Commerce Sri Lanka (ICCSL) in collaboration with the Chartered Institute of Management Accountants (CIMA). Ceylinco Life is the only insurer in the 'Top 10' in the latest edition of this prestigious list.

Ceylinco Life retained its title as World Finance's 'Best Life Insurer in Sri Lanka' in 2021, reaffirming its

consistency in performance in an extraordinarily challenging year marked by the COVID-19 pandemic. Bestowed on the Company for a record eight consecutive years, 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 our policyholders.

Ceylinco Life was awarded the 'Great Place to Work' for the second consecutive year with a five-mark improvement over the overall rating accorded to the life insurance leader last year, following an independent analysis conducted by Great Place to Work®, a global authority on workplace culture.

Over the years we have placed significant emphasis on corporate reporting and transparency. Our Integrated Annual Report 2020 won a joint Silver Award at the Annual Report Awards organized by the Institute of Chartered Accountants of Sri Lanka.

Further, the Annual Report was ranked among the '10 Best Integrated Reports' for the second consecutive year at the 7th edition of the 'CMA Excellence in Integrated Reporting Awards 2021' presented by the Institute of Certified Management Accountants (CMA) of Sri Lanka.

LOOKING AHEAD

Sustaining market leadership status, which we have achieved for the past 18 years, remains our foremost strategic objective, while working towards recording above average industry growth in 2022 over the previous year. Customer-centricity and enhancing customer experience will be pivotal in maintaining our market leadership position hitherto maintained on a continuous basis. Recognizing the needs of the millennial and Gen Z policyholders and enhancing the customer experience through digitalization will be a key focus area.

Enriching our positioning as a most sought-after employer in the industry by promoting a Great place to work culture as a strategic priority will be a primary focus area whereby, we could attract and retain the best talent in the industry. We also recognize the aspirations of the millennials and Gen Z workforce and hope to align our practices to be an appealing and attractive workplace to these emerging segments.

Environmental sustainability has been a part of our DNA and will continue to drive the way we operate and expand our business. Strongly underpinned with our digitalization initiatives, we envisage our operations to be digitally driven with the least impact on our natural resources, thereby reducing our carbon footprint by 10% by 2022.

As we look forward to a stronger 2022, we at Ceylinco Life remain committed to delivering on our purpose of spreading the message of life insurance whilst contributing to the well-being and growth of the societies in which we are operating by creating and delivering value to our stakeholders.

Sector Review: Power & Energy



Overall, the strong performance of the power and energy sector companies of Ceylinco during year 2021 must be commended. The future developments of the sector however will have to be looked at case-by-case and also by analysing the emerging macroeconomic conditions due to post-COVID-19 economic challenges being faced.



The entire world was affected by the COVID-19 pandemic during the year 2021. Sri Lanka too faced its own set of challenges. On a positive note, the central highlands of Sri Lanka were blessed with very high amounts of rainfall throughout the year under review, which resulted in the sector achieving the highest-ever hydro power generation from our hydro power fleet.

The Power and Energy Sector of the Group comprises 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 hydro power plants, namely, Rajjammana, Kumburuthaniwala, Loggal Oya Phase 1 & Phase 2 operated well during the year. As an overview, Kumburuthaniwala (2MW) achieved 113%; Loggal Oya Phase 1 (1.6MW) achieved 131%; Loggal Oya Phase 2 (5MW) achieved 100%; and Rajjammana achieved its highest-ever targets by reaching 124%.

All projects reported lesser breakdowns through the year. Since the project operated continuously throughout the year, certain scheduled maintenance

and replacement works were postponed for a dry period at a later date after assessing and reassuring that the health of the plant was not affected. The hydro plants have a sizable inventory of spare parts and technical services available to ensure 24X365 plant operations.

The Solar Power Projects - EGHL Mathugama (2MW) and EGHL Galle (2MW) - commenced commercial operations in September and December 2020 respectively. The plants performed to 85% of their targets during the calendar year 2021. The main reason for the deviation was the rainy weather and cloud cover which was present throughout the year.

From Sri Lanka's perspective, due to the lower economic activities in the country and resultant lesser usage of electricity for industries and commercial and



Review by the Director/CEO
Mr. Upali Witharana

residential users, the requirement for emergency power through high cost thermal power was not required during 1Q and 2Q 2021. Thus, the Ceylon Electricity Board (CEB) managed to reduce its operational losses. However, 3Q and 4Q witnessed resumption of commercial activities post-COVID-19, especially in tourism, which generated additional demand for electricity. Therefore, being unprepared and not having a well-established plan to meet such energy demand in the future may lead to a crisis situation if not properly planned and addressed.

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 70% country's electricity demand in 2030 through renewable energy sources. However, the very slow approach by CEB and Ministry of Power & Energy in floating a sufficient number of solar and wind tenders, and not processing the tenders within the set timelines have killed the momentum and excitement amongst investors in the sector.

Transparent procurement procedures are required to procure energy, at least on the path to achieve 70% renewable energy by 2030. In this regard, as a Company we believe that renewable energy resources, which have a huge potential - such as wind and solar - has to be procured through a competitive bidding process for the available limited grid capacity. During year 2021, we observed certain attempts to develop methodologies lacking transparency while shortlisting bidders. It is hoped that the Government will not promote such moves and will adhere to standard procurement methods if the long term targets are to be achieved.

As a serious player in the industry, our power and energy sector has participated in almost all CEB tenders for development of Renewable Energy in the last 4 years. We will be continuously participating in future tenders and will strive to win projects at attractive tariffs.

The shortage of foreign exchange is a major challenge to develop renewable energy in the short term. Approximately 80% of investment is linked to foreign exchange for solar and wind power. Therefore, although the Government has ambitious plans, the ground reality is different and rather gloomy.

Overall, the strong performance of the power and energy sector companies of Ceylinco during year 2021 must be commended. The future developments of the sector however will have to be looked at case-by-case and also by analysing the emerging macroeconomic conditions due to post-COVID-19 economic challenges being faced by all countries in the world.

| 2021 | Ceypower Cascades (Pvt) Ltd | Ceyhydro Developers (Pvt) Ltd | Energy Generators (Pvt) Ltd |
|--------------------|-----------------------------|-------------------------------|-----------------------------|
| Capacity | 2.4MW | 5.6MW | 6MW |
| Revenue (Rs.) | 97,903,628 | 296,234,374 | 634,686,982 |
| PAT (Rs.) | 4,739,467 | 128,061,084 | 360,477,436 |
| Total Assets (Rs.) | 347,768,547 | 953,932,847 | 2,310,246,148 |

Sector Review: Education



Online education boomed during this period and almost all our educational institutions moved to online education. It was remarkable to see how fast and efficiently students starting from the kindergarten to higher education, including teachers, adapted to the new digital platforms. Even though it was expected that digitalization would disrupt education, eventually the pandemic expedited the process at an unbelievable speed.



The challenges caused by COVID-19 continued in the financial year 2021 as Education Institutions were only open for a couple of days during the year. O/L and A/L examinations were postponed and students who were going overseas to study were hampered as boundaries in most of the countries were not opened until the last quarter.

Online education boomed during this period and almost all our educational institutions moved to adapt to this mode. It was remarkable to see how fast and efficiently students starting from the kindergarten to higher education, including teachers, adapted to the new digital platforms. Even though it was expected that digitalization would disrupt education, eventually the pandemic expedited the process at an unbelievable speed. Since students were missing out on socialising with fellow students, many online events were organised to keep them together even at the Montessori level. The utmost efforts were made not to deprive children totally of the spirit of camaraderie and fellowship. Wherever possible the sector's Institutes

conducted online events such as Vesak Bakthi Gee and Christmas Carrols to lift their spirits.

During the year under review, the lifestyles of families changed, especially where both parents worked, one parent had to stay back from work or shift to Work From Home (WFH) to supervise the children. Overall it was a massive transition from school, playgrounds, swimming pools, extracurricular activities such as drama, music to simply stay home and follow online classes. This was the reality or the "new normal" every child and adult had to adopt since 2020.



Review by the Chairman
Dr. Jagath Alwis

While the existing students continued their studies online, remarkably our staff adapted to enrolling students using digital marketing tools. Online marketing of education institutions was successful compared to marketing of other products. Even the local Universities conducted their course work online even though there were many barriers, particularly from students who come from below average income families. One such barrier was the increase of prices of laptops and mobile devices which are essential for online education.

Around 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, some of these students were forced to stay behind, which created additional demand for local institutions providing pathway programmes. Even after borders were opened for students, Sri Lankan students found it extremely difficult to remit their course fees due to the prevailing dollar crisis in the country. Even local institutions had a hard time remitting their royalty payment to foreign Universities. This once again paved the way for Sri Lankan students to pursue their studies in Sri Lanka, by enrolling in recognized foreign Universities and locally approved degree programmes 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 programmes and other professional qualifications offered by both state and private higher education institutions.

The demand for Higher Private Education continues increasing both at the Bachelors and Post-graduate levels. Both state and private higher education institutes compete in the market for post-graduate qualifications. This is

due to the fact that the post-graduate 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 a combined market share of around 60% of the post-graduate market, as 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 to provide the proper foundation for graduates and post-graduates courses. In spite of all barriers the group managed to improve the turnover by 4.3% and profit after tax by 235%.

The industry holds significant market potential in attracting large numbers of foreign students, especially to pursue international degree programmes in Sri Lanka at a fraction of a cost compared to travelling to the country of the respective partner Universities. 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. In a remarkable achievement, the 2020 and 2021 graduation ceremonies which were postponed due to the pandemic were held in the latter part of 2021 and early 2022, conducted under strict health protocols.

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, offers the 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 is the most preferred medical students placement entity in Sri Lanka which has linked with Medical Universities in USA, UK, Europe, Australia, India, Malaysia and Armenia.

ANC Australian Foundation Programme has been specially designed for those who wish to complete their undergraduate studies in Australia and their Diploma Programme enables students to enter the second year of Degree Programmes in selected Australian Universities. Due to the pandemic they were permitted by certain Australian Universities to complete the second year also at ANC since the borders were closed.

The US Business Degree offered by ANC that could be completed in Sri Lanka with partner British universities is witnessing students successfully completing their Masters in Sri Lanka.

Management Discussion & Analysis

ANC Education is specialized and leading in Transnational Education and partnered with highly-ranked Canadian Universities in 2020. This has become a very popular pathway as the Canadian borders were relaxed. ANC has further developed an Executive MBA with a partner University. The programme 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 centers 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.

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. Educationists have accepted that the Montessori method places a child on the right path to become a confident and self-motivated learner.

The biggest challenge even in 2021 was to teach kids below five years 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.

During the year the commendable staff of MMI held events online which proved very popular amongst kids as well as parents. These events helped us to keep the kids together during the pandemic period.

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

NETASSIST INTERNATIONAL

Established in 2002 as a BOI-approved joint venture between Singapore NetAssist Services and CEG for providing IT training and professional certification, NetAssist 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.

NetAssist, through its affiliation with VUE Authorized Test Centre, offers online examination facilities for Microsoft, Oracle, Cisco, CIW, VMware, CPA Australia, Red Hat, EMC, Novel, HP ITIL and Kryterion. Microsoft recognized NetAssist 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 NetAssist as its Authorized Education Centre for Sri Lanka and the Maldives. NetAssist 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 COLOMBO

Founded in 1985, it is 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 center for Cambridge Education from Year 1 to 13 and has achieved a quality of educational excellence which is on par with global standards.

There are plans to construct a 6-storey building while maintaining the heritage building at the same location. The construction work has begun in 2020.

WYCHERLEY INTERNATIONAL SCHOOL GAMPAHA

Formally known as Regent International School, this school in Gampaha is the newest addition to ANC Education which 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 entity was acquired by Wycherley International School Gampaha in December 2018.

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. The Institute is an ISO 9001; 2015 certified company.

It is to the credit of the ICBT Campus that they managed to complete the construction of their 14-storey building behind the existing 8 story building in R A De Mel Mawatha, Colombo 4, during the pandemic period. It will be ready for students after higher education institutions classes by the health authorities. This state-of-the-art building will house all the engineering labs, lecture rooms, student launches, study rooms and common areas.

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 and Gampaha. ICBT has received approval as a degree-awarding institute from the Ministry of Higher Education and will offer its own Bachelors of Business Management Honors Degree from 2021. The construction of the new ICBT 14-storeyed state-of-the-art building next to their 8-storeyed building on Duplication Road, Colombo 03, is operational. Once the second building is completed, the total sq. ft. area will amount to 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 gatherings for exhibitions were not allowed.

CORPORATE GOVERNANCE

The two main educational institutions, ICBT Campus and ANC, have established an Audit Committee, Investment Committee, HR Committee and ERM Committee as part of good corporate governance practices. Regular meetings are conducted to facilitate the Board of Directors to make appropriate decisions in a timely manner carrying out the day to day operations.

CSR

Corporate Social Responsibility (CSR) is considered 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.

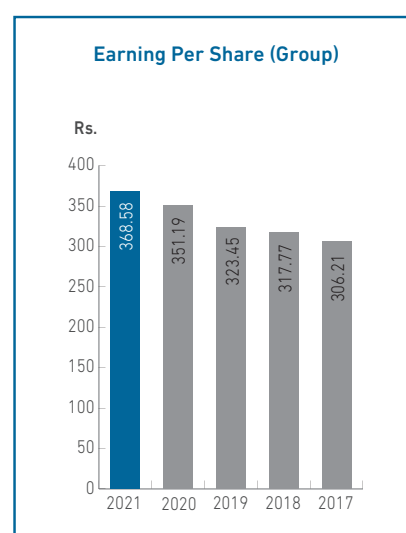
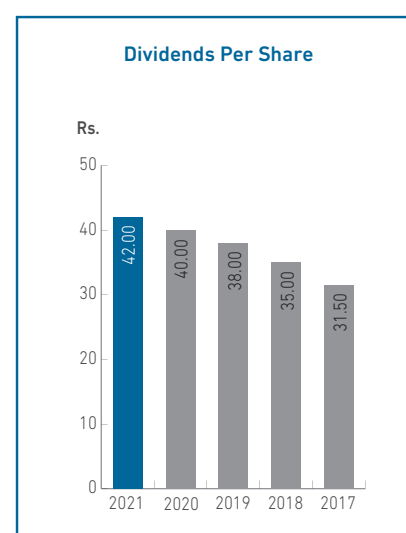
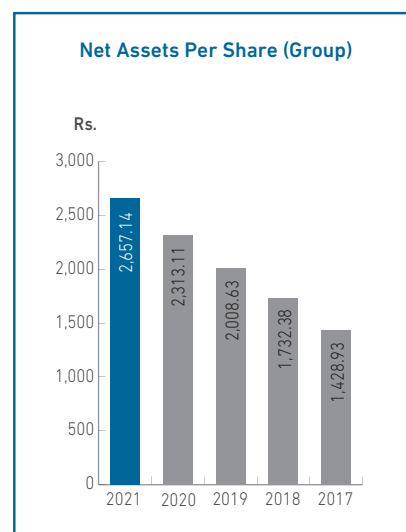
OPERATIONAL RISKS

Some of the operational risks faced by the sector and the actions taken to minimise these risks are listed below:

| Operational risks | Mitigation action |
|--|--|
| Shortage of qualified academic staff members in specialist areas. | The 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. | This risk is mitigated by maintaining multiple university partnerships and maintaining 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. |
| The impact of the pandemic and events such as strikes and riots, where educational institutions are forced to close temporarily. | Develop further online delivery platforms and train staff to deliver the programmes online with permission from partner Universities. |
| Due to the present dollar crisis, in Sri Lanka, the payment of royalty to foreign University partners was delayed. | Negotiating with several Banks and with partner Universities for students to pay the royalty; since the amounts are small, it's more manageable than the Institution sending it in bulk. |

Share Information

| For the year ended 31 December | | Year ended 31-Dec-2021 | Year ended 31-Dec-2020 |
|--|-----|---------------------------|---------------------------|
| Net Assets Per Share | | | |
| Book value | Rs. | 2,657.10 | 2,313.10 |
| Earnings | | | |
| Earnings per share | Rs. | 368.58 | 351.18 |
| Price Earnings Ratio (times) – Voting | | 6.1 | 5.7 |
| Price Earnings Ratio (times) - Non Voting | | 3.3 | 2.9 |
| Dividends | | | |
| Interim & Final Dividend | Rs. | 42 | 40 |
| Share Price - Voting | | | |
| High | Rs. | 2,474.00 | 2,100.00 |
| Low | Rs. | 1,846.00 | 1,401.00 |
| Last transaction | Rs. | 2,249.75 | 1,997.80 |
| Share Price - Non - Voting | | | |
| High | Rs. | 1,498.75 | 1,100.00 |
| Low | Rs. | 900.00 | 700.00 |
| Last transaction | Rs. | 1,197.00 | 1,021.80 |
| Share Trading - Voting | | | |
| No.of transactions | | 970 | 457 |
| No.of Shares traded | | 169,769 | 98,527 |
| Value of shares traded | Mn | 328 | 176 |
| Share Trading - Non - Voting | | | |
| No.of transactions | | 2,645 | 1,254 |
| No.of Shares traded | | 328,177 | 135,878 |
| Value of shares traded | Mn | 332 | 113 |
| Days Traded - Voting | | | |
| No.of days traded | | 167 | 123 |
| Total no.of market days | | 240 | 209 |
| % of Market days traded | | 69.58 | 58.85 |
| Days Traded - Non - Voting | | | |
| No.of days traded | | 214 | 156 |
| Total no.of market days | | 240 | 209 |
| % of Market days traded | | 89.17 | 74.64 |
| Market Capitalisation - Voting | | | |
| Value | Mn | 44,995 | 39,956 |
| % of market | | 0.82 | 1.35 |
| Market Capitalisation - Non - Voting | | | |
| Value | Mn | 7,678.13 | 6,554.32 |
| % of market | | 0.14 | 0.22 |
| Price Movements | | | |
| CSE All Share Price Index | | 12,226.01 | 6,774.22 |
| S&P SL 20 Index | | 4,233.25 | 2,638.10 |
| Ceylinco Insurance Share price - Voting | Rs. | 2,249.75 | 1,997.80 |
| Ceylinco Insurance Share price - Non- Voting | Rs. | 1,197.00 | 1,021.80 |



Corporate Social Responsibility - General Insurance

Ceylinco General Insurance is closely intertwined with the local communities in which it operates, providing support and assistance of all kinds to enhance people's quality of life. As a company that has its finger on the pulse of the citizens, the Company understands their needs and aspirations, and has launched its CSR brand – "Ceylinco VIP Pihita" – under the umbrella of which all its future CSR activities will be conducted.



Blood Donation Camp in Anuradhapura



Staff of the Anuradhapura branch of Ceylinco General Insurance organised a Blood Donation Camp in Anuradhapura in February 2021. The camp witnessed participation from employees and their family members, customers, as well as people from surrounding areas, who volunteered to donate blood. The Blood Donation Camp was conducted under the supervision of the doctors of the Blood Bank in Anuradhapura, with several doctors and nurses in attendance. It was a huge success – with over 55 pints of blood collected.

Ceylinco General Insurance to provide monthly living expenses to Five Children of two families orphaned by the Passara bus accident



A private bus travelling from Lunugala to Colombo fell into a precipice of about 200 feet near Passara on Badulla Monaragala road, claiming 15 lives which shook the entire nation. Several children lost their parents and breadwinners of many families leaving them in desperate conditions. Ceylinco General Insurance selected two families in which the first family had three children, where both parents died in the accident. Three school going children of the ages nine, eight and five years were left stranded with aged grandparents with no financial support whatsoever. Ceylinco General Insurance committed to provide a monthly contribution of Rs. 30,000/- to meet their educational, travel and living expenses.



Distributing Face Masks

During the height of the second wave in August 2021, Ceylinco General Insurance took the initiative to distribute 300,000 face masks to Motor Cycle users and Three wheel users in order to encourage them to use these for their benefit as well as for the benefit of others. These were distributed all over the island through the branch network and was a welcome move amongst those who received them with appreciation. The LED network of Ceylinco General Insurance was used to support this effort, constantly reminding to use the face mask properly for their and others' benefit.



Corporate Social Responsibility - Life Insurance

Despite facing immense disruptions and challenges in a post COVID-19 pandemic environment, Ceylinco Life forged ahead responsibly conducting its responsibilities in social enterprise with great dedication, integrity and passion.

As part of its commitment to Corporate Social Responsibility (CSR), Ceylinco Life continued to focus on the Sustainable Development Goals relating to Good Health and Wellbeing and Quality Education.

Good Health and Wellbeing

Ceylinco Life commenced the year 2021 with plans for new initiatives such as the Provincial level CSR and classroom projects.

However, with the lockdowns enforced in the early part of 2021 resulted in the prolonged closure of schools, rigorous adoption of social distancing requirements, isolation of selected areas, the planned CSR activities were postponed. This year the health camps under the 'Waidya Hamuwa' project was not conducted due to social distancing and safety protocols of the pandemic. Instead, the company focused to prioritize on some of the critical needs of society given the increase in COVID-19 patients.

Support to hospitals to treat the Covid 19 Patients

The key challenges of the pandemic in 2021 centered around the following issues:

- People being affected by area isolation, lockdowns and travel restrictions. Many people had difficulty in finding access to basic needs due to their livelihoods being affected.

- Sri Lankan hospitals experienced a sudden influx of patients with COVID-19. Most of the state hospitals were not equipped to handle this sudden increase and did not have adequate resources to treat patients in critical situations.

This resulted in Ceylinco Life concentrating in above two areas while maintaining the already donated high dependency units.

As part of the community projects Ceylinco Life focused on many provincial level initiatives to support the local hospitals. The Company decided to transfer the allocated budgets to support local hospitals to accommodate the influx of patients.

The Company donated much needed "High Flow Nasal Cannula" (HFNC) equipment to seven regional level hospitals. A high flow nasal cannula is used to provide relatively high FiO2 to patients with severe hypoxic respiratory failure.



A special feature of this initiative is that the Company's staff spearheaded the project by identifying and informing head office of the requirements, sourcing the equipment and handing over to the hospitals that were in need. The total value of the above donation was Rs. 6.82 Million

Maintaining the Five High Dependency Units

Ceylinco Life has over the years donated High Dependency Units (HDU's) in the following key hospitals in the country.

1. The Lady Ridgeway Hospital, Colombo
2. The National Hospital, Colombo
3. The Teaching Hospital, Jaffna
4. The Colombo South Teaching Hospital, Kalubowila
5. Teaching General Hospital, Kandy

With the outbreak of the COVID-19 spread, many units were converted to treat COVID-19 patients. In order to ensure that these units were functional at this critical phase, the Company conducted maintenance activities of the HDUs.



Support to COVID-19 affected



Staff of Ceylinco Life rallied together to provide dry rations to daily wage earners who were unable to find adequate food for their families due to the travel restrictions imposed to curtail the spread of COVID-19 in the Colombo District.

These dry ration packs were distributed to the families in the Slave Island and Torrington areas. Ceylinco Life worked with the Centre for Humanitarian Affairs of the Consortium of Humanitarian Agencies (CHA) and officers of the Police in this effort.

324 employees working in the Head office and island wide branches contributed 50% of the cost of each dry ration pack whilst Ceylinco Life contributed the balance 50% of the cost. Total value of the total packs amounted to Rs.1.44 Million.

Quality Education

Development of a new classroom design

Ceylinco Life focused on designing a new classroom for the 22.3x17.3 classrooms donated over the years. This was done following the feedback received from the school teachers and students. The new classroom design plan that has been introduced in 2021 will be followed when constructing future classrooms under this project. The first classroom project under this plan will be constructed in Indikolapalssa School in Sewanagala Monaragala District.

Support to maintain existing classrooms

In keeping with our commitment to maintain the classrooms that were built in the past, we focused maintaining the classrooms by conducting repairs. During the year, repairs to the roof and painting of a classroom constructed in 2008, namely G/Kadhingala Maha Vidyalaya Pannimulla Panagoda Galle District was undertaken.

Construction of a new classroom

The COVID-19 posed many challenges to the local education sector as education activities transitioned to an online mode. However, the Company continued to believe in the merits of classroom education for children and undertook classroom constructions projects. An example of this was to fine-tune the classroom design and plan, and constructing a classroom for Indikolapalssa School in Sewanagala under this plan.

Events of the year - General insurance

'Ceylinco VIP Cyber Tharu' showcasing Sri Lankan Talent Concludes Successfully



Ceylinco General Insurance conducted a novel online competition - 'Ceylinco VIP Cyber Tharu' - which was promoted over a period of four months by providing a platform to showcase Sri Lankan talent and the opportunity to win handsome cash prizes concluded successfully with the announcement of the Grand Prize winners In August 2021. The competition received an overwhelming response from Sri Lankans of all walks of life and was held in two stages. Initially contestants were encouraged to send in their entries within a stipulated time period. They were given the opportunity to participate individually, as a family, or a group. Subsequently, entries were scrutinized by an independent and eminent panel of judges comprising of industry professionals, Bhatiya Jayakody & Santhush Weeraman, Pooja Umashankar and Ramod Malaka. A special website was hosted for this purpose - enabling contestants and the public to view all details relating to the guidelines, criteria and regulations of the competition and voting in all three languages. All the received entries amounting to over 450 were sent to the panel of judges who selected the best 35 each from Dancing and Singing categories which were put forward for the voting round. The uniqueness of the competition was that the selected performances were sent back to the contestants for them to post them on

their individual social media platforms. Thereafter, they encouraged their friends and followers to vote for them through the website. Accordingly, the contestants that received the highest number of votes were announced as winners. Mathinathan Loganathan, who received 56,600 votes, won the Singing competition, and Team Agini, which received over 77,000 votes, was selected as winners of the dancing segment. Both winners received handsome cash prizes whilst 6 randomly picked voters too were rewarded with valuable cash prizes.



Ceylinco VIP pays Rs. 437 Million for Serious Illnesses of its policy holders as additional benefits

Ceylinco VIP On The Spot has already paid Rs. 437 Million for serious illnesses of its policy holders as additional benefits by the end of 2021. All Ceylinco VIP On The Spot policy holders who insure their vehicles with Ceylinco VIP are entitled to an exclusive Rs. One Million Serious Illness Cover that will reimburse medical costs incurred in the treatment of heart disease, cancer,

kidney failure, stroke and several other serious illnesses including major organ transplants, chronic lung and liver diseases, deafness, blindness, multiple sclerosis, paralysis etc. Out of this Rs. 437 million, Rs. 315 Million were paid for Heart related ailments and another Rs. 122 Million were paid for treatment of Cancer, Kidney ailments and several other serious illnesses. Among the beneficiaries are Comprehensive policy holders who insured all types of vehicles with Ceylinco VIP as well as 3rd party policy holders. In the case of individual customers, the insured is entitled to this revolutionary benefit, while corporate customers or fleet owners must name an individual (user or driver) as beneficiary. For individual customers with more than one vehicle, the spouse or immediate family members could be named as beneficiaries. Similarly, comprehensive motorcycle and Three Wheeler policyholders will be entitled to a cover of Rs.100,000/- and third party customers too will benefit with a cover of Rs.100,000/-.



Awards Ceremony held online for the 1st time

For yet another year, the Annual Sales Conference and the Awards Ceremony could not be held with the usual glitter and glamour, but the tradition was continued as an online event under the theme 'Amidst all challenges you made it happen - we salute our superstars of 2020'.

The online Awards Ceremony, which was also a novel experience for all the sales staff, awarded them with handsome cash prizes for their exceptional achievements in 2020. The selection process remained the same and rewards were given as customary covering all areas of achievements.



Ceylinco General Insurance expands its network of digital LED screens to 60

Ceylinco General Insurance increased its LED screens installed in major cities and towns to 60, making easily making it the largest outdoor digital advertising network in the island.

Embarked in 2017, on this ambitious project to install LED screens in major cities to advertise its products and services, these LED screens enable Ceylinco General Insurance to deliver targeted messages with high impact to hundreds of thousands of people when they are on the move. Unlike static bill boards, these LED screens are located at the right locations for maximum effectiveness in reaching the targeted audiences. Also these are very useful in delivering messages beneficial to the community as well as other CSR activities.



Partnering Corporate Events

Ceylinco General Insurance supports many corporate bodies in the country to hold their events and this year too, the Company stepped forward as Strategic Partner for leading corporate events:

CNCI Awards

CNCI Awards of the Ceylon National Chamber of Industries was one of the events supported during 2021. CNCI Annual Awards Ceremony is organised by the Ceylon National Chamber of Industries (CNCI) to felicitate MSMEs as well as the large and extra-large categories of manufacturers and service sector organisations that excelled in delivering products and services maintaining high quality standards. CGIL has been associated with this prestigious awards event for nine years in a row.



National Business Excellence Awards

Yet another event partnered by the Company during 2021 was The National Business Excellence Awards organised by The National Chamber of Commerce of Sri Lanka. This event is widely acknowledged as the premier awards held for corporates in the country and includes a number of categories that celebrate the pinnacle of corporate achievement. Our partnership with the NBEA Awards is now in its eighth year and ensures our brand retains high visibility amongst Sri Lanka's corporate corridors.



SLIM-Nielsen Peoples Awards

Ceylinco General Insurance joined SLIM - Nielsen Power of Peoples awards - 2021 as the insurance partner of the event. SLIM – Neilson POP Award is the only awards ceremony that the award winners are chosen solely by people's votes based on a nationwide research conducted by Nielson Lanka (Pvt) Ltd. The awards ceremony is one of the most popular annual marketing events in Sri Lanka organized by the Sri Lanka Institute of Marketing. The awards are distributed across over 45 different categories of media, marketing, banking, insurance telecommunication, sports, drama & singing, food and beverages etc.



Events of the year - Life insurance

Expanding Our Geographical Footprint

Ceylinco Life has embraced a strategy of expanding its geographical reach with a network of strategically placed branches. This is in line with its vision of taking the message of life insurance and retirement planning to Sri Lankans across the island. The Company has over the years invested significantly to establish its presence in key regional hubs in order to reach out to surrounding villages and towns. With a strategic presence in every district, we have over the years created a nationwide reach which has enabled us to maintain our No 1 market positioning.

The Company's expansion strategy is primarily focused on investing in buildings which are constructed on land owned by the Company, resulting in the two-pronged benefit of cost savings and capital appreciation of land value over time. Investment in property has over the years infused stability and strengthened the Company's brand presence. This has enabled the Company to strengthen its market positioning and nurture strong community relationships within the respective locations.

Our network of 138 branches has created a tangible impact by enhancing penetration levels across Sri Lanka. The Company has a mix of leased and own properties with 110 leased properties and 28 own properties.

During the year under review, the company invested in renovating and building two branches, namely in Negombo and Piliyandala.

Negombo Branch

The Company declared open its extension to the Negombo branch which consists of 7,950 square feet of floor space making it the second largest of the Company's branches with a total of 18,859 square feet of space.

The purpose-designed five-storey addition to the Negombo branch enhances Ceylinco Life's network of green branches which are founded on sustainable energy. This building is powered by solar energy from a 57.2kW solar power system and it reduces the Company's reliance on electricity from the national grid. This solar power system is the second largest in the Company's network of buildings and the largest among all branches. This building is equipped with the second largest rainwater harvesting facility built by Ceylinco Life, a modern sewage treatment plant that treats wastewater and recycles it for toilet flushing and gardening purposes, and the latest energy-efficient air conditioners to reduce energy consumption.

Enhancing customer and employee convenience, this new building is equipped with an elevator and a dedicated car park with 20 slots, a Cash Deposit Machine that makes it possible to deposit premiums around the clock across 365 days of the year, a new customer lounge and private discussion rooms to facilitate meetings with customers.



Piliyandala Branch

The Piliyandala branch demonstrates the Company's commitment in expanding its network of green branches. The new three-storey building is 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 environment-friendly specifications adopted by the Company for all new branches built on its own land.



Commencement of Construction of Ja-Ela and Matale branches

The Company commenced the construction of two of its branches located in Ja-Ela and Matale by laying the foundation stones. The proposed Ja-Ela branch will consist of a three-storey solar-powered eco-friendly building located at No 26, Highway Access Road, Ja-Ela, providing 9,870 square-feet of office space on Company-owned land, significantly strengthening Company's presence in the area.

This building will feature many eco-friendly elements such as a solar power system which enables zero consumption of electricity from the national grid, rainwater harvesting facility and a sewerage treatment plant that will recycle wastewater for toilet flushing and gardening.

The Matale branch will be constructed to eco - friendly specifications adopted for all new branches on company-owned land, taking another step in the expansion of green practices in its operations. This four-storey building will be completed within the next 15 months at Nos 176/A, 176/ 1/1 and 176/B, Trincomalee Road, Matale, adding 5,039 square feet of office space, with a dedicated parking, the Company said. This will be the first Ceylinco Life branch to be built on company-owned land in the Matale district.

Designed to further reduce the carbon footprint of Ceylinco Life, the new branch will be powered entirely by a 20kW solar power system that will result in zero consumption of electricity from the national grid. It will feature a rainwater harvesting facility, a wastewater recycling system, and will only minimally consume pipe-borne water, the Company said.

The proposed buildings are designed for optimal use of natural light and will be equipped with the latest energy-efficient lighting and air conditioning systems. All constructions will minimize the use of timber and the property, upon completion, will include new trees.



Engagement with Policyholders

In the year under review, Ceylinco Life continued its two primary engagement initiatives namely the Ceylinco Life Pranama Scholarships and the Ceylinco Life Family Savari programs. These community programs were designed to secure the twin objectives of establishing and nurturing strong relationships between the policyholders and their family members, and in creating a lasting brand affinity with the objective of influencing future generations.

Ceylinco Life Pranama Scholarships



Ceylinco Life held the 20th edition of its 'Pranama' Scholarships programme. At this ceremony 162 students who are children of policyholders who excelled in academic and extracurricular activities were felicitated with Rs. 11.8 million worth scholarships. Ceylinco Life Pranama scholarships are presented annually 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 presents special cash awards to policyholder's children who are placed second, third and fourth at district level at the GCE Advanced Level examinations.

The latest 20th edition rewarded 30 students who excelled at the 2020 Year 5 scholarship examination with Rs. 120,000 each, payable in instalments over five years. Another 25 students who excelled at the 2019 G.C.E. Ordinary Level Examinations received a monthly sum of Rs 84,000, payable over two years, while 25 students placed 1st in their districts at the 2019 G.C.E. Advanced Level examinations received scholarships worth Rs 144,000 each, payable over a three-year period. Members of this group were also presented with special awards of tabs and other electronic devices.

Pranama scholarship winners have achieved great strides over the years to qualify as doctors, engineers, lawyers and accountants. Despite the ongoing COVID-19 pandemic, this ceremony was conducted virtually for the second consecutive year with much success.

Family Savari

Ceylinco Life rewarded its loyal policyholders with Rs. 30 million worth of gold, as an exciting alternative to its 'Family Savari' mega promotion. As the life insurance market leader more than 600 policyholders who obtained life insurance or retirement plans active between September 2020 and August 2021 were eligible to take part in the grand draw to win this bonanza in gold.

The program also has on offer a unique reward in that one grand winner is afforded the chance to take home Rs.1 million in gold every two months with Rs.4 million being distributed among 100 policyholders at each draw. Outdoor promotions were also conducted to raise awareness about this program during 2021.

In the pre-pandemic times policyholders and their families were able to travel overseas, but the travel restrictions in place meant that this was no longer possible.

Management Discussion & Analysis

Launch of 'Ceylife Digital' App

To enhance customer service levels, create contactless insurance and enhance the functionality to conduct all transactions digitally the Company launched the 'Ceylife Digital' Customer App. This App can be downloaded and operated on Android, iOS, and Huawei's HarmonyOS. Launched in English, the app is to be upgraded shortly with trilingual functionality.

This App provides instant and round-the-clock convenience to customers providing the opportunity for anyone to browse non-customer offerings, along with a host of features and benefits including the ability for policyholders to register as Ceylinco Life customers. Customers are also able to view the status of their policies and the separate benefits pertaining to each of those policies, the capability to pay premiums online securely, and even purchase an online Life, Retirement, or Investment policy.

Furthermore, users can request for services through the App, view details of life insurance products, access the news and promotions sections related to the Company, and view the locations of and information on Ceylinco Life branches countrywide.



Events of the year: Education

ANC Virtual Education Fair

Aspiring Sri Lankan students were presented with an opportunity to interact with several foreign university partners. 13 Australian universities and 12 US/ Canadian universities participated at the ANC Virtual Fair 2021.



ANC Student Event

The ANC Games Day is a perfect reunion for ANC students before they start a fresh semester. The event includes games organised by Red Bull including Red Bull Pong, Race Till You Drop, Carry the Bull, PS4 Tournament and so on.



ANC Career Fair

Students and graduates were presented with an opportunity to meet representatives from various companies, hotels, banks and corporate institutions at the ANC Career Fair 2021.



MMI Environment Day

We at ANC-MMI endeavour to educate children on keeping our environment clean, teaching children at a young age to reduce, recycle and reuse.



MMI Graduation

Our students took centre-stage as they adorned themselves in traditional convocation gowns and caps, beaming with pride and joy as they graduated to primary schools amidst a resounding applause by their teachers and parents.



MMI Student Event

Dancing awakens the inner creativity in children which helps in a child's physical development as they grow.



Wycherley Independence day

The students of Wycherley International School showcased their unity and sovereignty towards their Motherland with a dance to celebrate the 73rd Independence Day celebrations.



Management Discussion & Analysis

ICBT Marketing Awards

The winners representing all branches of the ICBT campus were selected based on their performance of 2019/20. The winners received cash prizes and foreign tours based on their performance.

This is an annual event to recognize and reward top marketing achievers.

ICBT values and recognizes long serving employees. Employees completing more than 10 years were felicitated at the same event with cash prizes and service excellence plaques.

The awards ceremony was graced by Chairman Dr. Jagath Alwis and the Group Chairman Mr. Ajith Gunawardena and the Board of Directors of Ceylinco PLC .



ICBT Graduation

ICBT Campus, the leading private sector educational institute in Sri Lanka , successfully completed its graduation ceremonies for 2020/2021 at the BMICH. A total of 6100 students graduated at these ceremonies, obtaining Higher Diplomas, Bachelor and Master Degrees offered by Cardiff Metropolitan University UK; Liverpool John Moor University UK; University of Sunderland UK and OTHM. Degrees were conferred in Business Management, Computing, Software Engineering, Networking, Psychology, Engineering, Law and Nursing. Graduations were held in full compliance with health guidelines. Dr. Jagath Alwis, Chairman of ICBT Campus, and Dr. Sampath Kannangara, CEO/

Executive Dean, ICBT Campus, together with academic members attended the ceremonies.



ICBT Skills N Thrills Winners

ICBT Skills N Thrills, is a virtual talent show under the categories of singing, dancing and instrumental. Winners were selected by a professional young artist in Sri Lanka and via public voting. The Award Ceremony was held at ICBT Campus Auditorium in the presence of the panel of Judges Sanuka Wickramasinghe, Nadeemal Perera and Windy Goonatillake, followed by the Chief Executive Officer of ICBT Campus, Dr. Sampath Kannangara; Mr. Anura Gamage - Director, Marketing; Senior Management; Staff; Parents and Winners.

Skills N Thrills, a virtual talent contest organized by ICBT Campus for the second consecutive year, created a virtual platform for youth to unleash their talents through unveiling the performances in the categories. Out of 200 plus videos uploaded to the online portal, the top 40 contestants were selected based on an online voting system. Next, the panel of Judges; Sanuka Wickramasinghe, Nadeemal Perera, Windy Goonatillake and Ashini Budawatta closely examined the talents of participants and selected the top three contestants based on their professional expertise. The Winner received Rs. 500,000; First Runner Up received Rs. 200,000 while the 2nd runner up received Rs. 100,000.



Awards & Accolades

Ranked 9th amongst Sri Lanka's Most Respected corporates

Rated amongst top ten in 10 out of 12 attributes

Ceylinco Insurance was placed in the 9th position amongst the nation's Most Respected and Admired Corporates for the year 2021, becoming the Most Respected Insurer in Sri Lanka for yet another year. This was announced by the LMD magazine in its 17th annual edition of the nation's Most Respected and Admired Entities. Moving up three overall positions from the previous year, Ceylinco Insurance is placed in the 4th position in HR and People Management and in the 5th position in Quality Consciousness, Management Profile, Corporate Culture and Vision in the attributes rankings. Ceylinco Insurance is also placed amongst the top ten in 10 of the 12 attribute rankings. The results are based on a survey conducted by LMD together with Nielsen – it covers a well-informed sample of 800 senior managers of listed companies



Highest ranked insurance company in LMD 100

The LMD 100's 2021 listing announced in January 2022 placed Ceylinco Insurance in the 23rd position, among all listed companies in the island. Moving up two positions, Ceylinco Insurance reiterated its position as the highest-ranked insurance company in Sri Lanka for the 28th consecutive year. Since the inception of LMD ranking,

Ceylinco Insurance has occupied the top position among all insurance companies.



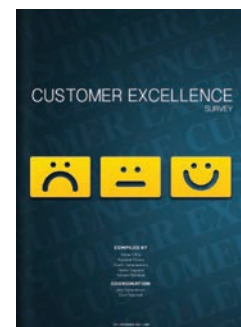
'Peoples General Insurance Brand' for the 15th consecutive year



Ceylinco General Insurance was crowned the 'Peoples General Insurance Brand of The Year 2021' at the SLIM Nielson Peoples Awards for an unprecedented 15th consecutive year! As a true voice of the people, this award reflects public perception about brands and as 'Peoples General Insurance Brand of The Year', Ceylinco General Insurance is closely intertwined with people's lives as a trustworthy and reliable brand that keeps its promises. The selection process for these awards consists of a nation-wide survey covering all 9 provinces with well over 5,000 respondents interviewed one-to-one, making it representative, unbiased and relevant. Therefore, the winners of the Peoples Awards reflect the true voice of Sri Lankans from across

communities, regions and social strata. The Peoples Award is the most coveted award for corporates because it reflects the voice of the people and indicates the brand they love and respect.

'Best in Service Excellence 2021'



Ceylinco General Insurance had the honour of being chosen as the most popular insurer in terms of 'Service Excellence' in the general insurance industry for yet another year. The exclusive survey was carried out on service providers amongst the general public over a period of 12 weeks as per LMD's December edition.

Ceylinco Life marked a successful year with many recognitions and accolades local and global platforms. These awards reflect the Company's commitment to maintain ethics, values, customer service and overall organizational excellence despite the tumultuous business environment. The Company maintained its market leadership position despite the headwinds and stayed ahead of the curve by introducing many innovative services.

Management Discussion & Analysis

'10 Most Admired Companies in Sri Lanka'

Ceylinco Life was ranked amongst the '10 Most Admired Companies in Sri Lanka' by the International Chamber of Commerce Sri Lanka (ICCSL) in collaboration with the Chartered Institute of Management Accountants (CIMA) and the Daily FT. Ceylinco Life is the only insurer in the 'Top 10' in the latest edition of this prestigious list. This is the third occasion that Sri Lanka's life insurance leader has been honoured as one of the country's 'Most Admired Companies'.



Recognitions at the SLIM Brand Excellence Awards

Ceylinco Life was recognized at the SLIM Brand Excellence Awards with a multitude of awards. The Company was adjudged Sri Lanka's 'Service Brand of the Year'. This award is considered as the pinnacle of brand excellence and Ceylinco Life reached this achievement by winning one of the top five awards presented at the awards ceremony.



This award was open to local or locally marketed international brands in diverse sectors including banking, insurance, telecommunication, entertainment, education, leisure, investment, real estate, travel and transport. Winning this coveted accolade recognizes the success of the brand's commitment towards excellence in maintaining high levels of engagement with customers through innovative solutions in a challenging business landscape.

The Company was recognized in two of the eight special awards categories, taking the Gold for 'Best New Entrant Brand of the Year' for its 'Pension Saver' product, and the Silver for 'CSR Brand of the Year' accomplishing a prestigious triple in respect of 2021.

Ceylinco Life's second Gold award for 'Best New Entrant of the Year' recognised the success of 'Pension Saver' – a new Retirement cum Life Protection Plan that offers a Premium Assurance Benefit, Loyalty Rewards, and a monthly pension after maturity. This new product had a positive impact by raising awareness on the importance of retirement planning for Sri Lankans,

via the product's features as well as the touchpoints and messaging used to promote the brand.

The Company's CSR initiatives were recognized with the Silver Award for 'CSR Brand of the Year' which was won for the second consecutive year. The Company has been consistently engaged in a multitude of CSR initiatives which include the construction and donation of classroom buildings, the donation of essential medical equipment to hospitals, the conduct of Waidya Hamuwa' free health camps and the development and maintenance of High Dependency Units (HDUs) at key hospitals. These initiatives are aligned to the core brand message of offering protection and facilitating progression in the lives of communities in Sri Lanka.

Most Valuable Life Insurance Brand by Brand Finance

Ceylinco Life was ranked as the most valuable life insurance brand in Sri Lanka in 2021 in the 18th edition of the Brand Finance rankings of the country's most valuable brands.

Ceylinco Life was also recognized as one of the most loved brands in the life insurance industry which demonstrated the brand affinity and acceptance amongst Sri Lankans.

The world's leading brand valuation consultancy assigned Ceylinco Life a Brand Value of Rs 3,508 Million for 2021 with an overall Brand Value Rank of 33, a position that has been retained since last year. The Company ranks on par amongst the 100 most valuable brands in the country which include the largest banks, telcos and retail giants.

The Company as one of the most valued brands of Sri Lanka retained its AA+ brand rating which is a strong affirmation of its brand resilience.

SLIM Nielsen People's Life Insurance Brand – 2021

Ceylinco Life emerged SLIM Nielsen People's Life Insurance Brand of the Year in 2021. This is the 15th consecutive year the Company has been recognized with this accolade. Ceylinco Life is the only Life Insurer to win the award every year since its inception.



Best Life Insurer in Sri Lanka



Ceylinco Life retained its title as World Finance's 'Best Life Insurer in Sri Lanka' in 2021, reaffirming its consistency in performance in an extraordinarily challenging year marked by the COVID-19 pandemic. Bestowed on the Company for a record eight consecutive years, the World Finance Global Insurance Award recognises Ceylinco Life as an organization 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.

'Great Place to Work'



Ceylinco Life has been certified as a 'Great Workplace' in Sri Lanka for a second consecutive year with a five-mark improvement over the overall rating accorded to the life insurance leader last year, following an independent analysis conducted by Great Place to Work® a global authority on workplace culture.

The analysis includes an assessment of the employee experience based on five principles (Credibility, Respect, Fairness, Pride, and Camaraderie) through the Trust Index® Survey and an assessment of existing people practices through the Culture Audit® Management Questionnaire.

The survey which covered the entire full-time cadre of employees revealed that the overall perception regarding the Company as a workplace is more positive than the collective perception of individual elements of workplace engagement.

'Most Popular Service Provider'

An online survey conducted by LMD; a business magazine revealed that Ceylinco Life was Sri Lanka's most popular service provider in the life insurance industry. This is a testament of the trust and goodwill the Company has garnered over its 33-year corporate journey.

Excellence in Corporate Reporting

Titled 'Derisking the Future,' Ceylinco Life's Integrated Annual Report 2020 won a joint Silver Award at the CA Sri Lanka Annual Report Awards organized by the Institute of Chartered Accountants of Sri Lanka. This competition encourages transparency, corporate governance, sustainability and social responsibility in annual reporting practices.

Ceylinco Life's Annual Reports have been recognized in many local and international recognition over the years. Further the Annual Report was ranked among the '10 Best Integrated Reports' at the 7th edition of the 'CMA Excellence in Integrated Reporting Awards 2021' presented by the Institute of Certified Management Accountants (CMA) of Sri Lanka.





TOGETHER, WE CAN BE STRONG

Corporate Governance

Corporate Governance

At Ceylinco Insurance PLC, we believe that, a solid governance frame work is essential for the effective management of the operational business activities and for the delivery of sustainable strategy while providing value creation. The Board of Directors of Ceylinco Insurance PLC is committed to ensuring a strong governance framework that delivers a vital foundation to improve transparency and build trust with all stakeholders in order to ensure the overall success of the Company. The Board bears overall responsibility for enterprise governance and consequently, for conformance and performance.

The continuing global COVID-19 pandemic may have a significant and prolonged impact on global economic conditions, disrupt entire supply chain in the world, specifically regarding business closure and consolidation, labour shortage, raw material supply and cost inflation. Failure to adapt to changes brought about by this and any future pandemics in world as well as local markets and the environment in which we operate may adversely affect our competitiveness and financial results.

During the year 2021, Sri Lankan government also introduced emergency public measures, including travel bans, quarantines and public lockdowns. These measures have, to varying degrees, been relaxed then reintroduced as COVID-19 transmission subsided before surging again, with new variants adding to the speed of transmission. Vaccines have been developed and are being rolled out with significant coverage in Sri Lanka, however uncertainty remains as to whether recent lockdowns and the vaccination programme are sufficient to bring the pandemic under control and allow normal life to return and, if so, when. It is also unclear how the pandemic will have changed the environment in which we operate in future.

The discipline of good governance demonstrates even more valuable during periods of countless pressure and ambiguity. Rather from slowing things down, it ensures the continuity of work happening rapidly and more efficiently and that results are significantly better.

We firmly believe that good corporate governance ensures the Company is well managed in the interest of all its stakeholders and 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 cooperative culture, independent structure, ethical behavior 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.

This section of the Annual Report describes Ceylinco Insurance PLC's approach to corporate governance, including the principal activities of the Board and its Committees and how the Company has complied with the principles of good governance in accordance with all regulatory frameworks applicable to the Company.

BOARD OF DIRECTORS

The Board of Directors are responsible for the overall administration and oversight of the Company and its activities. While providing risk-taking leadership, the Board is required to exercise self-governing ruling in overseeing the management and performance of the Company to ensure the delivery of stakeholder value creation over the long run. In fulfilling its stewardship role, 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 Company and the Group.

BOARD BALANCE AND ITS INDEPENDENCE



- 4** Executive Directors
- 8** Non-Executive Directors
- 4** Independent Non-Executive Directors

The Board comprises 16 members of whom twelve are function in a Non-Executive capacity. The Executive Chairman/Chief Executive Officer (CEO) and other three Executive Directors provide strategic direction and leadership to the Company and the Group. The 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 diverse skills with in-depth knowledge of the businesses and the Non-Executive Independent Directors bringing in invaluable insights and varied perspectives to Board deliberations.

In addition to that, the Board, through the Nomination Committee reviews the composition of the on an ongoing basis.

CHAIRMAN IN AN EXECUTIVE CAPACITY

The Chairman, Mr. A.R. Gunawardena, who is nominated as Chairman/Chief Executive Officer, plays an executive role in the Group. The Board confidence that the present arrangement has been economically feasible to shareholders so as to not permit any alteration and that the dual role of Executive Chairman does not compromise the principles of good corporate governance. This has been further assured through the existence of the Independent Non-Executive Directors, including the Senior Independent Director.

SENIOR INDEPENDENT DIRECTOR

Mr. D.H.J. Gunawardena functions as the Senior Independent Director of the Company, in order to maintain the workable mechanism 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.

BOARD MEETINGS AND ATTENDANCE

Board meeting attendance of the Directors is one of the indicator of their effective involvement in decision making of the Company. The Board always dedicates adequate time and effort to matters of the Board and the Group, to ensure that the obligations and tasks owed to the Group are satisfactory discharged. During the financial year under review the Board has held five scheduled meetings. 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.

Page No. 71 sets out details of Directors' attendance at the Board meetings and Sub-Committee meetings held during 2021, together with individual attendance.

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

BOARD COMMITTEES

Assisting the Board in carrying out its duties and responsibilities are listed below as Board Sub-Committees. Members of these Sub-Committees focus on their designated areas of responsibility and communicate knowledge and oversight in areas where they have greater capability.

The Company has four Board Sub Committees,

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

The presence of Board Sub-Committees chaired by Independent Non-Executive Directors in order to strengthen good governance and serves as an effective oversight mechanism over assigned activities of the Company.

The committees, the structure and composition, frequency of meetings and other details are set out on page 61 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

It is important to understand the pulse of the stakeholders when developing comprehensive strategy. It represents shareholder engagement as a vital tool to gain insights into shareholder expectations, interests, and preferences, which may influence the Company's future strategic direction.

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. The Executive Directors' remuneration is aligned to their performance. The Board always ensures that the level of remuneration is attractive enough to motivate and retain Executive Directors. The Remuneration Committee assists by suggesting and approving remuneration for Executive Directors. The report of the Remuneration Committee is presented on page 64.

Directors' remuneration is set out in this Annual Report on page 180.

STATEMENT OF COMPLIANCE

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 analyzed below.

Corporate Governance

| Rule No: | Subject | Requirement | Complied | Reference within Report | Page |
|------------|---|---|----------|-------------------------------|-------|
| 7.10.1 | Non-Executive Directors (NED) | At least 2 or 1/3 of Directors, whichever is higher, should be NEDs | Yes | Board Composition | 6 |
| 7.10.2 (a) | Independent Directors (ID) | 2 or 1/3 of NEDs, whichever is higher, shall be "independent". | Yes | Board Composition | 6 |
| 7.10.2.(b) | Independent Directors (ID) | Each NED to submit a declaration of his/her independence or non- independence. | Yes | Board Composition | 73 |
| 7.10.3 (a) | Disclosure of Directors | The names of Directors determined to be independent should be disclosed in the Annual Report. (AR) | Yes | Board Profiles | 6 |
| 7.10.3 (b) | Disclosure of Directors | The basis for the Board's determination of ID, if criteria for independence not met. | Yes | Refer Report of Directors | 70 |
| 7.10.3 (c) | Disclosure of Directors | A brief resume of each Director with the areas of expertise should be included in the AR. | Yes | Board Profiles | 21-25 |
| 7.10.3 (d) | Disclosure of Directors | Provide a brief resume of new Director appointed to the CSE. | Yes | Not Applicable | - |
| 7.10.5 | Remuneration Committee (RC) | A listed company shall have a Remuneration Committee. | Yes | Remuneration Committee Report | 64 |
| 7.10.5 (a) | Composition of Remuneration Committee | The Remuneration Committee shall comprise Non-Executive Directors or majority of whom shall be independent. | Yes | Remuneration Committee Report | 64 |
| | Composition of Remuneration Committee | One Non-Executive Director shall be appointed as Chairman of the Committee by the Board | Yes | Remuneration Committee Report | 64 |
| 7.10.5 (b) | Functions of Remuneration Committee | The Remuneration Committee shall recommend the Remuneration of the Executive Directors. | Yes | Remuneration Committee Report | 64 |
| 7.10.5 (c) | Disclosure relating to Remuneration Committee | The annual report should set out: | | | |
| | | The names of Directors comprising the Remuneration Committee | Yes | Remuneration Committee Report | 64 |
| | | A statement of remuneration policy | Yes | Remuneration Committee Report | 64 |
| | | The aggregate remuneration paid to Executive and Non-Executive Directors. | Yes | Remuneration Committee Report | 64 |
| 7.10.6 | Audit Committee (AC) | A listed Company shall have an Audit Committee | Yes | Audit Committee Report | 62 |

| Rule No: | Subject | Requirement | Complied | Reference within Report | Page |
|---------------|---|--|----------|--|------|
| 7.10.6 (a) | Composition of Audit Committee | The Audit Committee shall comprise Non-Executive Directors or majority of whom shall be independent. | Yes | Audit Committee Report | 62 |
| | | One Non-Executive Director shall be appointed as Chairman of the Audit Committee by the Board. | Yes | Audit Committee Report | 62 |
| | | The Chairman or one member of the committee should be a member of a recognized professional accounting body. | Yes | Audit Committee Report | 62 |
| | | The Chief Executive Officers and Chief Financial Officers shall attend Audit Committee meetings | Yes | Audit Committee Report | 62 |
| 7.10.6 (b) | Functions of Audit Committee | Confirmation of functions of the Audit Committee is in accordance with the rules. | Yes | Audit Committee Report | 62 |
| 7.10.6 (c) | Disclosure relating to Audit Committee | The names of the Directors who comprise the Audit committee | Yes | Audit Committee Report | 62 |
| | | The Audit Committee should make a determination of the independence of the auditors and shall disclose the basis for such determination. | Yes | Audit Committee Report | 63 |
| | | A report by the Audit Committee setting out the manner of compliance of the functions during the period. | Yes | Audit Committee Report | 63 |
| 7.10.7 | Disclosure relating to Audit Committee | 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. | Yes | Not Applicable | - |
| 9.2.1 & 9.2.3 | Related Party Transactions Review Committee (RPTRC) | Related Party Transactions Review Committee | Yes | Related Party Transactions Review Committee Report | 65 |
| 9.2.2 | Composition of RPTRC | Composition of the Related Party Transactions Review Committee | Yes | Related Party Transactions Review Committee Report | 65 |
| 9.2.4 | Functions of RPTRC | Related Party Transactions Review Committee Meetings | Yes | Related Party Transactions Review Committee Report | 65 |
| 9.3.1 | Disclosure relating to RPTRC | Immediate Disclosures | Yes | Not Applicable | - |
| 9.3.2 (a) | Disclosure relating to RPTRC | Disclosure- Non-recurrent Related Party Transactions | Yes | Not Applicable | - |

Corporate Governance

| Rule No: | Subject | Requirement | Complied | Reference within Report | Page |
|-----------|------------------------------|---|----------|---|------|
| 9.3.2 (b) | Disclosure relating to RPTRC | Disclosure- Recurrent Related Party Transactions | Yes | Company being holding, Company has dividend income from related parties, even though it is below 10% of revenue of group. | 180 |
| 9.3.2 (c) | Disclosure relating to RPTRC | Report by the Related Party Transactions Review Committee | Yes | Related Party Transactions Review Committee Report | 65 |
| 9.3.2 (d) | Disclosure relating to RPTRC | A declaration by the Board of Directors | Yes | Related Party Transactions Review Committee Report | 65 |

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 P.A. Jayawardena U. Witharana |
| Members (Executive) | | | 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 indicates how it has delivered on them, whilst also considering and responding to how the business has progressed during the year

Audit Committee Charter dictates the purpose, authority, composition, manner in which meetings are conducted and responsibilities of the Committee. The Board of Directors which appoints the Audit Committee, is responsible for the approval and effective implementation of the Audit Committee Charter.

PURPOSE

The purpose of the Audit Committee is to;

- assist the Board of Directors in fulfilling its overall responsibilities for the financial reporting process,

- review the system of internal control and risk management procedures,
- monitor the effectiveness of the internal audit function,
- review the company's process for monitoring compliance with laws and regulations
- assess the independence and performance of the company's external auditors
- make recommendations to the Board on the appointment of external auditors, their remuneration and terms of appointment.

COMPOSITION

The current 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, UK, 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

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 73 of the Annual Report.

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

INTERNAL AUDIT AND RISK MANAGEMENT

The Audit Committee is responsible for the effective functioning of the internal audit programme to ensure the efficiency of the critical operational aspects. The Audit Committee evaluated the internal audit programme for effectiveness, reviewed the internal audit findings, the management responses, the suggested corrective actions if any and monitored the implementation of remedial measures.

INTERNAL CONTROLS

The Audit Committee reviewed the Company's internal control system with a view to identifying any control weaknesses and potential inefficiencies that would enable timely action to be taken to mitigate consequential business and financial risks. The Audit Committee review also ensured that the necessary tools are in place to secure the assets of the company. The Audit Committee reviewed the financial reporting system to determine the effectiveness and accuracy of the preparation and presentation of the financial statements. The Committee monitored the monthly comprehensive financial review reports to ensure that all critical performance criteria were prepared and reviewed by the Management

FINANCIAL STATEMENTS AND RELATED DISCLOSURES

In line with its responsibility of overlooking the Company's financial reporting, the Audit Committee reviewed the following areas to the extent it deemed necessary and appropriate, in consultation with the external auditors and management:

- I. Significant financial issues and judgments made in connection with the preparation of the Company's Financial Statements.
- II. Consistency of the accounting policies and methods adopted and their compliance with the Sri Lanka Financial Reporting Standards (SLFRS/LKAS).
- III. Requirements of the Companies Act No. 07 of 2007 and the Regulation of Insurance Industry Act No. 43 of 2000 and amendments there to.

EXTERNAL AUDIT

The Committee held a meeting with the External Auditors to review the nature, approach and scope of the statutory 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.

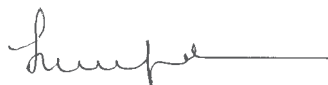
CONCLUSION

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 2022 subject to approval by the shareholders at the next Annual General Meeting.



D.H.J. Gunawardena
Chairman, Audit Committee

15 March 2022

Report of the Remuneration Committee

The Remuneration Committee comprises two Non-Executive Directors and its composition during the year under review was as follows;

COMPOSITION OF THE COMMITTEE

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.

MEETINGS

During the year under review, two meetings were held. The attendance of the committee members at these meetings is given on page 73 of this Annual Report. The Chairman/Chief Executive Officer and other executive staff also attended meetings by invitation. The minutes of the committee meetings were tabled at Board Meetings thereby providing the Board Members with access to the negotiations of the Committee.

DUTIES OF THE COMMITTEE

The Remuneration Committee is responsible for formulating remuneration policies and periodically reviewing and determining the remuneration packages of executive employees of the Group. The Committee recommends to the Board and its subsidiaries the remuneration to be paid to Key Management Personnel.

REMUNERATION POLICY

- Encourage to attract and retain high quality individuals.
- Ensure the compensation payments are fair and justifiable.
- Maintain competitive compensation packages ensuring industry norm.
- Ensure compensation schemes are comply with the laws and regulations applicable in the country.

DIRECTORS' REMUNERATION

Directors Remunerations are disclosed in Note 47(a) To the Financial Statements for the year under review is given on page 180 of the Annual Report.

On behalf of the Remuneration Committee.



K. I. Dharmawardena

Chairman – Remuneration Committee

15 March 2022

Report of the Related Party Transactions Review Committee

The Related Party Transactions Review Committee (RPTC) comprises 04 Non-Executive Directors and 01 Executive Director.

The Committee's composition during the year under review was as follows;

Mr. D.H.J. 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 during the year under review.

The main objective of the Committee is to exercise on behalf of the Board, an oversight of all Related Party Transactions of Ceylinco Insurance PLC and its subsidiary companies, and to ensure that compliance is always achieved with respect to the Codes of Best Practice on Related Party Transactions, issued by the Securities and Exchange Commission of Sri Lanka and Section 9 of the Listing Rules of the Colombo Stock Exchange.

The Annual Related Party Transactions Declarations are obtained from each Director/Key Management Personnel of the Company 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, will continue to assist the Board of Directors by reviewing all Related Party Transactions, 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 Section 9 of the Listing Rules of the Colombo Stock Exchange.
- that the shareholder interests are safeguarded and
- that fairness and transparency are maintained.

MEETINGS

During the year under review, four Committee meetings were held. The attendance of the members at these meetings is given on page 73 of this Annual Report. The Director -Finance and other Key Management Personnel attended meetings by invitation to assist the Committee's discussions.

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

The process of capturing Related Parties of the Company was reviewed during the year and strengthened further to maintain the industry standards.

The Committee reviewed the Related Party Transactions during the year and 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 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 domain of the Listing Rules was entered into by the Company during the financial year 2021, is given in page 77 of the Annual Report.

On behalf of the Related Party Transactions Review Committee.



Mr. D.H.J. Gunawardena

Chairman - Related Party Transactions Review Committee

15 March 2022

Nomination Committee Report

OBJECTIVES OF THE COMMITTEE

The Objective of the Nomination Committee is to review the structure and the composition of the Board annually and ensure the combined knowledge and experience match the corporate strategy.

The Nomination Committee was established in 2020 for the purpose of assisting the Board in relation to new appointments, retirement, re-election, succession and training needs of the Board of Directors.

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 Nomination Committee comprises six Non-Executive Directors.

The Committee's composition during the year under review was 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

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

KEY ACTIVITIES OF THE COMMITTEE

The Committee focuses on the following key activities in discharging its responsibilities;

- Regular evaluation of structure, alignment and capabilities of the Board.
- Implementing a procedure to select/appoint 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.
- Consider and recommend the re-election of current Directors, taking into account of the performance and contribution made by the Director concerned.
- Review the Terms of Reference of the Committee periodically.

PROFESSIONAL ADVICE

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

REPORTING TO THE BOARD

The Minutes of the Committee meetings were tabled at Board Meetings thereby providing the Board members with access to the negotiations of the Committee.

On behalf of the Nomination Committee.



Mr. D.H.J. Gunawardena

Chairman - Nominations Committee

15 March 2022

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 79.

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 safe-guard

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 2022 to 2023 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

15 March 2022

COMPLIANCE REPORT

In respect of the financial year ended 31st December, 2021 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

15 March 2022

Financial Calendar - 2022

| | |
|------------------------------|---------------------|
| Annual Report 2021 | 15th March 2022 |
| Annual General Meeting | 20th May 2022 |
| Interim Report - 1st Quarter | 13th May, 2022 |
| Interim Report - 2nd Quarter | 12th August, 2022 |
| Interim Report - 3rd Quarter | 11th November, 2022 |
| Interim Report - 4th Quarter | 24th February, 2023 |



TOGETHER, WE CAN ACHIEVE

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 2021, and the Report of the Auditors thereon.

REVIEW OF OPERATIONS

The Chairman's and the Deputy Chairman's Reviews on pages 10 to 18 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 | |
|---|------------------|------------------|------------------|------------------|
| | 2021 Rs. '000 | 2020 Rs. '000 | 2021 Rs. '000 | 2020 Rs. '000 |
| Profit After Taxation (After Non - Controlling Interest) | 9,735,549 | 9,276,359 | 1,273,143 | 286,479 |
| Add : Balance Brought Forward | 48,633,350 | 41,501,562 | 13,855,541 | 14,572,812 |
| Changes in Ownership in Group Companies | 32,293 | (6,699) | - | - |
| Other Comprehensive Income for the Period | 818,485 | (1,134,122) | - | - |
| Funds Available for Appropriation | 59,219,677 | 49,637,100 | 15,128,684 | 14,859,291 |
| Appropriation : Dividend Paid - Final | (1,056,579) | (1,003,750) | (1,056,579) | (1,003,750) |
| Transfer to Long Term Insurance Fund from Retirement Benefits | (264,577) | - | - | - |
| Unappropriated Profit Carried Forward | 57,898,521 | 48,633,350 | 14,072,105 | 13,855,541 |

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 2021 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

The Directors recommend payment of a final dividend of Rs.42/- per share for the year ended 31 December 2021 payable on 10th June 2022.

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 2021.

In accordance with the Articles of Association of the Company, Mr. Rajkumar Renganathan, Mr. Telge Nihal Mahinda Peiris and Mr. Sri Ranga Abeynayake retire by rotation and being eligible, offer themselves for re-election.

Mr. Don Herschel Jayaprithi Gunawardena being a Director will be 73 years of age in December 2022 and Mr. Nugent Duncan Nugawela being a Director will be 70 years of age in December 2022. In accordance with the Companies Act No. 07 of 2007, both Directors will retire and thereafter being eligible will offer themselves for re-election.

Special notices have been received from shareholders to move ordinary resolutions at the next Annual General Meeting that Mr. Don Herschel Jayaprithi Gunawardena and Mr. Nugent Duncan Nugawela be re-elected as Directors and that the age limit specified in Section 210 of the Companies Act No. 07 of 2007 shall not apply to both Mr. Don Herschel Jayaprithi Gunawardena and Mr. Nugent Duncan Nugawela.

Mr. Kolitha Indrajith Dharmawardena and Mr. Don Herschel Jayaprithi Gunawardena have served the Board for a period exceeding nine years from the date of their first appointment and hence the Board of Directors resolved on 18th January 2022 that despite having served the Board continuously for a period exceeding nine years, they are yet regarded as Independent Directors in terms of Rule 7.10.04 of the listing rules of the Colombo Stock Exchange and accordingly were reappointed and considered as "Independent" Non - Executive Directors.

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 | 4/5 |
| 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 | |
|---|----------------|------------------|-------------------|----------------|
| | 2021 | 2020 | 2021 | 2020 |
| 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 | 3,200 | 3,200 | NIL | NIL |
| Mr. H.D.K.P. Alwis joint with Mrs. S.R. Alwis | NIL | NIL | 2,000 | 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 | 529,031 NIL | 526,692 2,339 | 219,041 NIL | 219,041 NIL |
| Mr. P.D.M. Cooray | 10,024 | 10,024 | NIL | NIL |
| Mr. K.I. Dharmawardena People's Leasing & Finance PLC / Mr. K.I. Dharmawardena | 28 11,000 | 28 11,000 | 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 2021.

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 | 1,830 | 341,816 | 1.70 |
| 1001-10000 | 365 | 935,727 | 4.68 |
| 10001-100000 | 22 | 439,241 | 2.20 |
| 100001-1000000 | 13 | 6,419,332 | 32.10 |
| Over 1000000 | 5 | 11,863,884 | 59.32 |
| Total as at 31st December 2021 | 2,235 | 20,000,000 | 100.00 |

ANALYSIS OF SHAREHOLDERS

| (Non Voting) Holding Range (Shares) | Number of Shareholders | Number of Shares | % |
|--|------------------------|------------------|--------|
| 1-1000 | 1,391 | 267,948 | 4.18 |
| 1001-10000 | 129 | 430,999 | 6.72 |
| 10001-100000 | 21 | 747,980 | 11.66 |
| 100001-1000000 | 10 | 2,121,236 | 33.07 |
| Over 1000000 | 1 | 2,846,317 | 44.37 |
| Total as at 31st December 2021 | 1,552 | 6,414,480 | 100.00 |

ANALYSIS OF SHAREHOLDINGS INSTITUTIONAL / NON – INSTITUTIONAL (VOTING)

| Shareholder Category | Number of Shareholders | Total Shareholdings | Holding % |
|----------------------|------------------------|---------------------|-----------|
| Individuals | 2,090 | 3,166,311 | 15.83 |
| Institutions | 145 | 16,833,689 | 84.17 |
| | 2,235 | 20,000,000 | 100.00 |

INSTITUTIONAL / NON – INSTITUTIONAL (NON VOTING)

| Shareholder Category | Number of Shareholders | Total Shareholdings | Holding % |
|----------------------|------------------------|---------------------|-----------|
| Individuals | 1,467 | 1,282,263 | 19.99 |
| Institutions | 85 | 5,132,217 | 80.01 |
| | 1,552 | 6,414,480 | 100.00 |

Share Ownership Distribution Analysis as at 31.12.2021

| Local Companies | | Local Individuals | | Foreign Companies | | Foreign Individuals | |
|-----------------|------------|-------------------|------------|-------------------|------------|---------------------|------------|
| Voting % | Non Voting | Voting % | Non Voting | Voting % | Non Voting | Voting % | Non Voting |
| 52.12 | 27.38 | 15.82 | 19.81 | 32.05 | 52.63 | 0.01 | 0.18 |

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 2216 shareholders).

The percentage of 'Public Holding' (as per Circular no. 06/2021 of 29/12/2021 of the Colombo Stock Exchange) is 96.24% of the issued Non Voting share capital.

Float adjusted market capitalisation as at 31st December, 2021 : Rs. 37,588,823,000/- (voting ordinary shares).

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 31.12.2021
(VOTING)**

| Shareholder | Holding as at 31-12-2021 No. of Shares | % of the Issued Share Capital as at 31-12-2021 | Holding as at 31-12-2020 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 and Cie SA S/A Patrick Schegg | 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 | 1,004,200 |
| 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 |
| Nephele Private Limited | 538,557 | 2.69 | 392,224 |
| Dr. Watuthanthrige Chakrine Jagath Alwis | 529,031 | 2.65 | 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 |
| 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 | 66,022 | 0.33 | 60,596 |
| 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 |

*Banque Pictet & Cie SA

Report of the Directors

THE 20 MAJOR SHAREHOLDERS AS AT 31.12.2021

(NON VOTING)

| Shareholder | Holding as at 31-12-2021 No. of Shares | % of the Issued Share Capital as at 31-12-2021 | Holding as at 31-12-2020 No. of Shares |
|--|--|---|--|
| Pershing LLC S/A Averbach Grauson & Co. | 2,846,317 | 44.37 | 2,937,490 |
| J.B. Cocoshell (Pvt.) Ltd. | 598,523 | 9.33 | 658,078 |
| BBH-Tundra Sustainable Frontier Fund | 289,700 | 4.52 | *289,700 |
| Dr. Watuthanthrige Chakrine Jagath Alwis | 219,041 | 3.41 | 219,041 |
| Banque Pictet and Cie SA S/A Patrick Schegg | 200,000 | 3.12 | ** 200,000 |
| Mr. Piyadasa Rathnayaka | 175,000 | 2.73 | 175,000 |
| Deutsche Bank AG AS Trustee for JB Vantage Value Equity Fund | 151,825 | 2.37 | 179,379 |
| 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 | 86,929 | 1.36 | 84,272 |
| Confab Steel (Private) Limited | 80,561 | 1.26 | NIL |
| Miss. Rukaiya Husseinally Abdulhussein | 76,851 | 1.20 | 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 |
| Hatton National Bank PLC - Senfin Growth Fund | 54,800 | 0.85 | NIL |
| People's Leasing & Finance PLC / Mr. H.M. Abdulhussein | 43,297 | 0.67 | 43,297 |
| 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 |

** Banque Pictet & Cie SA (Previously known as)

* SEB AB-Tundra Sustainable Frontier Fund (Previously known as)

PROPERTY, PLANT & EQUIPMENT

The details of Property, Plant and Equipment of the Company are shown in the "Notes to Financial Statements" (Pages 117 to 123).

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.

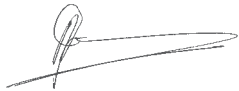
AUDITORS

The Financial Statements for the year have been audited by Messrs. 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 161 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

04 April 2022

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 01.01.2021 to 31.12.2021 in which this company has had transactions during the year 2021.

| 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. S.H.J. Weerasuriya | Mr. K. I. Dharmawardena | Mr. N. Vasantha Kumar | Mr. Yu Kitai |
|---|-------------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|------------------------|-------------------------|-----------------------|-------------------------------------|
| 1 American Education Centre Ltd. | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | | | | | | | | | | |
| 2 CEG Education Holdings (Pvt.) Ltd. | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | | | | | | | | | | |
| 3 Ceylinco General Insurance Ltd. | | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | | | <input checked="" type="checkbox"/> | | | | | | | | | | <input checked="" type="checkbox"/> |
| 4 Ceylinco Insurance Company (Pvt.) Ltd. (Maldives) | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | | | | | | | | | | |
| 5 Ceylinco Investcorp (Pvt.) Ltd. | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | | | | | | | | | | |
| 6 Ceylinco Life Insurance Ltd. | | | | | | | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | | | | |
| 7 Energy Lanka Holdings Ltd. | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | | | | | | | | | | |
| 8 International College of Business & Technology Ltd. | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | | | | | | | | | | |

Independent Auditor's Report



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

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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 2021, 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 2021, 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 MATTERS | HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER |
|---|--|
| <p>1. Life Insurance Contract Liabilities</p> <p>Life Insurance Contract Liabilities amounting to Rs 118.78 Bn (note 23) which, represent 74% of total liabilities of the Group as at 31 December 2021 are determined as described in note 3 (u) to the financial statements.</p> <p>This was a key audit matter 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 the actuarial valuation of Life Insurance Contract Liabilities; and ■ liability adequacy test using best estimates 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 rates, discount rates and related claim handling expenses. | <p>To assess the reasonableness of the Life Insurance Contract Liabilities, our audit procedures included amongst others the following, based on the best available information up to the date of our report:</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 key Information to source documents and accounting records. ■ We performed procedures to understand and evaluate the work of management's specialists. ■ We engaged expert resources to assess the reasonableness of the assumptions and appropriateness of the method used in the actuarial valuations of Life Insurance Contract Liability with reference to market data and policyholders experience. ■ We assessed the adequacy of the disclosures in note 23, 44 (a) i and note 3 (u) to the financial statements. |

Independent Auditor's Report

| KEY AUDIT MATTERS | 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. 15.22 Bn (note 24) represent 10% of total liabilities of the Group as at 31 December 2021. Such Non-Life Insurance Contract Liabilities consist of provision for reported claims, provision for Incurred But Not Reported (IBNR) & Incurred But Not Enough Reported (IBNER) claims and provision for unearned premiums are determined as described in note 3 (v).</p> <p>This was a key audit matter 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 the actuarial valuation of Non-Life Insurance Contract Liabilities; and ■ liability adequacy test using best estimates 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 determination of historical experience and business expectations such as previous claim experience, existing knowledge of risk events, industry ultimate loss ratio, claims handling expenses and management expenses and ■ the determination method used for unearned premium calculations. | <p>To assess the reasonableness of the Non-Life Insurance Contract Liabilities, our audit procedures included amongst others the following, based on the best available information up to the date of our report:</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 key information to source documents and accounting records. ■ We test-checked the unearned premium calculations. ■ We performed procedures to understand and evaluate the work of management's specialist. ■ We engaged expert resources to assess the reasonableness of the assumptions used in the actuarial valuations of the non-life insurance contract liability with reference to the industry data and considering both historical experience and business expectations. ■ We assessed the adequacy of the disclosures in note 24, 44.(a) ii and 3 (v) to the financial statements. |
| <p>3. Investment in Financial Instruments</p> <p>Financial instruments amounting to Rs. 171.78 Bn represent 74% of total assets. As described in note 13, Financial instruments include financial instruments measured at amortized cost amounting to Rs. 160.88 Bn and financial instruments measured at fair value amounting to Rs. 10.90 Bn.</p> <p>This was a key audit matter due to:</p> <ul style="list-style-type: none"> ■ The magnitude of the total reported investments in financial instruments ; ■ Materiality and volume of individual financial instruments recorded under each category of financial instruments; ■ Significance of management judgments for classification and reclassification of financial instruments as described in note 13.i <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"> ■ Significance of management judgments for reclassification of 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 involved our internal specialised resources to evaluate the design and operating effectiveness of IT controls, due to the high reliance on information technology relating to financial instruments recognition and measurement. ■ We assessed the valuation of financial instruments by agreeing market details to source documents on sample basis and verify the existence and ownership of recorded financial instrument's balance through confirmations. ■ We assessed the adequacy of the disclosures in note 13 and 44 (b). |

Other Information included in the 2021 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.



15 March 2022
Colombo

Partners: H M A Jayasinghe FCA FCMA, R N de Saram ACA FCMA, Ms. N A De Silva FCA, W R H De Silva FCA ACMA, Ms. Y A De Silva FCA, Ms. K R M Fernando FCA ACMA, N Y R L Fernando ACA, W K B S P Fernando FCA FCMA, Ms. L K H L Fonseka FCA, D N Gamage ACA ACMA, A P A Gunasekera FCA FCMA, A Herath FCA, D K Hulangamuwa FCA FCMA LLB (London), 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, C A Yalagala ACA ACMA

Principals: G B Goudian ACA, Ms. P S Paranavitane ACA LLB (Colombo), 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 | |
|--|----------|--------|--------------------|--------------------|-------------------|-------------------|
| | | | 2021 Rs. '000 | 2020 Rs. '000 | 2021 Rs. '000 | 2020 Rs. '000 |
| Assets | | | | | | |
| Goodwill | 115 | 6 | 181,304 | 181,304 | - | - |
| Other Intangible Assets | 115 | 7 | 319,879 | 388,710 | - | - |
| Deferred Expenses | 116 | 8 | 1,155,239 | 1,076,804 | - | - |
| Property, Plant and Equipment | 117 | 9 | 22,943,260 | 21,998,187 | - | - |
| Right of Use Asset | 124 | 10 | 934,151 | 1,091,054 | - | - |
| Investment Properties | 125 | 11 | 2,794,482 | 2,111,922 | 153,332 | 153,332 |
| Investment in Subsidiaries | 128 | 12(a) | - | - | 15,896,855 | 15,986,821 |
| Investment in Associates | 129 | 12(b) | 6,554,152 | 5,114,715 | 92,514 | 92,514 |
| Financial Instruments | | | | | | |
| Held to Maturity Financial Assets | 133 | 13(a) | 64,137,247 | 51,698,662 | - | - |
| Loans and Receivables | 134 | 13(b) | 96,741,229 | 71,215,058 | 1,233,146 | 720,277 |
| Available-For-Sale Financial Assets | 134 | 13(c) | 10,803,160 | 21,301,328 | 564,668 | 347,952 |
| Financial Assets at Fair Value Through Profit or Loss | 135 | 13(d) | 99,519 | 3,174,763 | - | - |
| Employee Gratuity Benefit Asset | 140 | 14 | 6,671,045 | 4,725,649 | - | - |
| Employee Pension Benefit Asset | 144 | 15 | 2,053,245 | 1,754,384 | - | - |
| Reinsurance Receivables | 146 | 16 | 6,035,830 | 4,200,999 | - | - |
| Loans to Life Policyholders | 146 | 17 | 1,561,981 | 1,282,725 | - | - |
| Income Tax Receivable | 147 | 18 | 7,145 | 56,692 | - | 35,371 |
| Deferred Tax Assets | 147 | 18(a) | 8,957 | 146,340 | - | - |
| Insurance Receivables/Trade Debtors | 148 | 19 | 6,829,050 | 6,952,701 | - | - |
| Other Assets | 149 | 20 | 1,000,257 | 1,026,839 | 5,174 | 6,068 |
| Cash and Cash Equivalents | 149 | 21 | 1,507,233 | 1,640,927 | 5,436 | 45,555 |
| Total Assets | | | 232,338,365 | 201,139,763 | 17,951,125 | 17,387,890 |
| Equity & Liabilities | | | | | | |
| Equity Attributable to Equity Holders of Parent | | | | | | |
| Stated Capital | 150 | 22 (a) | 1,324,822 | 1,324,822 | 1,324,822 | 1,324,822 |
| Retained Earnings | | | 57,898,521 | 48,633,350 | 14,072,105 | 13,855,541 |
| Other Reserves | 151 | 22 (b) | 2,897,854 | 2,980,010 | 2,255,973 | 2,052,247 |
| Revaluation Reserves | | | 4,608,433 | 4,704,195 | - | - |
| Restricted Regulatory Reserve | 152 | 23 (b) | 3,456,184 | 3,456,184 | - | - |
| Total Ordinary Shareholders' Equity | | | 70,185,814 | 61,098,561 | 17,652,900 | 17,232,610 |
| Non-Controlling Interests | 163 | 39 (a) | 2,544,124 | 2,323,015 | - | - |
| Total Equity | | | 72,729,938 | 63,421,576 | 17,652,900 | 17,232,610 |
| Liabilities | | | | | | |
| Life Insurance Contract Liabilities | 151 | 23 | 118,780,428 | 105,883,025 | - | - |
| Unit Linked Fund & Other Funds-Life | | | 686,266 | 657,389 | - | - |
| Non Life Insurance Contract Liabilities | 153 | 24 | 15,227,333 | 13,033,217 | - | - |
| Employee Gratuity Benefit Liability | 140 | 14 | 307,561 | 337,711 | 25,201 | 14,978 |
| Deferred Revenue | 154 | 25 | 578,428 | 489,501 | - | - |
| Interest Bearing Loans & Borrowings | 154 | 26 | 6,078,877 | 2,071,902 | 111,679 | 76,256 |
| Deferred Tax Liabilities | 148 | 18(c) | 1,500,188 | 1,171,591 | - | - |
| Reinsurance Payables | 155 | 27 | 5,911,296 | 4,560,668 | - | - |
| Trade and Other Payables | 155 | 28 | 10,538,050 | 9,513,183 | 161,345 | 64,046 |
| Total Liabilities | | | 159,608,427 | 137,718,187 | 298,225 | 155,280 |
| Total Equity and Liabilities | | | 232,338,365 | 201,139,763 | 17,951,125 | 17,387,890 |

The Notes on pages 89 to 183 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.

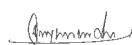
Signed for and on behalf of the Board by:




A.R. Gunawardena
Executive Chairman/CEO



R. Renganathan
Deputy Chairman



P.A. Jayawardene
Director



Upali Witharana
Director

15th March 2022

Colombo

Income Statement

| For the year ended 31 December | Page No. | Note | GROUP | | | COMPANY | | |
|--|----------|-------|------------------|------------------|-------------|------------------|------------------|-------------|
| | | | 2021 Rs. '000 | 2020 Rs. '000 | Change % | 2021 Rs. '000 | 2020 Rs. '000 | Change % |
| Net Income | 158 | 29(c) | 60,613,392 | 55,924,487 | 8 | 1,634,898 | 494,834 | 230 |
| Gross Written Premium | 156 | 29(a) | 47,881,540 | 43,896,576 | 9 | - | - | - |
| Premium Ceded to Reinsurers | 157 | 29(b) | (9,465,742) | (8,854,843) | 7 | - | - | - |
| Net Written Premium | | | 38,415,798 | 35,041,733 | 10 | - | - | - |
| Net Change in Reserve for Unearned Premium | | | 167,761 | 166,962 | - | - | - | - |
| Net Earned Premium | | | 38,583,559 | 35,208,695 | 10 | - | - | - |
| Revenue from Non Insurance Subsidiaries | 111 | 5 | 3,852,427 | 3,312,190 | 16 | - | - | - |
| | | | 42,435,986 | 38,520,885 | | - | - | |
| Fees and Commission Income | 158 | 30 | 1,253,737 | 977,952 | 28 | - | - | - |
| Investment Income | 158 | 31 | 16,234,051 | 15,202,664 | 7 | 1,634,898 | 494,834 | 230 |
| Net Realised Gains | 159 | 32 | 382,372 | 1,054,462 | (64) | - | - | - |
| Net Fair Value Gains | 159 | 33 | 307,246 | 168,524 | 82 | - | - | - |
| Other Revenue | | | 18,177,406 | 17,403,602 | | 1,634,898 | 494,834 | |
| Gross Benefits and Claims Paid | 159 | 34(a) | (27,210,559) | (22,001,883) | 24 | - | - | - |
| Claims Ceded to Reinsurers | 159 | 34(b) | 7,924,629 | 3,147,571 | 152 | - | - | - |
| Gross Change in Contract Liabilities | 159 | 34(c) | (14,087,738) | (10,177,968) | 38 | - | - | - |
| Change in Contract Liabilities Ceded to Reinsurers | 159 | 34(d) | 1,675,001 | 645,966 | 159 | - | - | - |
| Net Benefits and Claims | | | (31,698,667) | (28,386,314) | | - | - | |
| Cost of Sales - Non Insurance Subsidiaries | 111 | 5 | (862,544) | (883,998) | (2) | - | - | - |
| Acquisition Cost | 160 | 35 | (4,452,122) | (4,074,212) | 9 | - | - | - |
| Other Operating and Administrative Expenses | 161 | 36 | (12,031,956) | (11,322,480) | 6 | (174,351) | (172,207) | 1 |
| Finance Cost | 161 | 37 | (249,539) | (273,088) | (9) | (1,287) | (1,131) | 14 |
| Total Benefits, Claims and Other Expenses | | | (49,294,828) | (44,940,092) | | (175,638) | (173,338) | |
| Profit Before Share of Associates | | | 11,318,564 | 10,984,395 | 3 | 1,459,260 | 321,496 | 354 |
| Share of Profit of Associates | 129 | 12(b) | 1,304,768 | 928,097 | 41 | - | - | - |
| Profit Before Tax | | | 12,623,332 | 11,912,492 | 6 | 1,459,260 | 321,496 | 354 |
| Income Tax Expense | 162 | 38 | (2,562,683) | (2,534,488) | 1 | (186,117) | (35,017) | 432 |
| Profit for the Year | | | 10,060,649 | 9,378,004 | 7 | 1,273,143 | 286,479 | 344 |
| Profit Attributable to: | | | | | | | | |
| Equity Holders of the Parent | | | 9,735,549 | 9,276,359 | | 1,273,143 | 286,479 | |
| Non-Controlling Interests | 164 | 39(b) | 325,100 | 101,645 | | - | - | |
| | | | 10,060,649 | 9,378,004 | | 1,273,143 | 286,479 | |
| Basic/Diluted Earnings Per Share | 164 | 40 | 368.58 | 351.18 | | 48.20 | 10.85 | |
| Dividend Per Share | 164 | 41 | 40.00 | 38.00 | | 40.00 | 38.00 | |

The Notes on pages 89 to 183 form an integral part of the Financial Statements.

Statement of Comprehensive Income

| For the year ended 31 December | Note | GROUP | | COMPANY | |
|---|------|------------------|------------------|------------------|------------------|
| | | 2021 Rs. '000 | 2020 Rs. '000 | 2021 Rs. '000 | 2020 Rs. '000 |
| Profit for the Year | | 10,060,649 | 9,378,004 | 1,273,143 | 286,479 |
| Other Comprehensive Income | | | | | |
| Other Comprehensive Income to be reclassified to Income Statement in subsequent period | | | | | |
| Net Gain/(Loss) on Available-for-Sale Assets | 42 | (604,969) | 1,215,891 | 203,726 | 9,441 |
| Exchange Differences on Translating Foreign Operations | 42 | 32,600 | 9,940 | - | - |
| Income Tax relating to Components of Other Comprehensive Income | 42 | 51,704 | (9,571) | - | - |
| Net Other Comprehensive Income to be reclassified to Income Statement in subsequent period | | (520,665) | 1,216,260 | 203,726 | 9,441 |
| Other Comprehensive Income not to be reclassified to Income Statement in subsequent period | | | | | |
| Revaluation Surplus/ (Deficit) During the Year | 42 | 525,065 | 691,095 | - | - |
| Actuarial Gain/(Loss) on Defined Benefit Plans | 42 | 985,518 | (1,186,607) | - | - |
| Income Tax relating to Components of Other Comprehensive Income | | (95,003) | (16,726) | - | - |
| Net Other Comprehensive Income not to be reclassified to Income Statement in subsequent period | | 1,415,580 | (512,238) | - | - |
| Other Comprehensive Income for the Year, Net of Tax | | 894,915 | 704,022 | 203,726 | 9,441 |
| Total Comprehensive Income for the Year, Net of Tax | | 10,955,564 | 10,082,026 | 1,476,869 | 295,920 |
| Total Comprehensive Income Attributable to: | | | | | |
| Equity Holders of the Parent | | 10,620,378 | 9,976,655 | 1,476,869 | 295,920 |
| Non-Controlling Interests | | 335,186 | 105,371 | - | - |
| | | 10,955,564 | 10,082,026 | 1,476,869 | 295,920 |

The Notes on pages 89 to 183 form an integral part of these Financial Statements.

Statement of Changes in Equity

| Group | Attributable to Equity Holders of the Parent | | | | | | | | | |
|---|--|----------------------------------|---|------------------------------------|-------------------------------|--|--|--|---------------------------------------|--------------------------|
| | Stated Capital Rs. '000 | Revaluation Reserves Rs. '000 | Restricted Regulatory Reserve Rs. '000 | Other Retained Reserve Rs. '000 | Retained Earnings Rs. '000 | Available-for-Sale Reserve Rs. '000 | Foreign Currency Translation Reserve Rs. '000 | Total Ordinary Share-Holders' Equity Rs. '000 | Non-Controlling Interests Rs. '000 | Total Equity Rs. '000 |
| Balance As at 1st January 2020 | 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/Associates | - | - | - | - | (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 |
| Profit for the Year | - | - | - | - | 9,735,549 | - | - | 9,735,549 | 325,100 | 10,060,649 |
| Other Comprehensive Income for the Year | - | 586,495 | - | - | 818,485 | (545,650) | 25,499 | 884,829 | 10,086 | 894,915 |
| Total Comprehensive Income for the Year | - | 586,495 | - | - | 10,554,034 | (545,650) | 25,499 | 10,620,378 | 335,186 | 10,955,564 |
| Final Dividend of Parent Company | - | - | - | - | (1,056,579) | - | - | (1,056,579) | - | (1,056,579) |
| Subsidiary Dividend to Non-Controlling Interest | - | - | - | - | - | - | - | - | (107,602) | (107,602) |
| Changes in ownership in Subsidiaries/Transfer | - | (180) | - | - | 32,293 | (24,734) | - | 7,379 | (6,475) | 904 |
| Transfer to Long Term Fund | - | (682,077) | - | - | (264,577) | 462,729 | - | (483,925) | - | (483,925) |
| Balance As At 31st December 2021 | 1,324,822 | 4,608,433 | 3,456,184 | 2,057,437 | 57,898,521 | 756,351 | 84,066 | 70,185,814 | 2,544,124 | 72,729,938 |

The Notes on pages 89 to 183 form an integral part of these Financial Statements.

Statement of Changes in Equity

| Company | Stated Capital Rs. '000 | Retained Other Reserve Rs. '000 | Retained Earnings Rs. '000 | Available- for-Sale Reserve Rs. '000 | Total Ordinary Share- Holders' Equity Rs. '000 |
|--|-------------------------------|--|----------------------------------|---|---|
| Balance As At 1st January 2020 | 1,324,822 | 2,057,437 | 14,572,812 | (14,631) | 17,940,440 |
| Profit for the Year | - | - | 286,479 | - | 286,479 |
| Other Comprehensive Income for the Year | - | - | - | 9,441 | 9,441 |
| Total Comprehensive Income for the Year | - | - | 286,479 | 9,441 | 295,920 |
| Final Dividend Paid | - | - | (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 |
| Profit for the Year | - | - | 1,273,143 | - | 1,273,143 |
| Other Comprehensive Income for the Year | - | - | - | 203,726 | 203,726 |
| Total Comprehensive Income for the Year | - | - | 1,273,143 | 203,726 | 1,476,869 |
| Final Dividend Paid | - | - | (1,056,579) | - | (1,056,579) |
| Balance As At 31st December 2021 | 1,324,822 | 2,057,437 | 14,072,105 | 198,536 | 17,652,900 |

The Notes on pages 89 to 183 form an integral part of these Financial Statements.

Statement of Cash Flows

| For the year ended 31 December | Note | GROUP | | COMPANY | |
|--|--------|---------------------|---------------------|--------------------|--------------------|
| | | 2021 Rs. '000 | 2020 Rs. '000 | 2021 Rs. '000 | 2020 Rs. '000 |
| Cash Flows from Operating Activities | | | | | |
| Premiums/Revenue Received from Customers | | 52,157,662 | 46,650,919 | - | - |
| Reinsurance Premiums (Net of Commission) Paid | | (6,912,656) | (6,982,056) | - | - |
| Commission Paid | | (4,589,225) | (3,855,280) | - | - |
| Claims and Benefits Paid | | (26,919,078) | (22,061,625) | - | - |
| Reinsurance Receipts in respect of Claims & Benefits | | 7,873,202 | 3,301,663 | - | - |
| Interest and Dividends Received | | 12,629,983 | 13,532,858 | 1,641,570 | 501,757 |
| Other Operating Cash Payments | | (11,411,154) | (10,103,033) | (174,906) | (153,335) |
| Other Income | | 634,917 | 299,239 | - | - |
| Contributions to Gratuity Fund/Gratuity Payments | | (798,319) | (962,768) | - | - |
| Income Taxes Paid | | (1,372,319) | (1,312,538) | (53,499) | (82,860) |
| Interest Paid | | (114,917) | (131,849) | (9) | (12) |
| Net Cash Flows from Operating Activities (Note A) | | 21,178,096 | 18,375,530 | 1,413,156 | 265,550 |
| Cash Flows from Investing Activities | | | | | |
| Investments in Subsidiaries/Associates | | - | - | 89,966 | - |
| Acquisition of Financial Investments | 13 (e) | (477,361,167) | (186,071,826) | (749,704) | (479,477) |
| Acquisition of Investment Property | 11 | (311,202) | (218,431) | - | - |
| Proceeds from Sale of Financial Investments (Maturities & Disposals) | 13 (e) | 455,825,105 | 172,272,316 | 227,619 | 1,192,252 |
| Acquisition of Property, Plant & Equipment | 9 | (1,370,694) | (900,215) | - | - |
| Acquisition /Disposal of Intangible Assets | 7 | (121,809) | (158,183) | - | - |
| REPO Borrowings | | 116,046,915 | 162,042,556 | - | - |
| REPO Settlement | | (115,693,680) | (162,819,000) | - | - |
| Proceeds from Disposal of Property, Plant & Equipment | | 62,497 | 207,527 | - | - |
| Net Cash Flows from Investing Activities | | (22,924,035) | (15,645,255) | (432,119) | 712,775 |
| Cash Flows from Financing Activities | | | | | |
| Repayment of Lease Liabilities | 28 (a) | (364,919) | (386,298) | - | - |
| Short/Term Loan | | 3,040,614 | (551,814) | - | - |
| Dividends Paid to Equity Holders | | (1,168,342) | (1,108,494) | (1,056,579) | (1,003,750) |
| Net Cash Flows from Financing Activities | | 1,507,353 | (2,046,606) | (1,056,579) | (1,003,750) |
| Increase / (Decrease) in Cash & Cash Equivalents (Note B) | | (238,586) | 683,668 | (75,542) | (25,425) |
| Note A | | | | | |
| Reconciliation of Profit Before Tax with Net Cash Flows from Operating Activities | | | | | |
| Profit Before Tax | | 12,623,332 | 11,912,492 | 1,459,260 | 321,496 |
| Adjustments for: | | | | | |
| Depreciation on Property, Plant & Equipment | 36 | 882,335 | 979,185 | - | - |
| Depreciation on Right of Use Assets | 10 | 364,242 | 371,139 | - | - |
| Amortisation of Intangible Assets | 7 | 190,640 | 167,700 | - | - |
| Change in Trade and Other Receivables | | (3,009,888) | (1,706,190) | (2,938) | 10,328 |
| Change in Reinsurance Receivable | | (1,834,831) | (662,625) | - | - |
| Increase in Life Insurance Funds | | 11,803,985 | 9,423,994 | - | - |
| Increase in Non - Life Insurance Provisions | | 2,200,938 | 576,901 | - | - |
| Change in Trade and Other Payables | | 1,227,344 | 762,839 | 10,333 | 16,586 |
| Realised Gain | | (170,536) | (1,003,621) | - | - |
| Fair Value Gain | | (247,246) | (163,543) | - | - |
| Foreign Exchange Gain | | (175,132) | (42,106) | - | - |
| Income Tax Paid | | (1,372,319) | (1,312,538) | (53,499) | (82,860) |
| Share of Associate Profits | | (1,304,768) | (928,097) | - | - |
| Net Cash Flows from Operating Activities | | 21,178,096 | 18,375,530 | 1,413,156 | 265,550 |
| Note B | | | | | |
| Cash and Cash Equivalents at 1st January | | 723,307 | 39,639 | (30,701) | (5,276) |
| Cash and Cash Equivalents at 31st December | Note C | 484,721 | 723,307 | (106,243) | (30,701) |
| Increase / (Decrease) in Cash and Cash Equivalents | | (238,586) | 683,668 | (75,542) | (25,425) |
| Note C | | | | | |
| Cash in Hand & Cash at Bank | 21 | 1,507,233 | 1,640,927 | 5,436 | 45,555 |
| Bank Overdraft | 26 | (1,022,512) | (917,620) | (111,679) | (76,256) |
| | | 484,721 | 723,307 | (106,243) | (30,701) |

The Notes on pages 89 to 183 form an integral part of these Financial Statements.

Insurance Revenue Account

| For the year ended 31 December | GROUP | | | |
|---|---------------|------------------|------------------|-------------|
| | Glossary Item | 2021 Rs. '000 | 2020 Rs. '000 | Change % |
| Non - Life Insurance | | | | |
| Gross Written Premium | 20 | 20,206,104 | 20,094,192 | 0.56 |
| Net Earned Premium | 31 | 13,253,522 | 13,555,494 | (2.23) |
| Net Claims Incurred | 36 | (7,063,541) | (6,635,199) | 6.46 |
| Underwriting and Net Acquisition Costs (Including Reinsurance) | 2 & 44 | (1,169,605) | (1,221,200) | (4.22) |
| Underwriting Result | 54 | 5,020,376 | 5,699,095 | |
| Other Operating, Investments Related and Administrative Expenses | | (4,966,757) | (5,150,081) | (3.56) |
| Investment and Other Income | | 1,745,143 | 1,367,114 | 27.65 |
| Interest Expense | | (51,239) | (53,649) | (4.49) |
| Profits From Operations After Interest Expense | | 1,747,523 | 1,862,479 | (6.17) |
| Key Ratios Non - Life Insurance | | | | |
| Net Loss Ratio | 33 | 53.30 | 48.95 | 8.88 |
| Net Expense Ratio | 32 | 46.69 | 47.40 | (1.50) |
| Net Combined Ratio | 30 | 99.98 | 96.35 | 3.77 |
| Life Insurance | | | | |
| Gross Written Premium | 19 | 25,565,050 | 22,076,250 | 15.80 |
| Net Written Premium (Net of Reinsurance Premium and Commission) | 35 | 25,256,552 | 21,570,788 | 17.09 |
| Investment and Other Income Attributable to Policyholders | | 11,781,627 | 12,155,975 | (3.08) |
| Net Benefits Paid | | (12,736,308) | (12,266,513) | 3.83 |
| Increase in Long Term Insurance Fund | | (11,803,985) | (9,423,994) | 25.25 |
| Acquisition Cost | 1 | (2,369,754) | (2,123,644) | 11.59 |
| Operating and Administrative Expenses Attributable to Policyholders | | (4,496,968) | (4,553,975) | (1.25) |
| Interest Expense | | (91,414) | (76,292) | 19.82 |
| Tax Expenses | | (1,039,749) | (1,181,496) | (12.00) |
| Surplus from Life Insurance Business | 25 | 4,500,000 | 4,100,849 | 9.73 |
| Surplus From Life Insurance Business | | 4,500,000 | 4,100,849 | 9.73 |
| Investment & Other Income not Attributable to Policyholders | | 3,347,512 | 2,756,226 | 21.45 |
| Operating and Administrative Expenses not Attributable to Policyholders | | (339,663) | 730,644 | (146.49) |
| Interest Expenses | | (2,229) | (2,703) | 17.65 |
| Tax Expenses | | (731,130) | (650,895) | 12.28 |
| Profits From Operations After Interest Expense | | 6,774,490 | 6,934,121 | (2.30) |

The Notes on pages 89 to 183 form an integral part of these 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 6.

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.

There were no significant changes in the nature of principal activities of the Company and the Group during the financial year under review.

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 2021 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 2021 except for few associate Companies.

1.6 Responsibility for Financial Statement

The Board of Directors is responsible for these 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 67.

1.7 Date of Authorization for Issue

The Consolidated Financial Statements of Ceylinco Insurance PLC for the year ended 31 December 2021 were authorised for issue in accordance with a resolution of the Board of Directors on 15th March 2022.

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 accrual basis and under the historical cost 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.

The management is in the view that there is no material uncertainty that casts significant doubt on the Group's ability to operate as going concern due to prevailing and anticipated effects of the COVID-19 pandemic and existing unfavourable macro-economic movement in the country. The management continuously monitors the business continuity plans and take appropriate responsive actions when required at each business unit level of 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 and the Group 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.

GENERAL ACCOUNTING POLICIES AND NOTES

Accounting policies relating to each financial statement area is given along with the relevant notes to the Financial Statements. The other significant accounting policies are described below;

2.7 Basis of Consolidation

The Group's Financial Statements comprises, Consolidated Financial Statements for the Company and its Subsidiaries in terms of Sri Lanka Financial Reporting Standards 10 (SLFRS 10); "Consolidated Financial Statements".

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 2021. 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 recognized in profit or loss. Any investment retained is recognized 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 dividends 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.

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.

Better to Incorporate "Loss of Control"

When the group loses control over a subsidiary it derecognises the assets and liabilities of the subsidiary and any related Non Controlling interest and other components of equity. Any resulting gain or loss is recognised in income statements. Any interest retained in the former subsidiary is measured at fair value when control is lost. Subsequently, it is accounted for as an Associates or in accordance with the Group's Accounting policy for financial instruments depending on the level of influence 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 amortised 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.

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 amortisation 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. 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 organised 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.

Insurance receivables are derecognised when the derecognition 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 (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. Unrecognised 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 recognised 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 | 05-10 Years |
| Office Equipment | 03-10 Years |
| Computer Equipment | 02-05 Years |
| Motor Vehicles | 04-05 Years |
| Plant & Machinery | |
| Plant & Machinery/Project Equipment | 04-30 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 recognised 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 realisable 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.



(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 amortisation, 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 recognises 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 recognised, 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 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 "gross change in contract liability".

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.

Insurance and investment contracts are further classified as being either with or without discretionary participating features (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; and that are contractually based on:
- the performance of a specified pool of contracts or a specified type of contracts;
- realised and or unrealised investment returns on a specified pool of assets held by the issuer; and
- the profit or loss of the Company, fund or other entity that issues the contract.

IRCSL regulations and the terms and conditions of these contracts set out the bases for the determination of the amounts on which the additional discretionary benefits are based (the DPF eligible surplus) and within which the Company may exercise its discretion as to the quantum and timing of their payment to contract holders.

"At least 90% of the eligible surplus must be attributed to contract holders as a group (which can include future contract holders) and the amount and timing of the distribution to individual contract holders is at the discretion of the Company, subject to the advice of the Appointed Actuary. All DPF liabilities including unallocated surpluses, at the end of the reporting period are held within insurance contract liabilities, as appropriate.

(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.

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

recognised 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 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 claim 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.

(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

Realised 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 2021. 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 16 Leases: Covid-19-Related Rent Concessions beyond 30 June 2021

In 4 December 2020, the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) issued Covid-19-Related Rent Concessions - amendment to SLFRS 16 Leases. 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 was intended to apply until 30 June 2021, but as the impact of the Covid-19 pandemic is continuing, in 28 June 2021, CA Sri Lanka extended the period of application of the practical expedient to 30 June 2022. The amendment applies to annual reporting periods beginning on or after 1 April 2021.

b) Amendments to SLFRS 9, LKAS 39, SLFRS 7, SLFRS 4 and SLFRS 16 - Interest Rate Benchmark Reform Phase 1 and 2

IBOR reform Phase 1

On 15 January 2021, the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) issued amendments to SLFRS 9, LKAS 39 and SLFRS 7 due to Interest Rate Benchmark Reform (Phase 1). A summary of Phase 1 amendments are as follows:

- **Highly Probable Requirement:** According to SLFRS 9 and LKAS 39, when a forecast transaction is designated as a hedged item, that transaction must be highly probable to occur. By the Phase 1 amendments, when determining whether a forecast transaction is highly probable, an entity shall assume that the interest rate benchmark on which the hedged cash flows are based is not altered as a result of the reform.
- **Prospective assessments:** A hedging relationship qualifies for hedge accounting only if there is an economic relationship between the hedged item and the hedging instrument (described in SLFRS 9) or the hedge is expected to be highly effective in achieving off-setting (described in LKAS 39). An entity must demonstrate such prospective assessments on a regular basis. By the Phase 1 amendments, when performing prospective assessments, an entity shall assume that the interest rate benchmark on which the hedged item, hedged risk and/or hedging instrument are based is not altered as a result of the interest rate benchmark reform.
- **LKAS 39 retrospective assessment:** To apply hedge accounting under LKAS 39, an entity must demonstrate that the actual results of the hedge are within a range of 80% - 125%. This requirement is commonly known as the 'LKAS 39 retrospective assessment'. By the Phase 1 amendments, an entity is not required to undertake the LKAS 39 retrospective assessment for hedging relationships directly affected by the reform. However, the entity must comply with all other LKAS 39 hedge accounting requirements, including the prospective assessment.
- **Separately identifiable risk components:** While there are some differences between SLFRS 9 and LKAS 39 regarding designation of risk components, both Standards require a risk component (or a portion) to be separately identifiable to be eligible for hedge accounting. An entity may designate an item in its entirety or a component of an item as a hedged item in a hedging relationship. SLFRS 9 and

LKAS 39 require the component to be separately identifiable to qualify as a hedged item. By the Phase 1 amendments, for hedges of non-contractually specified benchmark component of interest rate risk, an entity shall apply the separately identifiable requirement only at the inception of such hedging relationships.

IBOR reform Phase 2

In addition to Phase 1 amendments, CA Sri Lanka also issued amendments to SLFRS 9, LKAS 39, SLFRS 7, SLFRS 4 and SLFRS 16 due to Interest Rate Benchmark Reform. The Phase 2 amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR). The amendments include the following practical expedients

- A practical expedient to require contractual changes, or changes to cash flows that are directly required by the reform, to be treated as changes to a floating interest rate, equivalent to a movement in a market rate of interest.
- Permit changes required by IBOR reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued.
- Provide temporary relief to entities from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component.

The effective date of both IBOR reform Phase 1 and Phase 2 amendments is for annual reporting periods beginning on or after 1 January 2021 in the Sri Lankan context.

The requirements under phase 1 amendments have to be applied retrospectively. However, the reliefs only apply to hedging relationships that existed at the beginning of the reporting period in which an entity first applies those requirements or were designated thereafter, and to the amount accumulated in the cash flow hedge reserve that existed at the beginning of the reporting period in which an entity first applies those requirements. It follows that it is not possible to apply the reliefs retrospectively to hedge relationships that were not previously designated as such

Notes to the Financial Statements

The requirements under phase 2 amendments have to be applied retrospectively. Hedge relationships are not designated retrospectively. However, discontinued hedging relationships must be reinstated if, and only if,

- The hedging relationship was discontinued solely due to changes required by the Reform, and, therefore, the entity would not have been required to discontinue that hedging relationship if the Phase 2 Amendments had been applied at that time

and

- At the date of initial application of the Phase 2 Amendments, that discontinued hedge relationship continues to meet all the qualifying criteria for hedge accounting, after taking account of the Phase 2 Amendment

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 | 154 & 116 |
| Life Insurance contract liabilities | 23.(a) | 151 |
| Reserve for gross outstanding claims | 24.(a) | 153 |
| Valuation of investment property | 11 | 125 |
| Leases - Estimating the incremental borrowing rate and determining the lease term of contracts with renewal and termination options | 10 | 124 |
| Deferred tax | 18.(b) | 148 |
| Measurement of defined benefit obligation | 14 | 140 |
| Revaluation of Land & Building | 9 | 117 |
| Income Tax uncertainty over income tax treatment | 45(a) ii 4 | 178 |

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 17 Insurance Contracts

On 8 January 2020, the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) issued SLFRS 17 Insurance Contracts (SLFRS 17). SLFRS 17 was amended by Amendments to SLFRS 17 - Insurance Contracts, on 28 June 2021. SLFRS 17 is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, 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 SLFRS 4, 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 annual 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.

Approach to SLFRS 17 Implementation

The Ceylinco Life Insurance Ltd. has set up a dedicated project team to ensure a smooth transition to SLFRS 17. This team is entrusted with operational responsibilities for the implementation of the Standard. A Steering Committee has been set up to provide the strategic leadership required for the project and to oversee its progress. The Steering Committee reports directly to the Board of Directors.

Ceylinco Life Insurance Ltd. has signed contracts with two consultants, namely Ernst and Young (EY)- Sri Lanka who will advise us on the financial aspects while Wills Towers Watson - India will provide actuarial support.

The Ceylinco General Insurance Ltd. and Ceylinco Insurance Company (Pvt) Ltd. Maldives has set up a project team to ensure a smooth transition to SLFRS 17. This team is delegated with operational responsibilities for the implementation of the Standard.

The management of Ceylinco General Insurance Ltd. and Ceylinco Insurance Company (Pvt) Ltd. Maldives requested proposal from External Consultant for the implementation phase and the management is currently in the process of evaluating the proposal.

The Ceylinco General Insurance Ltd. and Ceylinco Insurance Company (Pvt) Ltd. Maldives will commence the project in 2022.

Amendments to LKAS 37 Provisions, Contingent Liabilities and Contingent Assets : Onerous Contracts – Costs of Fulfilling a Contract

In 25 March 2021, the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) issued amendments to LKAS 37 Provisions, Contingent Liabilities and Contingent Assets (LKAS 37) to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making

The amendments apply a “directly related cost approach”. The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract

The amendments are effective for annual reporting periods beginning on or after 1 January 2022. Earlier application is permitted.

Amendments to LKAS 16 Property, Plant & Equipment : Proceeds before Intended Use

In 25 March 2021, the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) issued LKAS 16 Property, Plant and Equipment — Proceeds before Intended Use, which prohibits entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the costs of producing those items, in profit or loss

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment

Amendments to SLFRS 3 Business Combinations : Updating a reference to conceptual framework

In 23 March 2021, the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) issued amendments to SLFRS 3 Business Combinations - Updating a Reference to the Conceptual Framework. The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements

An exception was also added to the recognition principle of SLFRS 3 to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of LKAS 37 or IFRIC 21 Levies, if incurred separately.

At the same time, it was decided to clarify existing guidance in SLFRS 3 for contingent assets that would not be affected by replacing the reference to the Framework for the Preparation and Presentation of Financial Statements.

The amendments are effective for annual reporting periods beginning on or after 1 January 2022 and apply prospectively.

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.

Present Status of the SLFRS 9 Implementation

Ceylinco Life Insurance Ltd. has engaged with Ernst and Young (EY)- Sri Lanka as an SLFRS 9 technical consultant and performed initial classification of financial instruments and assessed the impact to our financial instruments from the impairment assessment according to Expected Credit Loss (ECL) Model.

The Ceylinco General Insurance Ltd. and Ceylinco Insurance Company (Pvt) Ltd. Maldives are currently in the process of implementing initial classification of financial instruments and assessed the impact to financial instruments from the impairment assessments according to Expected Credit Loss (ECL) Model.

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.

5.

SEGMENT INFORMATION

| Segment Income Statement For The Year Ended 31 December 2021 | Life Insurance | | Non-life Insurance | | Healthcare | Education | Power Generation | Other Operations | Adjustments and Eliminations | Total |
|---|---------------------|------------------|---------------------|------------------|------------------|--------------------|------------------|------------------|------------------------------|---------------------|
| | Rs. '000 | Rs. '000 | Domestic | Foreign | | | | | | |
| Gross Premium | 25,565,050 | 2,110,386 | 20,206,104 | 2,110,386 | - | - | - | - | - | 47,881,540 |
| Premium Ceded to Reinsurers | (308,499) | (2,029,549) | (7,127,694) | (2,029,549) | - | - | - | - | - | (9,465,742) |
| Change in Reserve for Unearned Premium | - | (7,351) | 175,112 | (7,351) | - | - | - | - | - | 167,761 |
| Net Earned Premium | 25,256,551 | 73,486 | 13,253,522 | 73,486 | - | - | - | - | - | 38,583,559 |
| Revenue from Non Insurance Subsidiaries | - | - | - | - | 353,180 | 3,015,659 | 394,138 | 101,234 | (11,784) | 3,852,427 |
| Fees and Commission Income | 197,885 | 266,080 | 789,772 | 266,080 | - | - | - | 2,400 | (2,400) | 1,253,737 |
| Investment Income | 14,342,773 | 38,134 | 1,516,177 | 38,134 | 32,363 | 176,077 | 5,074 | 1,659,445 | (1,535,992) | 16,234,051 |
| Realised Gains/(Losses) | 200,402 | 63 | 222,466 | 63 | (27) | 12,524 | 1,600 | 5,344 | (60,000) | 382,372 |
| Fair Value Gains/(Losses) | 388,079 | - | 6,500 | - | 5,715 | - | 892 | - | (93,940) | 307,246 |
| Other Revenue & Revenue from Non Insurance Subsidiaries | 15,129,139 | 304,277 | 2,534,915 | 304,277 | 391,231 | 3,204,260 | 401,704 | 1,768,423 | (1,704,116) | 22,029,833 |
| Segment Revenue | 40,385,690 | 377,763 | 15,788,437 | 377,763 | 391,231 | 3,204,260 | 401,704 | 1,768,423 | (1,704,116) | 60,613,392 |
| Gross Benefits and Claims Paid | (12,927,237) | (549,207) | (13,670,162) | (549,207) | - | - | - | - | (63,953) | (27,210,559) |
| Claims Ceded to Reinsurers | 190,929 | 571,564 | 7,162,136 | 571,564 | - | - | - | - | - | 7,924,629 |
| Gross Change in Contract Liabilities | (11,803,985) | (326,133) | (1,957,620) | (326,133) | - | - | - | - | - | (14,087,738) |
| Change in Contract Liabilities Ceded to Reinsurers | - | 272,896 | 1,402,105 | 272,896 | - | - | - | - | - | 1,675,001 |
| Cost of Sales - Non Insurance Subsidiaries | - | - | - | - | (131,317) | (598,945) | (65,506) | (66,776) | - | (862,544) |
| Net Benefits and Claims & Cost of Sales - Non Insurance Subsidiaries | (24,540,293) | (30,880) | (7,063,541) | (30,880) | (131,317) | (598,945) | (65,506) | (66,776) | (63,953) | (32,561,211) |
| Acquisition Cost | (2,369,754) | (122,991) | (1,959,377) | (122,991) | - | - | - | - | - | (4,452,122) |
| Other Operating and Administrative Expenses | (4,836,630) | (154,830) | (4,966,757) | (154,830) | (183,007) | (1,537,950) | (144,872) | (216,810) | 8,899 | (12,031,956) |
| Finance Costs | (93,640) | (3,067) | (51,239) | (3,067) | (665) | (85,563) | (25,325) | (1,824) | 11,784 | (249,539) |
| Other Expenses | (7,300,024) | (280,888) | (6,977,373) | (280,888) | (183,672) | (1,623,513) | (170,197) | (218,634) | 20,683 | (16,733,617) |
| Segment Benefits, Claims and Other Expenses | (31,840,317) | (311,768) | (14,040,914) | (311,768) | (314,989) | (2,222,458) | (235,703) | (285,410) | (43,270) | (49,294,828) |
| Share of Profit of Associates | - | - | - | - | - | - | - | 1,304,768 | - | 1,304,768 |
| Profit Before Taxation | 8,545,373 | 65,995 | 1,747,523 | 65,995 | 76,242 | 981,802 | 166,001 | 2,787,781 | (1,747,386) | 12,623,332 |
| Taxation | (1,770,883) | (9,149) | (238,177) | (9,149) | (5,097) | (163,791) | (39,725) | (189,170) | (146,691) | (2,562,683) |
| Profit After Taxation | 6,774,490 | 56,846 | 1,509,346 | 56,846 | 71,145 | 818,011 | 126,276 | 2,598,611 | (1,894,077) | 10,060,649 |

5. Segment Information Contd.

| Segment Income Statement For The Year Ended 31 December 2020 | Life Insurance | | Non-life Insurance | | Healthcare | Education | Power Generation | Other Operations | Adjustments and Eliminations | Total |
|---|---------------------|---------------------|--------------------|------------------|------------------|--------------------|------------------|------------------|------------------------------|---------------------|
| | 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 | 42,801 | 162,989 | 7,791 | 529,720 | (396,523) | 15,202,664 |
| Realised Gains/(Losses) | 948,287 | 110,639 | - | 250 | 250 | 267 | - | - | (4,981) | 1,054,462 |
| Fair Value Gains/(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 | 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 | 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) | (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) | (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) | (171,437) | (1,695,455) | (137,482) | (215,474) | 11,581 | (11,322,480) |
| Finance Costs | (78,995) | (53,649) | (2,363) | (267) | (267) | (119,836) | (33,371) | (1,988) | 17,381 | (273,088) |
| Other Expenses | (6,025,969) | (7,067,551) | (229,912) | (171,704) | (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) | (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) | (507,223) | 11,912,492 |
| Taxation | (1,832,391) | (390,679) | (5,705) | (45,295) | (180,829) | (20,444) | (45,368) | (104,367) | (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) | (611,590) | 9,378,004 |

Adjustment and elimination mainly include elimination of inter segment dividend, rent and interest.

5. Segment Information Contd

| Segment Statement of Financial Position at 31 December 2021 | Life Insurance Rs. '000 | Non-life Insurance | | Healthcare Rs. '000 | Education Rs. '000 | Power Generation Rs. '000 | Other Operations Rs. '000 | Adjustments and Eliminations Rs. '000 | Total Rs. '000 |
|---|----------------------------|----------------------|---------------------|------------------------|-----------------------|------------------------------|------------------------------|--|--------------------|
| | | Domestic Rs. '000 | Foreign Rs. '000 | | | | | | |
| Intangible Assets (Including Goodwill) | 296,448 | 22,861 | - | 160 | 181,714 | - | - | - | 501,183 |
| Property, Plant & Equipment | 10,177,018 | 4,149,976 | 3,710 | 621,060 | 5,522,933 | 967,248 | 17,273 | 1,484,042 | 22,943,260 |
| Investment Property | 4,045,699 | 139,500 | - | - | - | - | 153,332 | (1,544,042) | 2,794,482 |
| Investment in Associates | 807,672 | - | - | - | - | - | 972,314 | 4,774,166 | 6,554,152 |
| Investments in Subsidiaries | 1,136,000 | - | - | - | - | - | 15,896,856 | (17,032,856) | - |
| Financial Instruments | 148,465,748 | 17,427,766 | 571,191 | 655,350 | 1,151,608 | 26,736 | 4,015,437 | (532,681) | 171,781,155 |
| Reinsurance Assets | 392,170 | 4,821,855 | 821,805 | - | - | - | - | - | 6,035,830 |
| Insurance/Trade Receivables | 336,496 | 5,190,204 | 998,711 | 2,063 | 171,379 | 130,197 | - | - | 6,829,050 |
| Other Assets | 8,105,704 | 4,896,506 | 505,066 | 16,073 | 1,181,727 | 126,847 | 132,662 | (65,339) | 14,899,253 |
| Total Assets | 173,762,955 | 36,648,668 | 2,900,483 | 1,294,706 | 8,209,361 | 1,251,028 | 21,187,874 | (12,916,710) | 232,338,365 |
| Insurance Contract Liabilities | 120,321,046 | 14,231,847 | 995,486 | - | - | - | - | (854,352) | 134,694,027 |
| Other Liabilities | 9,247,878 | 7,948,717 | 1,477,048 | 152,551 | 3,150,304 | 404,744 | 2,185,395 | 347,763 | 24,914,400 |
| Total Liabilities | 129,568,924 | 22,180,564 | 2,472,534 | 152,551 | 3,150,304 | 404,744 | 2,185,395 | (506,589) | 159,608,427 |

| Segment Statement of Financial Position at 31 December 2020 | Life Insurance Rs. '000 | Non-life Insurance | | Healthcare Rs. '000 | Education Rs. '000 | Power Generation Rs. '000 | Other Operations Rs. '000 | Adjustments and Eliminations Rs. '000 | Total Rs. '000 |
|---|----------------------------|----------------------|---------------------|------------------------|-----------------------|------------------------------|------------------------------|--|--------------------|
| | | Domestic Rs. '000 | Foreign Rs. '000 | | | | | | |
| Intangible Assets (Including 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 |
| Investment Property | 3,515,700 | 133,000 | - | - | - | - | 153,332 | (1,690,102) | 2,111,922 |
| Investment in Associates | 807,672 | - | - | - | - | - | 972,314 | 3,334,729 | 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 |
| Reinsurance Assets | 280,009 | 3,419,750 | 501,240 | - | - | - | - | - | 4,200,999 |
| Insurance/Trade Receivables | 288,720 | 5,467,048 | 802,508 | 2,776 | 305,329 | 86,320 | - | - | 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 |
| Total Assets | 150,801,386 | 32,023,078 | 2,229,206 | 1,232,056 | 7,519,343 | 1,670,312 | 19,874,921 | (14,210,531) | 201,139,763 |
| Insurance Contract Liabilities | 107,394,766 | 12,449,340 | 647,831 | - | - | - | - | (918,306) | 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 |
| 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 |

Notes to the Financial Statements

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 2021 | | |
| Revenue | 401,704 | 3,204,260 |
| Cost of Sale | (65,506) | (598,945) |
| Administrative Expenses | (144,872) | (1,537,950) |
| Finance Cost | (25,325) | (85,563) |
| Profit Before Tax | 166,001 | 981,802 |
| Profit for the year from Continuing Operation | | |
| Total Comprehensive Income | (256,452) | 870,740 |
| Attributable to Non-Controlling Interests | 11,356 | 327,497 |
| Dividends paid to Non-Controlling Interests | 1,522 | 92,714 |
| 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 Statement of Financial Position as at 31 December 2021 | | |
| Current Assets | 263,338 | 1,982,804 |
| Non-Current Assets | 987,690 | 6,226,557 |
| Current Liabilities | 227,524 | 2,012,863 |
| Non-Current Liabilities | 188,757 | 1,750,645 |
| Total Equity | 834,747 | 4,445,853 |
| 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 |
| Refer Note 39 for details of Non-Controlling Interest | | |
| Summarized Statement of Cash Flows information for the year ended 31 December 2021 | | |
| Operating Cash Flow | 163,226 | 1,685,192 |
| Investing Cash Flow | 37,468 | (1,087,356) |
| Financing Cash Flow | (130,424) | (593,866) |
| Net Increase /(Decrease) In Cash and Cash Equivalents | 70,270 | 3,970 |
| 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 |

6. GOODWILL

| | GROUP | |
|-------------------------------|------------------|------------------|
| | 2021 Rs. '000 | 2020 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 2021, 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

| | Note | GROUP | |
|--|------|-----------------------------|------------------|
| | | Computer Software & Licence | |
| | | 2021 Rs. '000 | 2020 Rs. '000 |
| Cost | | | |
| At 1 January | | 1,235,684 | 1,077,501 |
| Additions During the period | | 121,809 | 158,183 |
| At 31 December | | 1,357,493 | 1,235,684 |
| Accumulated Amortisation and Impairment | | | |
| At 1 January | | 846,974 | 679,274 |
| Amortisation During the Period | 36 | 190,640 | 167,700 |
| At 31 December | | 1,037,614 | 846,974 |
| Carrying Amount | | | |
| At 1 January | | 388,710 | 398,227 |
| At 31 December | | 319,879 | 388,710 |

Notes to the Financial Statements

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. 121,809,000 (2020 - Rs. 158,183,000). Cash payments amounting to Rs. 121,809,000 (2020 - Rs. 158,183,000) 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 2021 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 (2020 - 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 gross carrying amount of Rs. 457,105,238 (2020- Rs. 419,698,386).

8. DEFERRED EXPENSES

| | GROUP | |
|-----------------------|---|------------------|
| | Deferred Acquisition Costs on Insurance Contracts | |
| | 2021 Rs. '000 | 2020 Rs. '000 |
| At 1 January | 1,076,804 | 1,069,807 |
| Expenses Deferred | 2,177,369 | 2,010,186 |
| Amortisation | (2,098,934) | (2,003,189) |
| At 31 December | 1,155,239 | 1,076,804 |

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.

9.

PROPERTY, PLANT AND EQUIPMENT

| Group | Freehold Land Rs.'000 | Building Rs.'000 | Plant & Machinery Rs.'000 | Motor Vehicles Rs.'000 | Office Equipment Rs.'000 | Computer Equipment Rs.'000 | Furniture & Fittings Rs.'000 | Capital WIP Rs.'000 | Total Rs.'000 |
|----------------------------|--------------------------|---------------------|---------------------------------|------------------------------|--------------------------------|----------------------------------|------------------------------------|---------------------------|-------------------|
| At Cost/Valuation | | | | | | | | | |
| 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/Transfers | 60,100 | 215,116 | 30,745 | 205,320 | 126,177 | 101,443 | 34,176 | 127,138 | 900,215 |
| Disposals | (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 1 January 2021 | 9,730,831 | 7,728,363 | 2,174,848 | 3,860,466 | 1,553,932 | 933,006 | 865,640 | 352,610 | 27,199,696 |
| Additions/Transfers | 51,002 | 250,455 | 243,652 | 117,785 | 92,361 | 73,182 | 33,286 | 508,971 | 1,370,694 |
| Disposals | (7,602) | (7,602) | (12,266) | (95,862) | (33,511) | (50,057) | (34,461) | - | (233,759) |
| Revaluation | 719,261 | (102,131) | (149,088) | - | - | - | - | - | 468,042 |
| At 31 December 2021 | 10,501,094 | 7,869,085 | 2,257,146 | 3,882,389 | 1,612,782 | 956,131 | 864,465 | 861,581 | 28,804,673 |

| Group | Note | Freehold Land Rs.'000 | Building Rs.'000 | Plant & Machinery Rs.'000 | Motor Vehicles Rs.'000 | Office Equipment Rs.'000 | Computer Equipment Rs.'000 | Furniture & Fittings Rs.'000 | Capital WIP Rs.'000 | Total Rs.'000 |
|---------------------------------|----------|--------------------------|---------------------|---------------------------------|------------------------------|--------------------------------|----------------------------------|------------------------------------|---------------------------|------------------|
| Accumulated Depreciation | | | | | | | | | | |
| 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 1 January 2021 | - | - | 320,751 | 794,063 | 1,581,725 | 1,137,176 | 731,589 | 636,205 | - | 5,201,509 |
| Depreciation | 36 | - | 158,160 | 113,221 | 362,984 | 106,860 | 82,509 | 58,601 | - | 882,335 |
| Disposals | - | - | (7,001) | (6,632) | (60,617) | (31,445) | (30,288) | (30,283) | - | (166,266) |
| Revaluation | - | - | (56,165) | - | - | - | - | - | - | (56,165) |
| At 31 December 2021 | - | - | 415,745 | 900,652 | 1,884,092 | 1,212,591 | 783,810 | 664,523 | - | 5,861,413 |

| Group | Freehold Land Rs.'000 | Building Rs.'000 | Plant & Machinery Rs.'000 | Motor Vehicles Rs.'000 | Office Equipment Rs.'000 | Computer Equipment Rs.'000 | Furniture & Fittings Rs.'000 | Capital WIP Rs.'000 | Total Rs.'000 |
|--|--------------------------|---------------------|---------------------------------|------------------------------|--------------------------------|----------------------------------|------------------------------------|---------------------------|-------------------|
| Carrying Amount at Cost/Valuation | | | | | | | | | |
| At 1 January 2021 | 9,730,831 | 7,407,612 | 1,380,785 | 2,278,741 | 416,756 | 201,417 | 229,435 | 352,610 | 21,998,187 |
| At 31 December 2021 | 10,501,094 | 7,453,340 | 1,356,494 | 1,998,297 | 400,191 | 172,321 | 199,942 | 861,581 | 22,943,260 |

Notes to the Financial Statements

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 2021 | 4,619,918 | 4,789,831 |
| Additions/Transfers | 51,002 | 250,455 |
| At 31 December 2021 | 4,670,920 | 5,040,286 |
| Accumulated Depreciation | | |
| At 1 January 2021 | - | 603,183 |
| Depreciation | - | 95,021 |
| At 31 December 2021 | - | 698,204 |
| Carrying Amount at Cost | | |
| At 1 January 2021 | 4,619,918 | 4,186,648 |
| At 31 December 2021 | 4,670,920 | 4,342,082 |

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 Land Rs: '000 | Value of Buildings Rs: '000 | Total Rs: '000 | Date of the Valuation |
|--|------------------|------------------|--------------------------|---|------------------------------------|------------------------|-----------------------------|------------------|--------------------------|
| 282, High Level Road, Kottawa | 862 | Condominium | Investment Method | Rent per Sq.ft per Rs. 2.500 month | | 7,875 | 2,125 | 10,000 | 31/12/2019 |
| 97, Baudhaloka Mawatha, Gampaha | 836.0 | A-0-R-0-P 16.50 | Market Comparable Method | Price per perch Rs.1,750,000 Price per Sq ft Rs.4,500,000 | | 74,250 | 37,250 | 111,500 | 31/12/2019 |
| 42/1, Mihidu Mawatha, Kurunegala | 8425 | A-0-R-0-P 8.2 | Market Comparable Method | Price per Sq ft Rs. 1,250-4,750 | | 62,000 | 55,000 | 117,000 | 31/12/2019 |
| 583/ 63 Liyanagemulla , Seeduwa | 43080 | A-3-R-1-P .3.6 | Market Comparable Method | Price per Sq ft Rs.9000 | | 157,000 | 63,676 | 220,676 | 31/12/2019 |
| 60 ,Yovunpitiya Watte, Gnanawimala Mawatha, Kosgoda, Balapitiya | 11282 | A-0-R-1-P 29 | Market Comparable Method | Price per perch Rs. 300,000 Price per Sq ft Rs. 660 - 4000 | | 31,000 | 55,000 | 86,000 | 31/12/2019 |
| 63, Janadhipathi Mawatha, Colombo 1, 3 rd, 4 th, 7 th & 11 th Floors of Ceylinco House 42656 | - | A-0-R-0-P 13.84 | Market Comparable Method | Price per Sq ft Rs. 6500 | | 154,000 | - | 154,000 | 31/12/2019 |
| Building 69, "Ceylinco House", Janadhipathi Mawatha, Colombo 1. | 18068 | A-0-R-0-P 19.00 | Market Comparable Method | Rent per Sq.ft per Rs. 190-200 month | | - | 1,000,999 | 1,000,999 | 31/12/2019 & 31/12/ 2021 |
| 46 / 34, "VIP Centre", Nawam Mawatha, Colombo 2. | 608 | A-0-R-0-P 16.25 | Market Comparable Method | Price per perch Rs. 16,000,000 Price per Sq ft Rs.8,500 | | 304,000 | 115,000 | 419,000 | 31/12/2019 |
| Madabawita, Warakapola | 608 | A-0-R-0-P 16.25 | Market Comparable Method | Price per perch Rs.373,000- Rs.525,000 | | 7,312 | 1,500 | 8,812 | 31/12/2019 |
| Malangama, Kuruwita | 650 | A-0-R-0-P 15.00 | Market Comparable Method | Price per Sq ft Rs.2,343 | | 15,000 | 1,500 | 16,500 | 31/12/2019 |
| Induruwa, Kosgoda | 856 | A-0-R-0-P 24.30 | Market Comparable Method | Price per Sq ft Rs. 2,750 | | 9,800 | 1,600 | 11,400 | 31/12/2019 |
| Ibbagamuwa, Melsiripura | 620 | A-0-R-1 -P 00.00 | Market Comparable Method | Price per perch Rs. 490,000 Price per Sq ft Rs. 1,892 | | 9,000 | 1,200 | 10,200 | 31/12/2019 |
| Unakuruwa , Tangalle | 798 | A-0-R-1-P 20.00 | Market Comparable Method | Price per Sq ft Rs. 1,923 | | 6,500 | 1,500 | 8,000 | 31/12/2019 |
| Bibitloya, Kithulgala | 5326 | A-0-R-2-P 00.07 | Market Comparable Method | Price per Sq ft Rs. 2,750 | | 25,500 | 15,250 | 40,750 | 31/12/2019 |
| Puttalam -South, Mundel | 705 | A-0-R-0-P-20.0 | Market Comparable Method | Price per perch Rs. 275,000- 375,000 | | 3,100 | 900 | 4,000 | 31/12/2019 |
| Total | | | | | | 866,337 | 1,352,500 | 2,218,837 | |

Notes to the Financial Statements

9.(a) Life Insurance Business Contd.

| Addresses | Building Sq. Ft. | Extent | Method of Valuation | Plant & Significant Unobservable Inputs | Estimation for Unobservable Inputs | Value of Land Rs. '000 | Value of Buildings Rs. '000 | Total Rs. '000 | Date of the Valuation |
|---|------------------|-----------------|--------------------------|---|---|------------------------|-----------------------------|----------------|-----------------------|
| 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. 3,500,000 Rs. 10,000 | 52,500 | 105,350 | 157,850 | 31/12/2021 |
| 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. 4,000,000 Rs. 7,800 | 60,000 | 57,700 | 117,700 | 31/12/2021 |
| No.54, Dharmapala Mawatha, Anuradhapura | 22,015 | A-0-R-1-P-10.48 | Contractor's Test Method | Price per perch Price per Sq ft | Rs. 3,000,000 Rs. 7,500 | 152,000 | 128,000 | 280,000 | 31/12/2021 |
| No.223 ,Hambanthota Road, Kachcheriyagama, Tissamaharama | 8,130 | A-0-R-1-P-00.00 | Replacement Cost Method | Price per perch Price per Sq ft | Rs.650,000- 2,050,000 Rs. 9,000 | 54,000 | 62,200 | 116,200 | 31/12/2021 |
| No.45,Dharmapala Mawatha , Rathnapura | 2,560 | A-0-R-0-P-35.50 | Contractor's Test Method | Price per perch Price per Sq ft | Rs. 2,400,000 Rs. 5,500 | 85,200 | 11,250 | 96,450 | 31/12/2021 |
| No.45,Dharmapala Mawatha , Rathnapura (New Building) | 8,102 | - | Contractor's Test Method | Price per Sq ft | Rs. 10,000 | - | 77,000 | 77,000 | 31/12/2021 |
| No.401, Galle Road, Panadura | 7,116 | A-0-R-1-P-4.12 | Contractor's Test Method | Price per perch Price per Sq ft | Rs. 4,200,000 Rs. 10,000 | 185,300 | 65,800 | 251,100 | 31/12/2021 |
| No.423, Main Street, Kalutara | 12,000 | A-0-R-0-P-32.75 | Contractor's Test Method | Price per perch Price per Sq ft | Rs. 2,500,000 Rs. 8,750 | 81,800 | 86,600 | 168,400 | 31/12/2021 |
| No.327, Badulla Road , Bandarawela | 8,970 | A-0-R-0-P-17.01 | Contractor's Test Method | Price per perch Price per Sq ft | Rs. 1,500,000 Rs. 10,000 | 25,500 | 85,200 | 110,700 | 31/12/2021 |
| No.106, Havelock Road, Colombo 05 | 61,630 | A-0-R-0-P-35.27 | Contractor's Test Method | Price per perch Price per Sq ft | Rs. 16,000,000 Rs. 12,750 | 564,300 | 668,000 | 1,232,300 | 31/12/2021 |
| No.32, Mistry Hills, Nuwara Eliya | 5,227 | A-0-R-0-P-26.9 | Contractor's Test Method | Price per perch Price per Sq ft | Rs. 800,000 Rs. 8,500 | 21,500 | 44,400 | 65,900 | 31/12/2021 |
| No.15 , Rexdias Mawatha, Wennappuwa | 8,664 | A-0-R-0-P-37.40 | Contractor's Test Method | Price per perch Price per Sq ft | Rs. 1,200,000 Rs. 8,000 | 44,800 | 65,800 | 110,600 | 31/12/2021 |
| No.91, Baudhaloka Mawatha, Gampaha | 9,458 | A-0-R-0-P-32.5 | Contractor's Test Method | Price per perch Price per Sq ft | Rs. 3,700,000 Rs. 9,000 | 120,000 | 72,300 | 192,300 | 31/12/2021 |
| No.40, Rajapihilla Road, Kurunegala | 10,485 | A-0-R-0-P-15.5 | Contractor's Test Method | Price per perch Price per Sq ft | Rs. 3,200,000 Rs. 9,500 | 49,600 | 92,000 | 141,600 | 31/12/2021 |
| No.90/4, Kurunegala Road, Chilaw | 6,385 | A-0-R-0-P-30.0 | Contractor's Test Method | Price per perch Price per Sq ft | Rs.600,000 - 1,000,000 Rs. 10,000 | 30,000 | 63,850 | 93,850 | 31/12/2021 |
| No.509, Galle Road, Rawatawatta, Moratuwa | 6,874 | A-0-R-0-P-39.73 | Contractor's Test Method | Price per perch Price per Sq ft | Rs. 3,600,000 Rs.1,400 - 1,600 | 143,000 | 10,300 | 153,300 | 31/12/2021 |
| No.37,39 & 41, Kannarthiddy Road, Jaffna | 4,144 | A-0-R-1-P-7.94 | Contractor's Test Method | Price per perch Price per Sq ft | Rs. 2,750,000 Rs. 1,000 | 131,800 | 4,150 | 135,950 | 31/12/2021 |
| No.22, Lloyd's Avenue, Batticaloa | 12,317 | A-0-R-0-P-23.83 | Contractor's Test Method | Price per perch Price per Sq ft | Rs. 2,000,000 Rs. 8,350 | 47,600 | 92,400 | 140,000 | 31/12/2021 |
| No.2, Gower Street, Colombo-05 | 2,600 | A-0-R-1-P-27.25 | Market Comparable Method | Price per perch Price per Sq ft | Rs. 16,000,000 Rs. 6,500 | 1,076,000 | 9,300 | 1,085,300 | 31/12/2021 |
| No.20, Kandy Road, Trincomalee | 11,310 | A-0-R-1-P-20 | Investment Method | Price per perch Price per Sq ft | Rs. 1,200,000 Rs. 9,000 | 72,000 | 96,700 | 168,700 | 31/12/2021 |
| No.38/B Rajapilla Road, Kurunegala | - | A-0-R-0-P-23.93 | Market Comparable Method | Price per perch | Rs. 3,000,000 | 71,800 | - | 71,800 | 31/12/2021 |
| No.92, Jampettan Street, Colombo - 13 | 18,480 | A-0-R-1-P-11.22 | Market Comparable Method | Price per perch Price per Sq ft | Rs. 3,500,000 Rs. 6,500 | 179,200 | 72,000 | 251,200 | 31/12/2021 |

| Addresses | Building Extent Sq. Ft. | Method of Valuation | Plant & Significant Unobservable Inputs | Estimation for Unobservable Inputs | Value of Land Rs. '000 | Value of Buildings Rs. '000 | Total Rs. '000 | Date of the Valuation |
|--|-------------------------|---------------------|---|--|------------------------|-----------------------------|----------------|-----------------------|
| No.70, Park Street, Colombo 02 | 4,510 | A-0-R-1-P-32.4 | Replacement Cost Method | Price per perch Rs.16,500,000 Price per Sq.ft Rs. 29,000 | 1,194,600 | 124,250 | 1,318,850 | 31/12/2021 |
| No.615, Galle Road, Mount Lavinia | 4,315 | A-0-R-1-P-12.5 | Market Comparable Method | Price per perch Rs.5,000,000 Price per Sq.ft Rs. 6,000 | 262,000 | 20,700 | 282,700 | 31/12/2021 |
| No.274, Panadura Road, Horana | 5,860 | A-0-R-0-P-25.5 | Contractor's Test Method | Price per perch Rs.3,300,000 Price per Sq.ft Rs. 8,500 | 84,000 | 47,300 | 131,300 | 31/12/2021 |
| No.65, King Street, Kandy | 14,650 | A-0-R-1-P-1.25 | Contractor's Test Method | Price per perch Rs.6,500,000 Price per Sq.ft Rs. 6,500 | 267,300 | 61,900 | 329,200 | 31/12/2021 |
| No.45, Anagarika Dharmapala Mawatha, Matara | 7,232 | A-0-R-0-P-26.44 | Replacement Cost Method | Price per perch Rs.7,250,000 Price per Sq.ft Rs. 8,000 | 191,700 | 31,800 | 223,500 | 31/12/2021 |
| No.213, Highlevel Road, Nugegoda | 2,250 | A-0-R-0-P-23.75 | Market Comparable Method | Price per perch Rs.3,600,000 Price per Sq.ft Rs. 1,000 | 85,500 | 2,250 | 87,750 | 31/12/2021 |
| No.134/C3 Jaya Mawatha, Kadawatha | 5,914 | A-0-R-0-P-19.5 | Contractor's Test Method | Price per perch Rs.1,800,000 Price per Sq.ft Rs. 9,000 | 35,000 | 53,200 | 88,200 | 31/12/2021 |
| No.26 Gammedda Road, Jaala | - | A-0-R-0-P-32 | Market Comparable Method | Price per perch Rs.1,800,000 | 57,600 | - | 57,600 | 31/12/2021 |
| No.192, Horana Road, Piliyandala | 3,713 | A-0-R-0-P-25.35 | Market Comparable Method | Price per perch Rs.3,200,000 Price per Sq.ft Rs. 16,000 | 81,000 | 59,400 | 140,400 | 31/12/2021 |
| No.43, Galle Road, Wellawatta | 12,676 | A-0-R-0-P-25.31 | Contractor's Test Method | Price per perch Rs.16,000,000 Price per Sq.ft Rs. 2,000 - 7,750 | 405,000 | 41,800 | 446,800 | 31/12/2021 |
| No.388/4 Kaduwela Road Malabe | 5,600 | A-0-R-0-P-29 | Contractor's Test Method | Price per perch Rs.4,000,000 Price per Sq.ft Rs. 12,500 | 116,000 | 70,000 | 186,000 | 31/12/2021 |
| No.293, Point Pedro Rd, Nelliady | 9,462 | A-0-R-0-P-44.32 | Contractor's Test Method | Price per perch Rs.550,000 Price per Sq.ft Rs. 10,000 | 24,300 | 94,600 | 118,900 | 31/12/2021 |
| Mirigama Road, Wewagedara, Divulapitiya. | 5,229 | A-0-R-0-P-40 | Contractor's Test Method | Price per perch Rs.900,000 Price per Sq.ft Rs. 11,500 | 36,000 | 60,000 | 96,000 | 31/12/2021 |
| No.293, Point Pedro Road, Neliyaddy | - | A-0-R-0-P-53.78 | Contractor's Test Method | Price per perch Rs.250,000 | 13,400 | - | 13,400 | 31/12/2021 |
| No.37,39 & 41, Kammarthiddy Road, Jaffna (Jaffna New Building) | 13,710 | - | Contractor's Test Method | Price per Sq ft Rs. 9,000 | - | 117,200 | 117,200 | 31/12/2021 |
| No.746/1/1, Trincomalee Street, Madandawela, Matale | - | A-0-R-0-P-31 | Contractor's Test Method | Price per perch Rs.2,200,000 | 68,200 | - | 68,200 | 31/12/2021 |
| No.115, Greens Road, Negombo | 7,345 | A-0-R-0-P-37.5 | Contractor's Test Method | Price per perch Rs.3,750,000 Price per Sq.ft Rs. 12,000 | 140,600 | 88,000 | 228,600 | 31/12/2021 |
| No.101, Veyangoda Road, Minuwangoda | - | A-0-R-0-P-37.23 | Contractor's Test Method | Price per perch Rs.1,370,000 | 51,000 | - | 51,000 | 31/12/2021 |
| No.60, Park Street, Colombo 02 | 34,854 | A-0-R-1-P-2.82 | Investment Method | Rent per Sq.ft Rs. 200 - Rs. 220 per month | 642,300 | 221,220 | 863,520 | 31/12/2021 |
| No.70, Park Street, Colombo 02 | 4,510 | - | Market Comparable Method | Rent per Sq.ft Rs.125 - Rs. 160 per month | - | 133,370 | 133,370 | 31/12/2021 |
| Serene Resorts, Bopitiya Road, Uswetakeiyawa | 37,184 | A-2-R-3-P-30 | Market Comparable Method | Price per perch Rs.500,000 | 258,500 | 265,840 | 524,340 | 31/12/2021 |
| Ceylinc House, No.69, Janadhipathi Mawatha, Colombo 01 (6th Floor) | 1,300 | - | Investment Method | Rent per Sq.ft Rs. 160 - Rs. 175 per month | - | 38,819 | 38,819 | 31/12/2021 |
| Total | | | | | 7,261,900 | 3,501,949 | 10,763,849 | |
| Sub Total | | | | | 8,128,237 | 4,854,449 | 12,982,686 | |
| Land & Buildings - Ceylinc Insurance PLC and Other Subsidiaries | | | | | 2,372,857 | 3,014,636 | 5,387,493 | |
| Group -Total | | | | | 10,501,094 | 7,869,085 | 18,370,179 | |

Notes to the Financial Statements

9. Property, Plant and Equipment Contd.

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., Energy Lanka Holdings Limited and CEG Education Group were revalued by an independent expert valuers, Mr. W.M. Chandrasena and Mr. W.A.T.I.P Jayatilake Incorporated valuers, to determine the fair value of its land and buildings on 31/12/2019. However, Ceylinco Life Insurance Ltd. and Energy Lanka Holdings Limited have revalued as at 31/12/2021, 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 sixty buildings under Property, Plant and Equipment.

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. 1,370,694,000 (2020 - Rs. 900,215,000). Cash payments amounting to Rs. 1,370,694,000 (2020 - Rs. 900,215,000) were made during the year to purchase of Property, Plant and Equipment.

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 | |
|------------------------|------------------|------------------|
| | 2021 Rs. '000 | 2020 Rs. '000 |
| Plant and Machinery | 340,874 | 139,861 |
| Computer Equipment | 465,927 | 468,792 |
| Office Equipment | 782,644 | 951,731 |
| Furniture and Fittings | 425,687 | 346,800 |
| Motor Vehicles | 175,957 | 200,842 |
| | 2,191,089 | 2,108,026 |

9.(d) Capital Commitments

Capital commitments relating to the acquisition of Property, Plant and Equipment during the year (Refer Note 45b).

9.(e) Property, Plant and Equipment Pledged as Security for Liabilities

Details of Property, Plant and Equipment pledged as securities for liabilities during the year are 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 2021. 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 (2020 - 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 2021 (2020 - Nil).

Notes to the Financial Statements

10. RIGHT OF USE ASSETS

| | GROUP | |
|-------------------------------------|------------------|------------------|
| | 2021 Rs. '000 | 2020 Rs. '000 |
| Cost | | |
| As at 01 January | 1,692,845 | 1,228,606 |
| Addition | 329,217 | 589,903 |
| Derecognition | (151,716) | (125,664) |
| As at 31 December | 1,870,346 | 1,692,845 |
| Accumulated Depreciation | | |
| As at 01 January | 601,791 | 278,180 |
| Depreciation on Right-of-Use Assets | 364,242 | 371,141 |
| Derecognition | (29,838) | (47,530) |
| As at 31 December | 936,195 | 601,791 |
| Carrying value as at 31 December | 934,151 | 1,091,054 |
| At 31 December | | |
| | Note | GROUP |
| | | 2021 Rs. '000 |
| | | 2020 Rs. '000 |

The following are the amounts recognised in Profit or Loss:

| | | | |
|---------------------------------------|--------|----------|----------|
| Depreciation on Right-of-Use Assets | | 364,242 | 371,141 |
| Interest Expense on Lease Liabilities | 28.(a) | 117,381 | 131,839 |
| Derecognition Impact (Gain)/Loss | | (43,990) | (12,151) |

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 Company 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 Company 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 Company 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 | |
|-----------------------|------|------------------|------------------|------------------|------------------|
| | | 2021 Rs. '000 | 2020 Rs. '000 | 2021 Rs. '000 | 2020 Rs. '000 |
| At 1 January | | 2,111,922 | 1,182,122 | 153,332 | 153,332 |
| Additions/Transfers | | 311,202 | 218,431 | - | - |
| Disposal/Transfers | | - | 579,000 | - | - |
| Fair Value Gains | 33 | 371,358 | 132,369 | - | - |
| At 31 December | | 2,794,482 | 2,111,922 | 153,332 | 153,332 |

As at 31st December 2021, Investment Properties were valued by qualified valuer Mr. W. M. Chandrasena .

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 Land Rs. '000 | Value of Buildings Rs. '000 | Total Rs. '000 | Date of the Valuation |
|---|------------------|----------------|---------------------|-----------------------------------|------------------------------------|------------------------|-----------------------------|----------------|-----------------------|
| No.34, Muhandiram ED Dabare Mawatha, Colombo-05 (1 Apartment) | 2663 | - | Investment Method | Rent per Sq.ft per month | Rs.65/- | - | 34,500 | 34,500 | 31/12/2021 |
| 583/63, Liyanagemulla, Seeduwa | - | A-2-R-2-P-21.5 | Cost Approach | Price per perch & Price per Sq.ft | Rs.500,000/- | 105,000 | - | 105,000 | 31/12/2021 |
| Total | | | | | | 105,000 | 34,500 | 139,500 | |

Life Insurance Business

| Addresses | Building Sq. Ft. | Land Extent | Method of Valuation | Significant Unobservable Inputs | Estimation for Unobservable Inputs | Value of Land Rs. '000 | Value of Buildings Rs. '000 | Total Rs. '000 | Date of the Valuation |
|---|------------------|-----------------|---------------------|---------------------------------|------------------------------------|------------------------|-----------------------------|----------------|-----------------------|
| No. 36, Talbot Town, Galle | 6,668 | A-0-R-0-P-20 | Investment Method | Rent per Sq.ft per month | Rs.135 - Rs. 155 | 120,000 | 18,300 | 138,300 | 31/12/2021 |
| No.24A, New Galle Road, Nambimulla, Ambalangoda | 4,614 | A-0-R-0-P-20 | Investment Method | Rent per Sq.ft per month | Rs.105 - Rs. 135 | 80,000 | 18,400 | 98,400 | 31/12/2021 |
| No. 428, 428/2/1, R. A. De Mel Mawatha, Colombo 03 | 8,249 | Condominium | Investment Method | Rent per Sq.ft per month | Rs. 45 - Rs. 200 | - | 136,000 | 136,000 | 31/12/2021 |
| No.06, Railway Station Road, Matara | 2,982 | A-0-R-0-P-25.88 | Investment Method | Rent per Sq.ft per month | Rs.70 - Rs. 120 | 103,500 | 6,300 | 109,800 | 31/12/2021 |
| Ceylinco House No.69, Janadhipathi Mawatha, Colombo 01 (7th Floor) | 5,318 | - | Investment Method | Rent per Sq.ft per month | Rs.26,500 | - | 150,000 | 150,000 | 31/12/2021 |
| Ceylinco House, No.69, Janadhipathi Mawatha, Colombo 01 (6th Floor) | 10,023 | - | Investment Method | Rent per Sq.ft per month | Rs. 26,500 | - | 265,550 | 265,550 | 31/12/2021 |
| No.38, Abdul Gafoor Mawatha, Colombo-01 | - | A-0-R-1-P-4.5 | Investment Method | Price per perch | Rs. 16,000,000 | 712,000 | - | 712,000 | 31/12/2021 |
| No.09, 1 & 9A, Layards Road, Colombo -05 | 4,120 | A-0-R-0-P-14.26 | Investment Method | Rent per Sq.ft per month | Rs.5,500-Rs. 6,500 | 213,900 | 24,800 | 238,700 | 31/12/2021 |
| No.2, Gower Street, Colombo-05 | 2,610 | - | Investment Method | Rent per Sq.ft per month | Rs.6,500 | - | 9,300 | 9,300 | 31/12/2021 |
| No.10, Gower Street, Colombo 05, NEW | 5,680 | A-0-R-0-P-20.25 | Investment Method | Price per Sq.ft per | Rs.5,500 | 324,000 | 15,600 | 339,600 | 31/12/2021 |
| No.63, Janadhipathi Mawatha, Colombo-01 | - | A-0-R-0-P-13.84 | Investment Method | Rent per Sq.ft per month | Rs.22,000,000 | 304,000 | - | 304,000 | 31/12/2021 |
| Total | | | | | | 1,857,400 | 644,250 | 2,501,650 | |
| Investment Property - Ceylinco Insurance PLC | | | | | | 104,288 | 49,044 | 153,332 | |
| Group Total | | | | | | 2,066,688 | 727,794 | 2,794,482 | |

The fair value of Investment Property reflects the actual market value as at reporting date.

The Group has eleven buildings under Investment Properties.

11.(b)

Company

| Addresses | Building Sq. Ft. | Land Extent | Method of Valuation | Significant Unobservable Inputs | Estimation for Unobservable Inputs | Value of Land Rs. '000 | Value of Buildings Rs. '000 | Total 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 |
|--|--|--|
| <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 Buildings</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> |

Notes to the Financial Statements

12. (a) Investment in Subsidiaries

| As at 31 December | % of Direct/Indirect Holding | | Company Number of Shares | | Cost | |
|---|------------------------------|------|--------------------------|-------------|------------------|------------------|
| | 2021 | 2020 | 2021 | 2020 | 2021 Rs. '000 | 2020 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 | 144,111,973 | 166,603,438 | 576,448 | 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 |
| | | | | | 15,896,855 | 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).

12. (b) Investment in Associates

| Company / Group Investments in Associates | % of Direct/Indirect Holding | | Number of Shares | | Cost | |
|--|------------------------------|------|------------------|------------|------------------|------------------|
| | 2021 | 2020 | 2021 | 2020 | 2021 Rs. '000 | 2020 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 | 876,310 |
| 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. | | | | | 29,471 | 25,737 |
| Sagaramatha Insurance Ltd. | | | | | 541,621 | 383,166 |
| Citizens Development Business Finance PLC | | | | | 4,684,011 | 3,462,403 |
| Energy Generators (Pvt) Ltd. | | | | | 302,522 | 246,882 |
| | | | | | 6,461,638 | 5,022,201 |
| Group Investments in Associates (Equity Basis) | | | | | 6,554,152 | 5,114,715 |
| As at 31 December | | | | | | |
| | | | Note | | GROUP | |
| | | | | | 2021 | 2020 |
| | | | | | Rs. '000 | Rs. '000 |
| Share of Associate's Statement of Financial Position | | | | | | |
| Total Assets | | | | | 35,281,436 | 34,418,528 |
| Total Liabilities | | | | | (28,727,283) | (29,303,813) |
| Net Assets | | | | | 6,554,153 | 5,114,715 |
| Share of Associate's Revenue and Profit | | | | | | |
| Revenue | | | | | 5,494,255 | 5,511,482 |
| Profit | | | | | 1,304,768 | 928,097 |
| Profit attributable to Ordinary Shareholders | | | | | 1,304,768 | 928,097 |
| Share of Associate ownership in Other Comprehensive Income | | | 42.1 | | 127,290 | (10,645) |

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. 4,148,759,062 as at 31st December 2021 (2020 -Rs. 2,127,507,525).

Notes to the Financial Statements

13. FINANCIAL INSTRUMENTS AND FAIR VALUES OF FINANCIAL INSTRUMENTS

The Group's Financial Instruments are summarised by categories as follows:

| As at 31 December | Notes | GROUP | | COMPANY | |
|---|-------|--------------------|--------------------|------------------|------------------|
| | | 2021 Rs. '000 | 2020 Rs. '000 | 2021 Rs. '000 | 2020 Rs. '000 |
| Held to Maturity Financial Assets | 13(a) | 64,137,247 | 51,698,662 | - | - |
| Loans and Receivables | 13(b) | 96,741,229 | 71,215,058 | 1,233,146 | 720,277 |
| Available-for-Sale Financial Assets | 13(c) | 10,803,160 | 21,301,328 | 564,668 | 347,952 |
| Financial Assets at Fair Value Through Profit or Loss | 13(d) | 99,519 | 3,174,763 | - | - |
| Total Financial Instruments | | 171,781,155 | 147,389,811 | 1,797,814 | 1,068,229 |

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 | | | |
|--|-------------------------------|---------------------------|-------------------------------|---------------------------|-------------------------------|---------------------------|-------------------------------|---------------------------|
| | 2021 | | 2020 | | 2021 | | 2020 | |
| | 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 | 64,137,247 | 62,769,974 | 51,698,662 | 63,371,199 | - | - | - | - |
| Loans and Receivables | 96,741,229 | 96,741,229 | 71,215,058 | 71,215,058 | 1,233,146 | 1,233,146 | 720,277 | 720,277 |
| Available-for-Sale Financial Assets | 10,803,160 | 10,803,160 | 21,301,328 | 21,301,328 | 564,668 | 564,668 | 347,952 | 347,952 |
| Financial Assets at Fair Value Through Profit or Loss | 99,519 | 99,519 | 3,174,763 | 3,174,763 | - | - | - | - |
| Total Financial Instruments | 171,781,155 | 170,413,882 | 147,389,811 | 159,062,348 | 1,797,814 | 1,797,814 | 1,068,229 | 1,068,229 |

13.i Re-Classification (Ceylinco Life Insurance Limited)

Available-for-Sale Financial Assets

As at 01 September 2021, Ceylinco Life Insurance Limited reclassified its Treasury bonds portfolio except for Takaful fund and Unit Linked fund from AFS category to HTM category.

As per the guidelines set out in LKAS 39: Financial Instruments Recognition & Measurement, reclassifying the financial instruments out of AFS category is possible if it would have met the definition of L&R category and the Company has the intention and ability to hold the financial asset for the foreseeable future or until maturity.

As per the guidance provided in LKAS 39, all the reclassified Treasury Bonds from AFS category were transferred at its fair value on the date of reclassification (i.e. 01 September 2021). Further, previously recognized fair value gain / losses recognized in other comprehensive income were planned to amortized over remaining life of the reclassified Treasury Bond portfolio using effective interest method. Fair value as at 01 September was considered as the cost of reclassified Treasury Bonds in HTM category.

The table below sets out the financial assets reclassified and their carrying value and fair values.

| | Amount Reclassified Rs. '000 | Carrying Value Rs. '000 | Fair Value Rs. '000 |
|--|------------------------------------|-------------------------------|---------------------------|
| Treasury Bonds reclassified from 01 September 2021 | 7,758,166 | 7,758,166 | 7,758,166 |

From 01 September 2021 to 31 December 2021, Ceylinco Life Insurance Limited has amortized Rs. 12,820,457/= to the income statement from the previously recognized fair value changes in other comprehensive income of the reclassified Treasury Bond portfolio.

Below table represents the planned amortization using effective interest method for the previously recognised fair value gain / losses recognised in other comprehensive income in respect of AFS instrument reclassified to HTM category.

| | AFS Reserve Balance As at 01.09.2021 Rs. '000 | Amortised Amount 01.09.2021 to 31.12.2021 Rs. '000 | Remaining AFS Reserve to be Amortised Rs. '000 |
|--|---|--|--|
| Amortisation of previously recognised fair value gain/losses in other comprehensive income | 167,996 | 12,820 | 155,175 |

The table below sets out the amounts were to be recognised in Statement of Other Comprehensive Income if the reclassification from AFS to HTM category has not happened on 01 September 2021.

| | Other Comprehensive Income |
|---|----------------------------------|
| Fair Value Changes happened after 01 September 2021 for reclassified Treasury Bonds | (715,319) |

Notes to the Financial Statements

13.i Re-Classification (Ceylinco Life Insurance Limited) Contd.

Financial Assets at Fair Value Through Profit or Loss

As at 01 September 2021, Ceylinco Life Insurance Limited reclassified its Treasury bonds portfolio from FVTPL category to HTM category. As per the guidelines set out in LKAS 39: Financial Instruments Recognition & Measurement, reclassifying the financial instruments out of FVTPL category is possible only in "rare circumstances".

Along with the on-going challenges due to pandemic situation and trade deficits, Sri Lankan economy has been strained like never before while financial market except for equity have been affected severely. With sudden and seemingly contradictory move made by CBSL by hiking the policy rates by 50 basis points on 19th August 2021, secondary market of Government Securities has come to a complete standstill.

The market volumes have dried and turned illiquid, affecting the main function of any financial market (i.e. price discovery). For the first in the recent past, no quotes are available for most Treasury Bond maturities, while very few short-term Bonds are quoted at wide and sporadic yields. After a careful evaluation of this rare and unprecedented turn of events, growing levels of uncertainty and illiquid nature of the markets, management believes that such scenario can be considered as "rare circumstances" as stipulated in LKAS 39.

As per the guidance provided in LKAS 39, all the reclassified Treasury Bonds from FVTPL category were transferred at its fair value on the date of reclassification (i.e. 01 September 2021). Further, previously recognized fair value gain / losses were not reversed and fair value as at 01 September was considered as the cost of reclassified Treasury Bonds in HTM category.

The table below sets out the financial assets reclassified and their carrying value and fair values.

| | Amount Reclassified Rs. '000 | Carrying Value Rs. '000 | Fair Value Rs. '000 |
|--|------------------------------------|-------------------------------|---------------------------|
| Treasury Bonds reclassified from 01 September 2021 | 5,072,964 | 5,072,964 | 5,072,964 |

The table below sets out the amounts were to be recognized in income statement if the reclassification from FVTPL to HTM category is not happened on 01 September 2021.

| | Income Statement Rs. '000 |
|---|---------------------------------|
| Fair Value Changes happened after 01 September 2021 for reclassified Treasury Bonds | (43,138) |

13.(a) Held to Maturity Financial Assets

| As at 31 December | Notes | GROUP | |
|--|---------|-------------------|-------------------|
| | | 2021 Rs. '000 | 2020 Rs. '000 |
| Amortised Cost | | | |
| Treasury Bills | | 485,828 | 213,205 |
| Treasury Bonds | | 53,414,190 | 36,964,353 |
| Debentures - Quoted | 13(a).i | 10,237,229 | 14,521,104 |
| Total Held to Maturity Financial Assets at Amortised Cost | | 64,137,247 | 51,698,662 |

| As at 31 December | GROUP | |
|--|-------------------|-------------------|
| | 2021 Rs. '000 | 2020 Rs. '000 |
| Fair Value | | |
| Treasury Bills | 485,847 | 213,205 |
| Treasury Bonds | 51,603,414 | 41,795,175 |
| Debentures - Quoted | 10,680,713 | 21,362,819 |
| Total Held to Maturity Financial Assets at Fair Value | 62,769,974 | 63,371,199 |

13.(a) i Debentures Quoted

| As at 31 December | GROUP | |
|--------------------------------|-------------------|-------------------|
| | 2021 Rs. '000 | 2020 Rs. '000 |
| Hatton National Bank PLC | 2,449,598 | 3,145,894 |
| Bank of Ceylon | 205,941 | 1,305,915 |
| National Development Bank PLC | 701,964 | 701,988 |
| Sampath Bank PLC | 2,309,224 | 3,485,121 |
| Seylan Bank PLC | 1,579,664 | 1,579,792 |
| Commercial Bank of Ceylon PLC | 517,304 | 1,407,945 |
| Peoples' Leasing & Finance PLC | - | 304,605 |
| DFCC Bank PLC | 1,928,735 | 1,928,844 |
| Nations Trust Bank PLC | 544,799 | 661,000 |
| | 10,237,229 | 14,521,104 |

Notes to the Financial Statements

13.(b) Loans and Receivables

| As at 31 December | Note | GROUP | | COMPANY | |
|--|----------|-------------------|-------------------|------------------|------------------|
| | | 2021 Rs. '000 | 2020 Rs. '000 | 2021 Rs. '000 | 2020 Rs. '000 |
| Staff Vehicle Loans | | 662,522 | 749,907 | - | - |
| Staff Loans other than Vehicle Loans | | 494,676 | 567,184 | - | - |
| Repo Investment | | 6,596,199 | 538,600 | 300,000 | 143,600 |
| Debentures - Unquoted | 13 (b).i | 4,875,489 | 5,430,754 | - | - |
| Debentures - Quoted | | 14,440,646 | 6,703,742 | - | - |
| Term Deposits | | 69,671,697 | 57,224,871 | 933,146 | 576,677 |
| Total Loans and Receivables at Amortised Cost | | 96,741,229 | 71,215,058 | 1,233,146 | 720,277 |

13.(b) i Debentures - Unquoted

| As at 31 December | GROUP | |
|---------------------------|------------------|------------------|
| | 2021 Rs. '000 | 2020 Rs. '000 |
| Fair Value | | |
| National Savings Bank | 4,129,792 | 5,131,316 |
| Nations Trust Bank | 446,292 | - |
| Regional Development Bank | 299,405 | 299,438 |
| Total | 4,875,489 | 5,430,754 |

13.(c) Available-For-Sale Financial Assets

| As at 31 December | Note | GROUP | | COMPANY | |
|--|------------|-------------------|-------------------|------------------|------------------|
| | | 2021 Rs. '000 | 2020 Rs. '000 | 2021 Rs. '000 | 2020 Rs. '000 |
| Treasury Bonds & Bills | | 7,335,465 | 17,199,922 | 97,009 | 84,019 |
| Unquoted Share Investment | 13 (c).i | 583,607 | 583,616 | 20,594 | 18,305 |
| Unquoted Debentures | | 368,052 | - | - | - |
| Unquoted Preference Share Investment | 13 (c).ii | 30,000 | 30,000 | 30,000 | 30,000 |
| Quoted Debentures | 13 (c).iii | 1,882,217 | 2,940,359 | - | - |
| Quoted Share Investment | | 321,325 | 349,580 | 417,065 | 215,628 |
| Unit Trust Investments | 13 (c).iv | 282,494 | 197,851 | - | - |
| Total Available-for-Sale Financial Assets at Fair Value | | 10,803,160 | 21,301,328 | 564,668 | 347,952 |

13.(c) i Unquoted Share Investment

| As at 31 December | GROUP | | COMPANY | |
|-----------------------------------|------------------|------------------|------------------|------------------|
| | 2021 Rs. '000 | 2020 Rs. '000 | 2021 Rs. '000 | 2020 Rs. '000 |
| Ultratech Cement Lanka (Pvt) Ltd. | 543,158 | 543,158 | - | - |
| Modern Montessorie (Pvt) Ltd. | 19,855 | 22,153 | - | - |
| Asset Trust Management (Pvt) Ltd. | 6,589 | 5,401 | 6,589 | 5,401 |
| Asian Reinsurance Corporation | 14,005 | 12,904 | 14,005 | 12,904 |
| | 583,607 | 583,616 | 20,594 | 18,305 |

13.(c) ii Unquoted Preference Share Investment

| As at 31 December | GROUP | | COMPANY | |
|--|------------------|------------------|------------------|------------------|
| | 2021 Rs. '000 | 2020 Rs. '000 | 2021 Rs. '000 | 2020 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 | |
|---------------------------------|------------------|------------------|
| | 2021 Rs. '000 | 2020 Rs. '000 |
| Sampath Bank PLC | 374,800 | 405,676 |
| Seylan Bank PLC | 480,088 | 557,687 |
| People's Leasing & Finance PLC | - | 215,890 |
| Commercial Bank of Ceylon | 221,587 | 586,658 |
| Bank of Ceylon | 1,047 | 330,833 |
| Hatton National Bank PLC | 57,807 | 58,234 |
| National Development Bank PLC | 370,370 | 50,940 |
| DFCC Bank PLC | 222,104 | 235,728 |
| Nations Trust Bank PLC | - | 50,947 |
| National Savings Bank | - | 391,276 |
| Commercial Credit & Finance PLC | 101,998 | - |
| Asia Asset Finance PLC | 52,416 | 56,490 |
| | 1,882,217 | 2,940,359 |

13.(c) iv Unit Trust Investments

| As at 31 December | GROUP | | | |
|---------------------------|---------------|---------------|------------------|------------------|
| | 2021 Units | 2020 Units | 2021 Rs. '000 | 2020 Rs. '000 |
| ASTRUE Alpha Fund | 8,415,520 | 15,363,880 | 209,270 | 197,851 |
| ASTRUE Active Income Fund | 497,754 | - | 52,902 | - |
| SENFIN Money Market Fund | 1,273,699 | - | 20,322 | - |
| | | | 282,494 | 197,851 |

13.(d) Financial Assets at Fair Value Through Profit or Loss

| As at 31 December | GROUP | |
|--|------------------|------------------|
| | 2021 Rs. '000 | 2020 Rs. '000 |
| Fair Value | | |
| Treasury Bonds | - | 3,096,757 |
| Short Term Investment - Quoted/Unquoted | 21,516 | 15,217 |
| Unit Trust | 78,003 | 62,789 |
| Total Financial Assets at Fair Value Through Profit or Loss | 99,519 | 3,174,763 |

Notes to the Financial Statements

13.(e) Carrying Values of Financial Instruments

| Company | Loans and Receivables Rs. '000 | Available- For-Sale Rs. '000 | Total Rs. '000 |
|---|--------------------------------------|------------------------------------|-------------------|
| At 1st January 2021 | 720,277 | 347,952 | 1,068,229 |
| Purchases | 653,592 | 96,112 | 749,704 |
| Maturities | (143,600) | (84,019) | (227,619) |
| Fair Value Gains Recorded in Other Comprehensive Income | - | 203,726 | 203,726 |
| Interest Accrual Adjustment | 2,877 | 897 | 2,877 |
| At 31 December 2021 | 1,233,146 | 564,668 | 1,797,814 |

| Group | Held to Maturity Rs.'000 | Loans and Receivables Rs.'000 | Available- For-Sale Rs.'000 | Fair Value Through Profit or Loss Rs.'000 | Total Rs.'000 |
|---|--------------------------------|-------------------------------------|-----------------------------------|---|------------------|
| At 1st January 2021 | 51,698,662 | 71,215,058 | 21,301,328 | 3,174,763 | 147,389,811 |
| Purchases | 11,822,437 | 310,809,220 | 149,961,691 | 4,767,819 | 477,361,167 |
| Maturities | (11,706,553) | (282,478,239) | (2,973,733) | (50,000) | (297,208,525) |
| Disposals | - | (6,723,676) | (148,755,058) | (3,137,846) | (158,616,580) |
| Fair Value Gains Recorded in the Income Statement | - | - | (2,297) | (64,113) | (66,410) |
| Fair Value Gains Recorded in Other Comprehensive Income | - | - | (733,517) | - | (733,517) |
| Impairment | - | - | (110,519) | - | (110,519) |
| Reclassification | 12,831,130 | - | (7,758,166) | (5,072,964) | - |
| Interest Accrual Adjustment | (205,446) | (226,757) | 265,357 | 76,591 | (90,255) |
| Amortisation Adjustment | (302,983) | 4,145,623 | (391,925) | 405,268 | 3,855,983 |
| At 31 December 2021 | 64,137,247 | 96,741,229 | 10,803,160 | 99,519 | 171,781,155 |

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
- 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 recognized 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 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 | Note | 2021 | | | 2020 | | | Total Fair Value Rs.'000 |
|---|------|---|---|---|---|---|---|--------------------------|
| | | Level 1 Quoted Prices in active markets Rs.'000 | Level 2 Significant Observable Inputs Rs.'000 | Level 3 Significant Unobservable Inputs Rs.'000 | Level 1 Quoted Prices in active Markets Rs.'000 | Level 2 Significant Observable Inputs Rs.'000 | Level 3 Significant Unobservable Inputs Rs.'000 | |
| Financial Assets | | | | | | | | |
| Financial Assets at Fair Value Through Profit/Loss | | | | | | | | |
| Equity Securities | | 1,073 | - | - | 1,073 | 927 | - | 927 |
| Debt Securities | | - | - | - | - | 3,096,757 | - | 3,096,757 |
| | | 1,073 | - | - | 1,073 | 3,097,684 | - | 3,097,684 |
| Available-For-Sale Financial Assets: | | | | | | | | |
| Equity Securities | | 237,952 | - | 543,158 | 781,090 | 587,531 | 543,158 | 1,130,689 |
| Debt Securities | | 5,921,207 | 2,085,612 | - | 8,006,819 | 16,428,040 | 2,674,210 | 19,102,250 |
| Unit Trust | | - | 276,286 | - | 276,286 | - | 192,023 | 192,023 |
| | | 6,159,139 | 2,361,898 | 543,158 | 9,064,195 | 17,015,571 | 2,866,233 | 20,424,962 |
| Total Financial Assets (Insurance Business) | | 6,160,212 | 2,361,898 | 543,158 | 9,065,268 | 20,113,255 | 2,866,233 | 23,522,646 |
| Financial Instruments at Fair Value -Other Businesses & Ceylinco Insurance PLC | | | | | | | | |
| | | - | - | 1,837,411 | 1,837,411 | - | - | 953,445 |
| Total Financial Assets (Group) | | 6,160,212 | 2,361,898 | 2,380,569 | 10,902,679 | 20,113,255 | 2,866,233 | 24,476,091 |

13.(f) Determination of Fair Value and Fair Values Hierarchy Contd.

| Group | 2021 | | | 2020 | | | Total Fair Value Rs.'000 |
|-------------------------------------|---|---|---|---|---|---|--------------------------|
| | Level 1 Quoted Prices in active markets Rs.'000 | Level 2 Significant Observable Inputs Rs.'000 | Level 3 Significant Unobservable Inputs Rs.'000 | Level 1 Quoted Prices in active markets Rs.'000 | Level 2 Significant Observable Inputs Rs.'000 | Level 3 Significant Unobservable Inputs Rs.'000 | |
| Non Financial Assets | | | | | | | |
| Property Plant and Equipment | | | | | | | |
| Land | - | - | 10,501,094 | - | - | 9,730,831 | 9,730,831 |
| Building | - | - | 7,869,085 | - | - | 7,728,363 | 7,728,363 |
| | - | - | 18,370,179 | - | - | 17,459,194 | 17,459,194 |
| Investment Property | | | | | | | |
| Land | - | - | 2,066,688 | - | - | 1,487,388 | 1,487,388 |
| Building | - | - | 727,794 | - | - | 624,534 | 624,534 |
| | - | - | 2,794,482 | - | - | 2,111,922 | 2,111,922 |
| Total Non Financial Assets | - | - | 21,164,661 | - | - | 19,571,116 | 19,571,116 |

Reconciliation of Movements in Level 3 Financial Instruments Measured at Fair Value

The following table shows a reconciliation of the opening and closing recorded amount of Level 3 financial assets which are recorded at fair value:
Insurance Business

| Group | At 1 January 2021 Rs.'000 | Total Gains/(Loss) Recorded in Other Comprehensive Income Rs.'000 | At 31 December 2021 Rs.'000 |
|---|---------------------------|---|-----------------------------|
| | | Additions/ Disposals Rs.'000 | |
| Financial Assets | | | |
| Available-For-Sale Financial Assets: | | | |
| Equities | 543,158 | - | 543,158 |
| Total Level 3 Financial Assets | 543,158 | - | 543,158 |

In case of change in assumptions having 10% variation, the effect to Other Comprehensive Income could be as follows:

| | Carrying Amount 31/12/2021 Rs.'000 | Effect of Possible Alternate Assumptions Rs.'000 | Carrying Amount 31/12/2020 Rs.'000 | Effect of Possible Alternate Assumptions Rs.'000 |
|-------------------|---|--|---|--|
| Equity Securities | 543,158 | 54,316 | 543,158 | 54,316 |
| | 543,158 | 54,316 | 543,158 | 54,316 |

Significant unobservable inputs used to valuation of unquoted investments is as follows

| | 2021 % | 2020 % |
|---------------|-----------|-----------|
| Growth Rate | 3 | 3.25 |
| Discount Rate | 12.5 | 11.79 |

13.(g) A quantitative sensitivity analysis for significant assumption as at 31 December 2021 as shown below Sensitivity Analysis

| Sensitivity Analysis | | 10% Increase | 10% Decrease |
|-------------------------------------|-----|--------------|--------------|
| 1. Revenue growth at terminal value | Rs. | 5 Mn | (5 Mn) |
| 2. Weighted Average cost of capital | Rs. | (7) Mn | 8 Mn |

13.(h) 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 re - prise to current market rates frequently.

Assets

Cash and Cash Equivalents

Repo

Reinsurance Receivables

Premium Receivables

Loan to Policyholders

Liabilities

Reinsurance Creditors

Other Liabilities (Excluding Government Levies and Accruals)

Notes to the Financial Statements

14. GRATUITY BENEFIT LIABILITY/(ASSET)

This note indicates the assumptions used and the movement in the Employee Benefit Plan. As at 31 December 2021 the Gratuity Liability was actuarially valued under the Projected Unit Credit Method (PUC) by M/S. K.A.Pandit Actuarial valuer. The valuation performed annually.

The amounts recognised in the Income Statement are as follows:

| | GROUP | |
|---|------------------|------------------|
| | 2021 Rs. '000 | 2020 Rs. '000 |
| As at 31 December | | |
| Current Service Cost | 41,320 | 160,041 |
| Interest Cost on Benefit Obligation | 285,985 | 322,544 |
| Expected Return on Plan Assets | (664,982) | (773,301) |
| | (337,677) | (290,716) |
| Net Actuarial Gain/ (Loss) recognised in the Other Comprehensive Income | 866,663 | (820,604) |

The amounts recognised in the Statement of Financial Position at the reporting date are as follows:

| | GROUP | |
|---|------------------|------------------|
| | 2021 Rs. '000 | 2020 Rs. '000 |
| As at 31 December | | |
| Present Value of the Defined Benefit Obligation | (2,848,341) | (3,565,892) |
| Fair Value of Plan Assets | 9,519,386 | 8,291,541 |
| Total Net Defined Benefit Asset | 6,671,045 | 4,725,649 |

The Movement in the Defined Benefit Liability is as follows:

| | GROUP | |
|---|------------------|------------------|
| | 2021 Rs. '000 | 2020 Rs. '000 |
| At 1 January | 3,903,603 | 3,420,621 |
| Current Service Cost | 248,457 | 207,612 |
| Interest Cost | 294,860 | 341,850 |
| Under provision for previous year | (15,087) | - |
| Past service cost | (162,204) | - |
| Benefits Paid | (236,556) | (292,887) |
| Actuarial (Gains)/ Losses | (877,171) | 226,406 |
| At 31 December | 3,155,902 | 3,903,603 |
| Defined Gratuity Benefit Obligation of the Insurance Business | (2,848,341) | (3,565,892) |
| Gratuity Liability -Other Subsidiaries | 307,561 | 337,711 |

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 21 years.

The Movement in the Plan Assets is as follows:

| | GROUP | |
|--------------------------------|--------------------|--------------------|
| | 2021 Rs. '000 | 2020 Rs. '000 |
| At 1 January | (8,291,541) | (7,559,148) |
| Expected Return on Plan Assets | (423,798) | (773,301) |
| Actuarial Gains | 93,384 | 296,691 |
| Benefit Paid | (22,438) | 371,325 |
| Contribution Paid by Employer | (874,993) | (627,108) |
| At 31 December | (9,519,386) | (8,291,541) |

The distribution of the Plan Assets at the reporting date is as follows:

| | GROUP | |
|--------------------------|------------------|------------------|
| | 2021 Rs. '000 | 2020 Rs. '000 |
| As at 31 December | | |
| Investment in Shares | 6,772,460 | 6,181,659 |
| Other Assets | 2,746,926 | 2,109,882 |
| Total Plan Assets | 9,519,386 | 8,291,541 |

Gratuity Funds' Plan Assets include investment in equity shares of Ceylinco Insurance PLC, market value amounting to Rs. 1,947,662,568 as at the reporting date (2020 - Rs. 1,729,543,406).

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:

| | GROUP | |
|--|---------------|----------|
| | 2021 | 2020 |
| As at 31 December | | |
| Future Salary Increases | 10% | 10% |
| Discount Rate | 10%-12.37% | 7% - 8% |
| Expected Rate of Return on Plan Assets | 11.93%-12.37% | 8.02% |
| Retirement Age | 60 years | 55 years |

14. **Gratuity Benefit Liability/(Asset) Contd.**
Changes in the Defined Benefit Obligation and Fair Value of Plan Assets

| Group 2021 | 01-Jan-21 Rs:000 | Recognition of Plan assets Rs:000 | Service Cost Rs:000 | Amount Charged to Income Statement | | Assets Transferred Rs:000 | Return on Plan Assets (Excluding amounts included in Net Interest Expenses) Rs:000 | Actuarial Changes Arising from Changes in Demographic Assumptions Rs:000 | Remeasurement Gains/(Losses) in Other Comprehensive Income | | 31-Dec-21 Rs:000 | | |
|---|---------------------|---|------------------------|------------------------------------|---|---------------------------------|---|--|---|--|---------------------|-------------------------------------|--|
| | | | | Net Interest Rs:000 | Subtotal included in Profit or Loss Rs:000 | | | | Benefit Paid Rs:000 | Actuarial Changes Arising from Changes in Financial Assumptions Rs:000 | | Experience Adjustments Rs:000 | Subtotal included in OCI Rs:000 |
| Defined Benefit Obligation | (3,565,892) | - | (41,320) | (285,985) | (327,305) | 222,087 | (2,158) | (2,471) | 1,132,922 | (307,682) | 822,769 | (2,848,341) | |
| Fair Value of Plan Assets | 8,291,541 | - | - | - | - | (114,841) | 664,982 | - | - | 43,894 | 43,894 | 633,810 | 9,519,386 |
| Total Recognised Benefit (Liability) / Asset | 4,725,649 | - | (41,320) | (285,985) | (327,305) | 107,246 | (2,158) | (2,471) | 1,132,922 | (263,788) | 866,663 | 633,810 | 6,671,045 |

| Group 2020 | 01-Jan-20 Rs:000 | Recognition of Plan assets Rs:000 | Service Cost Rs:000 | Amount Charged to Income Statement | | Assets Transferred Rs:000 | Return on Plan Assets (Excluding amounts included in Net Interest Expenses) Rs:000 | Actuarial Changes Arising from Changes in Demographic Assumptions Rs:000 | Remeasurement Gains/(Losses) in Other Comprehensive Income | | 31-Dec-20 Rs:000 | | |
|---|---------------------|---|------------------------|------------------------------------|---|---------------------------------|---|--|---|--|---------------------|-------------------------------------|--|
| | | | | Net Interest Rs:000 | Subtotal included in Profit or Loss Rs:000 | | | | Benefit Paid Rs:000 | Actuarial Changes Arising from Changes in Financial Assumptions Rs:000 | | Experience Adjustments Rs:000 | Subtotal included in OCI Rs:000 |
| Defined Benefit Obligation | (3,152,918) | - | (1,60,041) | (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 |
| Total Recognised Benefit (Liability) / Asset | 4,406,230 | - | (1,60,041) | (322,544) | (482,585) | 222,199 | 773,301 | - | (493,773) | (326,831) | (820,604) | 627,108 | 4,725,649 |

A quantitative sensitivity analysis for significant assumptions as at 31 December 2021 and 2020 are shown below:

| As at 31 December | Discount Rate | | Future Salary Increment Rate | |
|--|---------------|----------|------------------------------|-----------|
| | Increase | Decrease | Increase | Decrease |
| | 1% | 1% | 1% | 1% |
| | Rs.000 | Rs.000 | Rs.000 | Rs.000 |
| Impact on Defined Benefit Obligation -2021 | (177,850) | 204,926 | 207,409 | (182,777) |
| Impact on Defined Benefit Obligation -2020 | (226,913) | 262,946 | 273,779 | (240,802) |

Following payments are expected contributions to the Defined Benefit Plan Obligation in the future years.

| As at 31 December | 2021 Rs. '000 | 2020 Rs. '000 |
|---------------------------|------------------|------------------|
| Within the next 12 Months | 668,258 | 906,007 |
| Between 2 and 5 Years | 920,196 | 768,201 |
| Between 6 and 10 Years | 1,359,568 | 1,359,799 |
| Sum of Years 11 and above | 8,192,103 | 4,992,988 |

The average duration of the Defined Benefit Plan Obligation at the end of the reporting period is 21 years (2020: 9 years).

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 Pension Fund of Ceylinco Insurance PLC.

Changes in the Defined Benefit Obligation, Fair Value of Plan Assets and Unrecognised past service costs.

| Group 2021 | 01-Jan-21 Rs.000 | Recognition of Plan Assets Rs.000 | Service Cost Rs.000 | Amount Charged to Income Statement | | Return on Plan Assets (Excluding amounts in Net Interest Expenses) Rs.000 | Past Service Costs Recognised Rs.000 | Recognised in Income Statement Rs.000 | Remeasurement Gains/(Losses) in Other Comprehensive Income | | | 31-Dec-21 Rs.000 |
|---|---------------------|--|---------------------------|------------------------------------|---|---|--|--|---|--|--|---------------------|
| | | | | Net Interest Rs.000 | Sub Total Included in Profit/Loss Rs.000 | | | | Benefit Paid Rs.000 | Actuarial Changes Arising from Changes in Demographic Assumptions Rs.000 | Actuarial Changes Arising from Changes in Financial Assumptions Rs.000 | |
| Defined Benefit Obligation | (1,524,865) | - | (2,499) | (134,978) | (137,477) | 17,483 | - | (65,942) | - | 54,046 | - | (1,592,813) |
| Fair Value of Plan Assets | 3,281,252 | - | 159,880 | - | 159,880 | (17,483) | - | 98,508 | 21,371 | 853 | 22,224 | 3,646,058 |
| Total Recognised Benefit (Liability) / Asset | 1,756,384 | - | 157,381 | (134,978) | 22,403 | - | - | 32,566 | 21,371 | - | 54,899 | 2,053,245 |

| Group 2020 | 01-Jan-20 Rs.000 | Recognition of Plan Assets Rs.000 | Service Cost Rs.000 | Amount Charged to Income Statement | | Return on Plan Assets (Excluding amounts in Net Interest Expenses) Rs.000 | Past Service Costs Recognised Rs.000 | Recognised in Income Statement Rs.000 | Remeasurement Gains/(Losses) in Other Comprehensive Income | | | 31-Dec-20 Rs.000 |
|---|---------------------|--|---------------------------|------------------------------------|---|---|--|--|---|--|--|---------------------|
| | | | | Net Interest Rs.000 | Sub Total Included in Profit/Loss Rs.000 | | | | Benefit Paid Rs.000 | Actuarial Changes Arising from Changes in Demographic Assumptions Rs.000 | Actuarial Changes Arising from Changes in Financial Assumptions Rs.000 | |
| Defined Benefit Obligation | (1,621,366) | - | (2,211) | (115,265) | (117,476) | 279,891 | - | (65,961) | - | (14,130) | (67,914) | (1,526,865) |
| Fair Value of Plan Assets | 3,398,147 | - | 222,347 | - | 222,347 | (279,891) | - | 120,514 | (182,236) | (102,239) | (284,475) | 3,281,252 |
| Total Recognised Benefit (Liability) / Asset | 1,776,779 | - | 220,136 | (115,265) | 104,871 | - | - | 64,554 | (182,236) | (14,130) | (352,389) | 1,754,384 |

A quantitative sensitivity analysis for significant assumption as at 31 December 2021 as shown below.

| | Change in Discounting Rate | |
|--|----------------------------|-----------|
| | Increase | Decrease |
| | 1% | 1% |
| Impact on define benefit obligation 2021 | (4,120,935) | 4,620,765 |
| Impact on define benefit obligation 2020 | (2,487,837) | 2,827,448 |

The distribution of the Plan Assets at the reporting date is as follows:

| | 2021 Rs. '000 | 2020 Rs. '000 |
|----------------------|------------------|------------------|
| Investment in shares | 2,008,666 | 1,783,895 |
| Others* | 1,637,392 | 1,497,357 |
| | 3,646,058 | 3,281,252 |

*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:

| | | 2021 | 2020 |
|-------------------------------|----------------|-------------|-------------|
| Discount Rate | Current | 11.93% | 6% - 8% |
| Rate of Return on Plan Assets | | 11.93% | 8.02% |
| Salary Escalation Rate | Scheme A,B &D | 0% | 0% |
| | Scheme C | 10% | 10% |
| Attrition Rate | | 0% | 0% |
| Retirement Age | Scheme A | 60 years | 60 years |
| | Scheme B, C &D | 55 years | 55 years |
| Mortality Table | | IALM2006/08 | IALM2006/08 |

Plan Assets include investment in equity shares of Ceylinco Insurance PLC, market value amounting to Rs. 2,008,666,790/- at the Reporting date (2020 - Rs.1,783,894,320/-).

Notes to the Financial Statements

16. REINSURANCE RECEIVABLES

| As at 31 December | GROUP | |
|------------------------------------|------------------|------------------|
| | 2021 Rs. '000 | 2020 Rs. '000 |
| Reinsurance of Insurance Contracts | 6,035,830 | 4,200,999 |
| Total Reinsurance Receivables | 6,035,830 | 4,200,999 |

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 | |
|---------------------------------|------------------|------------------|
| | 2021 Rs. '000 | 2020 Rs. '000 |
| At 1 January | 1,282,725 | 1,335,469 |
| Loans Granted During the Period | 1,416,463 | 1,163,021 |
| Repayment During the Period | (1,137,207) | (1,215,765) |
| At 31 December | 1,561,981 | 1,282,725 |

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 2021. 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 2021 was 32,247 (2020 - 33,841).

17.(a) v Collateral Details

The Group does not hold any collateral as security against potential default by policyholders other than surrender value.

18. TAXATION

| | Note | GROUP | | COMPANY | |
|--|--------|--------------------|--------------------|------------------|------------------|
| | | 2021 Rs. '000 | 2020 Rs. '000 | 2021 Rs. '000 | 2020 Rs. '000 |
| Tax Receivable | | | | | |
| At 1 January | | 56,692 | 73,420 | 35,371 | (13,131) |
| Amounts recorded in the Income Statement | 38.(a) | (2,149,704) | (2,495,352) | (186,117) | (35,017) |
| Notional Tax Recognised | | 466,045 | - | - | - |
| Payments made on-account during the year | | 124,179 | 1,188,097 | 53,498 | 83,519 |
| At 31 December | | (1,502,788) | (1,233,835) | (97,248) | 35,371 |
| Payable balance included under Trade & Other payable (Note 28) | | | | | |
| | | 1,509,933 | 1,290,527 | 97,248 | - |
| At 31 December | | 7,145 | 56,692 | - | 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 | |
|--|--------------------------------------|-----------------|------------------|-----------------|---------------------------------|-----------------|
| | 2021 Rs.'000 | 2020 Rs.'000 | 2021 Rs.'000 | 2020 Rs.'000 | 2021 Rs.'000 | 2020 Rs.'000 |
| Temporary Difference from Retirement Benefit Liability | (400) | 48,116 | 1,028 | 18,799 | 5,263 | 606,860 |
| Temporary Difference from Property Plant and Equipment | - | - | (185) | 61,900 | (639) | (237,834) |
| Revaluation Reserve | - | - | - | - | - | (182,090) |
| Available For Sale Financial Assets | 1,404 | 33,517 | - | - | 1,404 | (52,197) |
| Temporary Difference from allowance for Impairment | - | - | 1,632 | 21,153 | 1,632 | (13,691) |
| Temporary Difference for unrealised exchange gain | - | - | - | (13,648) | - | 32,099 |
| Temporary Difference from Allowance for net of ROU & Lease creditors | - | - | (1,822) | (25,192) | 1,297 | (10,530) |
| Temporary Difference from Intangible Asserts | - | - | - | (2,904) | - | 3,723 |
| Deferred Tax Expense/(Income) | 1,004 | 81,633 | 653 | 60,108 | - | - |
| Deferred Tax Asset | | | | | 8,957 | 146,340 |

Total Deferred Tax Asset

| | GROUP | |
|--|------------------|------------------|
| | 2021 Rs. '000 | 2020 Rs. '000 |
| At 1 January | 146,340 | 4,598 |
| Amounts recorded in the Income Statement | (138,388) | 60,108 |
| Amounts recorded in Other Comprehensive Income | 1,005 | 81,634 |
| At 31 December | 8,957 | 146,340 |

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.

Notes to the Financial Statements

18.(b) Deferred Tax Liabilities- Group

| As at 31 December | Other Comprehensive Income Statement | | Income Statement | | Statement of Financial Position | |
|---|--------------------------------------|----------------|------------------|---------------|---------------------------------|------------------|
| | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 |
| | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 |
| Losses Carried Forward | - | - | - | (5,647) | (2,942) | (5,693) |
| Temporary Difference from Retirement Benefit Obligation | 148,089 | 673 | 75,680 | (10,850) | (423,481) | (42,924) |
| Temporary difference from Investment Property | - | - | 180,150 | - | 654,551 | - |
| Temporary Difference from Property Plant and Equipment | - | - | 24,558 | 8,120 | 99,652 | 314,875 |
| Temporary difference form Intangible assets | - | - | 5,311 | - | 1,589 | - |
| Revaluation Reserve | (66,592) | 64,218 | - | - | 461,780 | 474,923 |
| Temporary Difference from Allowance for impairment | (26,013) | - | (8,008) | - | (40,222) | (115) |
| Right of Use Asset | - | - | (12,332) | 3,254 | (3,871) | (5,188) |
| Available For Sale Financial Assets | 630 | 43,039 | - | - | 205,322 | 49,866 |
| Temporary Difference from Retained Reserves of Associates | - | - | 148,273 | 104,366 | 547,810 | 385,847 |
| Deferred Tax Expense/(Income) | 56,114 | 107,930 | 413,632 | 99,243 | - | - |
| Deferred Tax Liability | - | - | - | - | 1,500,188 | 1,171,591 |

18.(c) Total Deferred Tax Liability

| | GROUP | |
|--|------------------|------------------|
| | 2021 | 2020 |
| | Rs. '000 | Rs. '000 |
| At 1 January | 1,171,591 | 964,418 |
| Amounts recorded in the Income Statement | 272,483 | 99,243 |
| Amounts recorded in Other Comprehensive Income | 56,114 | 107,930 |
| At 31 December | 1,500,188 | 1,171,591 |

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.

Deferred Tax has been calculated using the tax rate of 24% (2020-28%). The impact of deferred tax due to rate change is Rs. 5,248,080/-.

19. INSURANCE RECEIVABLES/TRADE DEBTORS

| As at 31 December | GROUP | |
|--------------------------|------------------|------------------|
| | 2021 | 2020 |
| | Rs. '000 | Rs. '000 |
| Premium Receivables | 6,693,267 | 6,672,915 |
| Due from Trade Debtors | 303,639 | 394,425 |
| Provision for impairment | (167,856) | (114,639) |
| | 6,829,050 | 6,952,701 |

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 Rs.'000 | Above 60 days Rs.'000 | Total Rs.'000 |
| 2021 | 4,873,941 | 1,955,109 | 6,829,050 |
| 2020 | 4,585,051 | 2,367,650 | 6,952,701 |

In the age analysis Loans to policyholders are not included.

The Group considers a financial asset in default when contractual payments are long due, based on industry practices and management judgement. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group.

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

20. OTHER ASSETS

| As at 31 December | GROUP | | COMPANY | |
|----------------------------------|------------------|------------------|------------------|------------------|
| | 2021 Rs. '000 | 2020 Rs. '000 | 2021 Rs. '000 | 2020 Rs. '000 |
| Advances, Deposits & Prepayments | 561,638 | 642,745 | 5,174 | 6,068 |
| Inventories | 197,415 | 99,617 | - | - |
| Deferred Staff Benefits | 53,544 | 72,317 | - | - |
| Other Receivables | 187,660 | 212,160 | - | - |
| | 1,000,257 | 1,026,839 | 5,174 | 6,068 |

21. CASH AND CASH EQUIVALENTS

| As at 31 December | Note | GROUP | | COMPANY | |
|--|------|------------------|------------------|------------------|------------------|
| | | 2021 Rs. '000 | 2020 Rs. '000 | 2021 Rs. '000 | 2020 Rs. '000 |
| Favourable Balances | | | | | |
| Cash in Hand and at Bank | | 1,507,233 | 1,640,927 | 5,436 | 45,555 |
| Unfavourable Balance | | | | | |
| Bank Overdraft | 26 | (1,022,512) | (917,620) | (111,679) | (76,256) |
| Total Cash and Cash Equivalents | | 484,721 | 723,307 | (106,243) | (30,701) |

The carrying amounts disclosed above reasonably approximate fair value at the reporting date.

Notes to the Financial Statements

22.(a) Stated Capital

| As at 31 December | GROUP | | COMPANY | |
|-------------------|------------------|------------------|------------------|------------------|
| | 2021 Rs. '000 | 2020 Rs. '000 | 2021 Rs. '000 | 2020 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 | |
|-----------------------------------|------------------|------------------|------------------|------------------|
| | 2021 Rs. '000 | 2020 Rs. '000 | 2021 Rs. '000 | 2020 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

| As at 31 December | GROUP | | COMPANY | |
|--|------------------|------------------|------------------|------------------|
| | 2021 Rs. '000 | 2020 Rs. '000 | 2021 Rs. '000 | 2020 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 | |
|-------------------|------------------|------------------|------------------|------------------|
| | 2021 Rs. '000 | 2020 Rs. '000 | 2021 Rs. '000 | 2020 Rs. '000 |
| Share Premium | 2,288 | 2,288 | 2,288 | 2,288 |
| | 2,288 | 2,288 | 2,288 | 2,288 |

22.(b) Other Reserves

| As at 31 December | GROUP | | COMPANY | |
|--------------------------------------|------------------|------------------|------------------|------------------|
| | 2021 Rs. '000 | 2020 Rs. '000 | 2021 Rs. '000 | 2020 Rs. '000 |
| Other Retained Reserves | 2,057,437 | 2,057,437 | 2,057,437 | 2,057,437 |
| Available for Sale Reserve | 756,351 | 864,006 | 198,536 | (5,190) |
| Foreign Currency Translation Reserve | 84,066 | 58,567 | - | - |
| | 2,897,854 | 2,980,010 | 2,255,973 | 2,052,247 |

Other Retained Reserves represent General reserves.

23. INSURANCE CONTRACT LIABILITIES

| As at 31 December | Note | GROUP | |
|---|-------|--------------------|--------------------|
| | | 2021 Rs. '000 | 2020 Rs. '000 |
| Life Insurance Contracts | 23(a) | 118,780,428 | 105,883,025 |
| Non-life Insurance Contracts | 24 | 15,227,333 | 13,033,217 |
| Total Insurance Contract Liabilities | | 134,007,761 | 118,916,242 |

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 Rs.'000 | Insurance Contract Liabilities without DPF Rs.'000 | Total Gross Insurance Contract Liabilities Rs.'000 |
|---|---|---|---|
| At 1 January 2021 | 62,036,180 | 43,846,845 | 105,883,025 |
| Gross Premium Income | 5,925,481 | 19,547,270 | 25,472,751 |
| Premiums Ceded to Reinsurers | (23,031) | (284,142) | (307,173) |
| Liabilities Paid for Death, Maturities, Surrenders, Benefits and Claims | (6,456,586) | (7,138,049) | (13,594,635) |
| Investment Return | 6,205,489 | 5,574,671 | 11,780,160 |
| Other Operating and Admin Expenses including Income Tax | (1,899,158) | (2,818,970) | (4,718,128) |
| Underwriting and Net Acquisition Cost | (596,538) | (1,733,989) | (2,330,527) |
| Net transfer to Shareholder | (221,050) | (4,278,950) | (4,500,000) |
| Increase in Pension Saver Fund | - | 609,493 | 609,493 |
| Actuarial Gain from Employee benefit assets | 131,971 | 132,606 | 264,578 |
| Revaluation Reserve and AFS Reserve transferred to Life Fund | 440,190 | (219,306) | 220,884 |
| At 31 December 2021 | 65,542,948 | 53,237,479 | 118,780,428 |

Notes to the Financial Statements

23.(a) Life Insurance Contract Liabilities Contd.

The valuation of the Life Insurance business as at 31 December 2021 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 2021 the Consulting Actuary has approved a transfer of Rs. 4.5 Bn (2020 - Rs.4.1 Bn) from the Life Fund to the Shareholder's Retained Profit Account.

The Company's Capital Adequacy Ratio (CAR) as at 31 December 2021 is 397% (2020- 424%) 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 | 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 SHF 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".

The composition of the assets, which will be held to support the Restricted Regulatory Regulatory Reserves (One-off Surplus for other than participating business) as at 31 December 2021 are disclosed below at their market values:

| Assets | Market Value Rs.000 |
|-------------------------------|------------------------|
| Government Debt Securities | 1,225,458 |
| Sampath Bank PLC | 1,534,382 |
| National Development Bank PLC | 822,876 |
| Total | 3,582,716 |

24. NON-LIFE INSURANCE CONTRACT LIABILITIES

| | Note | 2021 Insurance Contract Liabilities Rs.'000 | 2020 Insurance Contract Liabilities Rs.'000 |
|--|-------|---|---|
| Provision for Reported Claims by Policyholders | | 7,384,652 | 5,069,036 |
| Provision for Claims IBNR/IBNER | | 467,857 | 424,947 |
| Outstanding Claims Provision | 24(a) | 7,852,509 | 5,493,983 |
| Provision for Unearned Premiums | 24(b) | 7,374,824 | 7,539,234 |
| Total Non Life Insurance Contract Liabilities | | 15,227,333 | 13,033,217 |

24.(a) Outstanding Claims Provision

| Group | 2021 | | | 2020 | | |
|---|---|--|------------------|---|--|------------------|
| | 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 | 5,493,983 | 3,920,992 | 1,572,991 | 4,765,375 | 3,264,967 | 1,500,408 |
| Claims Incurred in the Current Accident Year | 16,567,075 | 9,408,701 | 7,158,374 | 9,860,745 | 3,750,896 | 6,109,849 |
| Other Movements in Claims Incurred in Prior Accident Years | 74,773 | 47,669 | 27,104 | 359,242 | (191,501) | 550,743 |
| Claims Paid During the year | (14,283,322) | (7,733,702) | (6,549,620) | (9,491,379) | (2,903,371) | (6,588,008) |
| At 31 December | 7,852,509 | 5,643,660 | 2,208,849 | 5,493,983 | 3,920,992 | 1,572,992 |

Reinsurance receivable on paid claims are included under above Reinsurance receivables are amounting to Rs.922,829,000 (2020 - Rs.714,837,000).

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.

Notes to the Financial Statements

24.(b) Provision for Unearned Premiums

| Group | 2021 Insurance Contract Liabilities Rs.'000 | 2020 Insurance Contract Liabilities Rs.'000 |
|---------------------------------|---|---|
| At 1 January | 7,539,234 | 7,705,056 |
| Premiums Written in the Year | 13,162,600 | 13,472,083 |
| Premiums Earned During the Year | (13,327,010) | (13,637,905) |
| At 31 December | 7,374,824 | 7,539,234 |

25. DEFERRED REVENUE

This represents entitle Reinsurance Commission on Insurance Business to be recognised in the future periods proportionately.

| Group | 2021 Deferred Revenue on Insurance Contracts Rs.'000 | 2020 Deferred Revenue on Insurance Contracts Rs.'000 |
|-----------------------|---|---|
| At 1 January | 489,501 | 437,688 |
| Revenue Deferred | 1,133,433 | 895,923 |
| Amortisation | (1,044,506) | (844,110) |
| At 31 December | 578,428 | 489,501 |

26. INTEREST BEARING LOANS & BORROWINGS

| As at 31 December | Note | GROUP | | COMPANY | |
|-------------------------|--------|------------------|------------------|------------------|------------------|
| | | 2021 Rs. '000 | 2020 Rs. '000 | 2021 Rs. '000 | 2020 Rs. '000 |
| Bank Overdraft | | 1,022,512 | 917,620 | 111,679 | 76,256 |
| Borrowings | 26 (a) | 5,056,365 | 1,154,282 | - | - |
| Total Borrowings | | 6,078,877 | 2,071,902 | 111,679 | 76,256 |

26.(a) Borrowings

| As at 31 December | Note | GROUP | |
|----------------------------------|----------|------------------|------------------|
| | | 2021 Rs. '000 | 2020 Rs. '000 |
| Bank Loans | 26 (a) i | 3,593,176 | 525,418 |
| Corporate Borrowings | | 96,368 | 91,164 |
| Repo Borrowings | | 1,281,528 | 441,215 |
| Funds under Management Agreement | | 85,293 | 81,485 |
| Promisory Notes | | - | 15,000 |
| Total | | 5,056,365 | 1,154,282 |

26.(a) i Bank Loans

| | As at 01.01.2021 Rs.'000 | Loans Obtained Rs.'000 | Repayments Rs.'000 | As at 31.12.2021 Rs.'000 |
|-------------------------------|--------------------------------|------------------------------|-----------------------|--------------------------------|
| Sampath Bank PLC | 224,556 | 35,840 | (85,800) | 174,596 |
| Nation Trust Bank PLC | 300,862 | - | (93,216) | 207,646 |
| Commercial Bank of Ceylon PLC | - | 951,142 | - | 951,142 |
| Hatton National Bank PLC | - | 2,259,792 | - | 2,259,792 |
| Total | 525,418 | 3,246,774 | (179,016) | 3,593,176 |

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 | |
|---|------------------|------------------|
| | 2021 Rs. '000 | 2020 Rs. '000 |
| Domestic Reinsurer - National Insurance Trust Fund (NITF) | 793,467 | 657,079 |
| Domestic Reinsurers - Others | 71,255 | 43,313 |
| Foreign Reinsurers | 5,046,574 | 3,860,276 |
| Total | 5,911,296 | 4,560,668 |

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 | |
|----------------------------------|--------|-------------------|------------------|------------------|------------------|
| | | 2021 Rs. '000 | 2020 Rs. '000 | 2021 Rs. '000 | 2020 Rs. '000 |
| Policyholders Payment in Advance | | 918,730 | 863,553 | - | - |
| Agency Commission Payable | | 1,341,536 | 1,400,205 | - | - |
| Government Levies | | 230,504 | 168,702 | - | - |
| Trade Creditors | | 4,165,889 | 3,496,349 | 64,097 | 64,046 |
| Death Claims Payable | | 149,565 | 125,105 | - | - |
| Accrued Expenses | | 1,315,999 | 1,114,682 | - | - |
| Lease Creditors | 28 (a) | 905,894 | 1,054,060 | - | - |
| Income Tax Payable | | 1,509,933 | 1,290,527 | 97,248 | - |
| Total | | 10,538,050 | 9,513,183 | 161,345 | 64,046 |

The carrying amounts disclosed above reasonably approximate fair value at the reporting date.

All amounts except for lease creditors are payable within one year.

Notes to the Financial Statements

28.(a) Lease creditor

| | 2021 Rs. '000 | 2020 Rs. '000 |
|-----------------------|------------------|------------------|
| As at 1 January | 1,054,060 | 942,705 |
| Addition | 265,240 | 456,099 |
| Accretion of interest | 117,381 | 131,839 |
| Payments | (364,919) | (386,298) |
| Derecognition | (165,868) | (90,285) |
| As at 31 December | 905,894 | 1,054,060 |

28.(a) i Maturity analysis for lease creditors are as follows,

| As at 31 December | Within One Year Rs.000 | 1-3 Year Rs.000 | Above 3 Years Rs.000 | Total Rs.000 |
|-------------------|------------------------------|--------------------|----------------------------|-----------------|
| 2021 | 249,764 | 566,516 | 89,614 | 905,894 |
| 2020 | 281,247 | 716,744 | 56,069 | 1,054,060 |

28.(a) ii Maturity analysis for lease creditors (contractual undiscounted cash flows) are as follows,

| As at 31 December | Within One Year Rs.000 | 1-3 Year Rs.000 | Above 3 Years Rs.000 | Total Rs.000 |
|-------------------|------------------------------|--------------------|----------------------------|-----------------|
| 2021 | 282,262 | 615,505 | 69,128 | 966,895 |
| 2020 | 309,471 | 721,024 | 55,372 | 1,085,867 |

29. NET PREMIUMS

29.(a) Gross Written Premium

| Year ended 31 December | Note | GROUP | |
|------------------------------------|-----------|-------------------|-------------------|
| | | 2021 Rs. '000 | 2020 Rs. '000 |
| Non-Life Insurance | 29 (a) i | 22,316,490 | 21,820,326 |
| Life Insurance | 29 (a) ii | 25,565,050 | 22,076,250 |
| Total Gross Written Premium | | 47,881,540 | 43,896,576 |

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 | | |
|------------------------|-------------------|-------------------|-------------|
| | 2021 Rs. '000 | 2020 Rs. '000 | Change % |
| Fire | 4,692,054 | 3,701,317 | 27 |
| Motor | 10,214,649 | 11,030,775 | (7) |
| Marine | 1,001,292 | 827,285 | 21 |
| Miscellaneous | 4,572,113 | 4,740,913 | (4) |
| Engineering | 1,649,042 | 1,330,950 | 24 |
| Employers' Liability | 187,340 | 189,086 | (1) |
| Total | 22,316,490 | 21,820,326 | 2 |

The Gross written premium of 2021 includes Rs.71,414,361/- and US\$ 93,018 (2020- Rs. 49,937,577/- and US\$ 49,272) which are collected on behalf of Co-Insurance Partners.

29.(a) ii Life Insurance

| Year ended 31 December | GROUP | | |
|---|------------------|------------------|-------------|
| | 2021 Rs. '000 | 2020 Rs. '000 | Change % |
| New Businesses | 5,392,506 | 4,868,610 | 11 |
| Single Premium | 6,061,122 | 2,967,291 | 104 |
| Renewal Premium | 13,137,583 | 12,151,247 | 8 |
| Group Life Premium | 973,840 | 2,089,102 | (53) |
| | 25,565,050 | 22,076,250 | 16 |
| Annualised New Business Life Premium | 9,017,314 | 7,626,838 | 18 |

29.(b) Premiums Ceded to Reinsurers

| Year ended 31 December | Note | GROUP | |
|-------------------------------------|-----------|------------------|------------------|
| | | 2021 Rs. '000 | 2020 Rs. '000 |
| Non-Life Insurance | 29 (b) i | 9,157,243 | 8,349,380 |
| Life Insurance | 29 (b) ii | 308,499 | 505,463 |
| Premiums Ceded to Reinsurers | | 9,465,742 | 8,854,843 |

29.(b) i Non- Life Insurance

| Year ended 31 December | GROUP | | |
|---------------------------------|------------------|------------------|-------------|
| | 2021 Rs. '000 | 2020 Rs. '000 | Change % |
| Fire | 4,486,520 | 3,414,589 | 31 |
| Motor | 920,636 | 1,241,278 | (26) |
| Marine | 602,179 | 518,106 | 16 |
| Miscellaneous | 1,817,568 | 1,975,488 | (8) |
| Engineering | 1,316,818 | 1,185,576 | 11 |
| Employers' Liability | 13,522 | 14,343 | (6) |
| Total | 9,157,243 | 8,349,380 | 10 |
| National Insurance Trust Fund | | | |
| Compulsory Reinsurance Cessions | 630,399 | 632,684 | - |
| Strike , Riots, Civil Commotion | 1,646,210 | 1,354,626 | 22 |
| Foreign Reinsurers | 6,791,016 | 6,303,049 | 8 |
| Local Coinsurance Partners | 89,618 | 59,021 | 52 |
| | 9,157,243 | 8,349,380 | 10 |

29.(b) ii Life Insurance

| Year ended 31 December | GROUP | | |
|------------------------|------------------|------------------|-------------|
| | 2021 Rs. '000 | 2020 Rs. '000 | Change % |
| Foreign Reinsurers | 308,499 | 505,463 | (39) |
| | 308,499 | 505,463 | |

Notes to the Financial Statements

29.(c) Net Income

| Year ended 31 December | GROUP | | COMPANY | |
|---------------------------|-------------------|-------------------|------------------|------------------|
| | 2021 Rs. '000 | 2020 Rs. '000 | 2021 Rs. '000 | 2020 Rs. '000 |
| Net Earned Premium | 38,583,559 | 35,208,695 | - | - |
| Revenue from Subsidiaries | 3,852,427 | 3,312,190 | - | - |
| Other Revenue | 18,177,406 | 17,403,602 | 1,634,898 | 494,834 |
| Total Net Income | 60,613,392 | 55,924,487 | 1,634,898 | 494,834 |

Net Income represents Total Net Earned Premium, Other Revenue and Revenue from Subsidiaries (Group).

30. FEES AND COMMISSION INCOME

| Year ended 31 December | GROUP | | COMPANY | |
|---|------------------|------------------|------------------|------------------|
| | 2021 Rs. '000 | 2020 Rs. '000 | 2021 Rs. '000 | 2020 Rs. '000 |
| Reinsurance Commission Income | 1,173,707 | 937,725 | - | - |
| Other Fees | 80,030 | 40,227 | - | - |
| Total Fees and Commission Income | 1,253,737 | 977,952 | - | - |

31. INVESTMENT INCOME

| Year ended 31 December | GROUP | | COMPANY | |
|--|-------------------|-------------------|------------------|------------------|
| | 2021 Rs. '000 | 2020 Rs. '000 | 2021 Rs. '000 | 2020 Rs. '000 |
| Rental Income from Investment Properties | 62,978 | 55,424 | - | - |
| Financial Assets at Fair Value through Profit or Loss (Held for Trading Purposes) | | | | |
| Interest Income | 178,532 | 298,048 | - | - |
| Held to Maturity Financial Assets Interest Income | 6,274,190 | 6,451,446 | - | - |
| Available-For-Sale Financial Assets | | | | |
| Interest Income | 1,239,624 | 1,663,596 | - | - |
| Dividend Income * | 230,745 | 38,442 | 1,566,685 | 402,092 |
| Loans and Receivables Interest Income | 7,766,181 | 6,337,980 | 60,315 | 90,443 |
| Interest Income from Staff Loan | 75,736 | 76,517 | - | - |
| Other Operating Revenue | 406,065 | 281,211 | 7,898 | 2,299 |
| Total Investment Income | 16,234,051 | 15,202,664 | 1,634,898 | 494,834 |

* Dividend income of Company increased significantly because two fully owned insurance subsidiaries (Ceylinco General Insurance Ltd. and Ceylinco Life Insurance Ltd.) paid 2020 Dividends in 2021.

32. NET REALISED GAINS

| Year ended 31 December | GROUP | | COMPANY | |
|---|------------------|------------------|------------------|------------------|
| | 2021 Rs. '000 | 2020 Rs. '000 | 2021 Rs. '000 | 2020 Rs. '000 |
| Property, Plant and Equipment | | | | |
| Realised Gains | 16,561 | 91,908 | - | - |
| Available-For-Sale Financial Assets | | | | |
| Realised Gains | | | | |
| Equity Securities | 138,623 | 32,554 | - | - |
| Debt Securities | 154,894 | 930,000 | - | - |
| Unit Trust Investments | 72,294 | - | - | - |
| Total Realised Gains for Available-For-Sale Financial Assets | 365,811 | 962,554 | - | - |
| Total Realised Gains | 382,372 | 1,054,462 | - | - |

33. NET FAIR VALUE GAINS AND LOSSES

| Year ended 31 December | GROUP | |
|---|------------------|------------------|
| | 2021 Rs. '000 | 2020 Rs. '000 |
| Fair Value Gains on Investment Properties | 371,358 | 132,369 |
| Fair Value Gains on Financial Assets at Fair Value Through Profit or Loss (Held for Trading Purposes) | (64,112) | 36,155 |
| Total Fair Value Gains and Losses | 307,246 | 168,524 |

34. NET BENEFITS AND CLAIMS

| Year ended 31 December | Note | GROUP | |
|--|-------|--------------------|--------------------|
| | | 2021 Rs. '000 | 2020 Rs. '000 |
| 34 (a) Gross Benefits and Claims Paid | | | |
| Life Insurance Contracts | | 12,927,237 | 12,510,505 |
| Non-Life Insurance Contracts | | 14,283,322 | 9,491,378 |
| Total Gross Benefits and Claims Paid | | 27,210,559 | 22,001,883 |
| 34 (b) Claims Ceded to Reinsurers | | | |
| Life Insurance Contracts | | (190,929) | (243,992) |
| Non-Life Insurance Contracts | | (7,733,700) | (2,903,579) |
| Total Claims Ceded to Reinsurers | | (7,924,629) | (3,147,571) |
| 34 (c) Gross Change in Contract Liabilities | | | |
| Change in Life Insurance Contract Liabilities | | 11,803,985 | 9,423,994 |
| Change in Non-Life Insurance Contract Outstanding Claims Provision | | 2,283,753 | 753,974 |
| Total Gross Change in Contract Liabilities | | 14,087,738 | 10,177,968 |
| 34 (d) Change in Contract Liabilities Ceded to Reinsurers | | | |
| Change in Non-Life Insurance Contract Outstanding Claims Provision | | (1,675,001) | (645,966) |
| Total Change in Contract Liabilities Ceded to Reinsurers | | (1,675,001) | (645,966) |
| Net Benefits and Claims | | 31,698,667 | 28,386,314 |
| Net Benefits and Claims - Non Life Insurance | 34(f) | 7,158,374 | 6,695,807 |
| Net Benefits and Claims - Life Insurance | | 24,540,293 | 21,690,507 |
| | | 31,698,667 | 28,386,314 |

Notes to the Financial Statements

34.(e) Gross Claims and Benefits (Excluding Life Fund Increase)

| Year ended 31 December | GROUP | |
|---|-------------------|-------------------|
| | 2021 Rs. '000 | 2020 Rs. '000 |
| Claims - Death, Disability and Hospitalisation | 1,957,709 | 1,196,759 |
| Policy Maturities | 8,151,949 | 8,611,773 |
| Interim Payments on Anticipated Endowment Plans | 1,072,000 | 1,056,412 |
| Surrenders | 1,722,197 | 1,443,211 |
| Cash Bonus Expenses | - | 149,877 |
| Annuities | 23,382 | 52,473 |
| | 12,927,237 | 12,510,505 |
| Reinsurance Recoveries | (190,929) | (243,992) |
| Life Insurance Net Claims and Benefits | 12,736,308 | 12,266,513 |

34.(f) Non - Life Net Claims Incurred

| Year ended 31 December | GROUP | |
|----------------------------------|------------------|------------------|
| | 2021 Rs. '000 | 2020 Rs. '000 |
| Gross Claims Incurred | 16,567,075 | 10,245,352 |
| Reinsurance Recoveries | (9,408,701) | (3,549,545) |
| Total Net Claims Incurred | 7,158,374 | 6,695,807 |

34.(g) The Net Claims Incurred for the year by major classes of business is as follows.

| Year ended 31 December | GROUP | |
|------------------------|------------------|------------------|
| | 2021 Rs. '000 | 2020 Rs. '000 |
| Fire | 702,763 | 362,925 |
| Motor | 4,163,126 | 4,705,753 |
| Marine | 148,606 | 88,623 |
| Miscellaneous | 1,821,355 | 1,283,678 |
| Engineering | 286,734 | 230,767 |
| Employer's Liability | 35,790 | 24,061 |
| | 7,158,374 | 6,695,807 |

35. ACQUISITION COSTS

| Year ended 31 December | GROUP | |
|------------------------------|------------------|------------------|
| | 2021 Rs. '000 | 2020 Rs. '000 |
| Fees and Commission Expenses | 4,470,499 | 4,085,050 |
| Deferred Expenses | (18,377) | (10,838) |
| | 4,452,122 | 4,074,212 |

36. OTHER OPERATING AND ADMINISTRATIVE EXPENSES

| Year ended 31 December | Notes | GROUP | | COMPANY | |
|--|--------|-------------------|-------------------|------------------|------------------|
| | | 2021 Rs. '000 | 2020 Rs. '000 | 2021 Rs. '000 | 2020 Rs. '000 |
| Amortisation of Intangible Assets & Goodwill | 7 | 190,640 | 167,700 | - | - |
| Depreciation on Property, Plant and Equipment | 9 | 882,335 | 979,185 | - | - |
| Depreciation of Right of Use Assets | | 364,242 | 371,141 | - | - |
| Other Operating Expenses | 36 (b) | 3,158,418 | 2,605,085 | 11,783 | 13,978 |
| Auditors' Remuneration | | 23,193 | 18,422 | 1,679 | 999 |
| Employee Benefits Expense | 36 (a) | 5,647,657 | 5,535,232 | 148,655 | 142,250 |
| Selling Expenses | | 1,714,887 | 1,582,570 | - | - |
| Legal Expenses | | 45,946 | 38,865 | 12,234 | 14,980 |
| Donations | | 4,638 | 24,280 | - | - |
| Total Other Operating and Administrative Expenses | | 12,031,956 | 11,322,480 | 174,351 | 172,207 |

36.(a) Employee Benefits Expense

| Year ended 31 December | Notes | GROUP | | COMPANY | |
|---|--------|------------------|------------------|------------------|------------------|
| | | 2021 Rs. '000 | 2020 Rs. '000 | 2021 Rs. '000 | 2020 Rs. '000 |
| Wages and Salaries Including Bonus & Incentives | | 5,143,252 | 5,099,825 | 119,563 | 114,460 |
| Employees' Provident Fund | | 396,732 | 378,098 | 10,223 | 9,645 |
| Employees' Trust Fund | | 91,590 | 94,581 | 2,556 | 2,411 |
| Defined Gratuity Benefit & Pension Costs | 36 (c) | (368,824) | (383,808) | 10,223 | 9,644 |
| Other Staff Related Cost | | 384,907 | 346,536 | 6,090 | 6,090 |
| Total Employee Benefits Expense | | 5,647,657 | 5,535,232 | 148,655 | 142,250 |

36.(b) Other Operating Expenses

The Operating Expenses incurred in respect of Investment Property which does not earn rental income is Rs.1,848,455. (2020 - Rs. 198,000/-) The Operating Expenses incurred in respect of Investment Property which earns rental income is Rs.5,234,339 (2020- Rs. 5,276,000)

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 | |
|------------------------------------|------------------|------------------|------------------|------------------|
| | 2021 Rs. '000 | 2020 Rs. '000 | 2021 Rs. '000 | 2020 Rs. '000 |
| Current Borrowings | | | | |
| Interest Expense on Bank Overdraft | 1,105 | 19,238 | - | - |
| Interest Expense on Loans | 31,905 | 35,455 | - | - |
| Other Finance Charges | 99,148 | 86,556 | 1,287 | 1,131 |
| Lease Interest | 117,381 | 131,839 | - | - |
| Total Finance Cost | 249,539 | 273,088 | 1,287 | 1,131 |

Notes to the Financial Statements

38. INCOME TAX EXPENSE

The major components of Income Tax Expense for the years ended 31 December 2021 and 2020 are:

38.(a) Current Year Tax Charge

| Year ended 31 December | GROUP | | COMPANY | |
|---|------------------|------------------|------------------|------------------|
| | 2021 Rs. '000 | 2020 Rs. '000 | 2021 Rs. '000 | 2020 Rs. '000 |
| Current tax | | | | |
| Income Tax | 2,343,315 | 2,494,118 | 186,117 | 35,017 |
| Over/Under Provision in respect of Previous Year | (193,611) | 1,234 | - | - |
| Total Current Tax | 2,149,704 | 2,495,352 | 186,117 | 35,017 |
| Deferred Tax | | | | |
| Origination of Temporary Differences (note 18 (a) & 18 (b)) | 412,979 | 39,136 | - | - |
| Total Income Tax Expense | 2,562,683 | 2,534,488 | 186,117 | 35,017 |

38.(b) Tax recorded in Other Comprehensive Income

| Year ended 31 December | GROUP | |
|---|------------------|------------------|
| | 2021 Rs. '000 | 2020 Rs. '000 |
| Deferred Tax | 43,299 | 26,297 |
| Total Tax Charge to Other Comprehensive Income | 43,299 | 26,297 |

38.(c) Reconciliation of Tax Charge

| Year ended 31 December | COMPANY | |
|--|------------------|------------------|
| | 2021 Rs. '000 | 2020 Rs. '000 |
| Reconciliation of Effective Tax Rate | | |
| Profit Before Tax | 1,459,260 | 321,496 |
| Income Tax using the Company's Domestic Tax Rate | 204,296 | 77,159 |
| Tax Exempt Income | (41,173) | (67,296) |
| Net Non-Deductible/(Deductible) Expenses | 22,994 | 25,154 |
| | 186,117 | 35,017 |

| Year ended 31 December | GROUP | |
|--|------------------|------------------|
| | 2021 Rs. '000 | 2020 Rs. '000 |
| Reconciliation of Effective Tax Rate | | |
| Profit Before Tax | 12,623,332 | 11,912,492 |
| Income Tax using the Company's Domestic Tax Rate | 3,117,540 | 3,285,108 |
| Tax Exempt Income | (1,573,932) | (1,472,840) |
| Net Non-Deductible/(Deductible) Expenses | (372,800) | (524,589) |
| Tax Effect of Loss Claimed for the Year | (31,190) | (9,830) |
| Income Tax for Bonuses distributed/declared to policyholders | 123,783 | 68,030 |
| Income Tax for Surplus distributed to Shareholders | 1,080,000 | 1,148,237 |
| Over / (Under) Provision of Previous Years | (193,697) | 1,234 |
| Deferred Tax Charge/(Reverse) | 412,979 | 39,136 |
| | 2,562,683 | 2,534,488 |

"The Company is liable to pay income tax at the rate of 24% of its taxable profits in accordance with the provisions of the Inland Revenue Act No. 24 of 2017 and subsequent amendments thereto.

1. Surplus distributed to shareholders from Life Insurance business as certified by appointed actuary @ 24%
2. Investment Income of Shareholder fund less any expenses incurred in the production of such income @ 24%
3. Bonus Distributed to policyholders @ 24%
4. Realizations of capital gains @10%
5. Dividend Income @ 14%

CEG Education Holdings (Private) Limited and CEC Events (Pvt) Ltd. are liable to pay tax at 24% 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 2021/20. Other income of the Company is liable for taxation at 24%.

Ceylinco Insurance Company (Pvt) Ltd. - Maldives is liable to pay income tax at 15% on its business income in Maldives.

39. NON CONTROLLING INTEREST (NCI)

39.(a) Accumulated Balances of Non-Controlling Interest

| Year ended 31 December | 2021 Rs. '000 | 2020 Rs. '000 | Effective ownership by NCI % |
|---|------------------|------------------|------------------------------------|
| Name of Company | | | |
| Ceylinco Healthcare (Pvt) Ltd. | 4,065 | 3,490 | 0.80 |
| Ceylinco Insurance (Pvt) Ltd. -Maldives | 102,895 | 94,963 | 21 |
| Ceylinco Investcorp (Pvt) Ltd. | 22,653 | 30,218 | 25 |
| Energy Lanka Holdings Ltd. | 11,495 | 23,796 | 0.00 |
| CEG Education Holdings Ltd. | 2,403,016 | 2,170,548 | 37.40 |
| | 2,544,124 | 2,323,015 | |

Notes to the Financial Statements

39.(b) Profit allocated to Non-Controlling Interest

| Year ended 31 December | 2021 Rs. '000 | 2020 Rs. '000 |
|---|------------------|------------------|
| Name of the Company | | |
| Ceylinco Healthcare (Pvt) Ltd. | 569 | 615 |
| Ceylinco Insurance (Pvt) Ltd. -Maldives | 12,097 | 7,903 |
| Ceylinco Investcorp (Pvt) Ltd. | 4,062 | 4,661 |
| Energy Lanka Holdings Ltd. | 2,165 | 112 |
| CEG Education Holdings Ltd. | 306,207 | 88,354 |
| | 325,100 | 101,645 |

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 | |
|--|---------------|---------------|--------------|--------------|
| | 2021 | 2020 | 2021 | 2020 |
| Profit for the Year (Rs.'000) | 9,735,549 | 9,276,359 | 1,273,143 | 286,479 |
| Weighted Average Number of Ordinary Shares ('000) | 26,414 | 26,414 | 26,414 | 26,414 |
| Basic/Diluted Earnings Per Ordinary Share (Rs.) | 368.58 | 351.18 | 48.20 | 10.85 |

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.

41. DIVIDENDS PAID

| Year ended 31 December | COMPANY | |
|--|-----------|-----------|
| | 2021 | 2020 |
| Final Dividend Paid (Rs.'000) | 1,056,579 | 1,003,750 |
| No. of Shares in issue for the year ('000) | 26,414 | 26,414 |
| Dividend Per Share (Rs.) | 40.00 | 38.00 |

42. INCOME TAX EFFECTS RELATING TO OTHER COMPREHENSIVE INCOME

| Year ended 31 December | 2021 | | | 2020 | | |
|--|---------------------------------|--|---------------------------------|---------------------------------|--|---------------------------------|
| | 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 | 32,600 | - | 32,600 | 9,940 | - | 9,940 |
| Net Gain/(Loss) on Available-for-Sale Financial Assets | (604,969) | 51,704 | (553,265) | 1,215,891 | (9,571) | 1,206,320 |
| Actuarial Gain on Defined Benefit Plans | 985,518 | (147,655) | 837,863 | (1,186,607) | 46,939 | (1,139,668) |
| Revaluation Surplus/(Deficit) During the Year | 525,065 | 52,652 | 577,717 | 691,095 | (63,665) | 627,430 |
| Total | 938,214 | (43,299) | 894,915 | 730,319 | (26,297) | 704,022 |

42.1 Movement of Share of Other Comprehensive Income /(Loss) of Associates

| Year ended 31 December | Notes | GROUP | |
|--|--------|------------------|------------------|
| | | 2021 Rs. '000 | 2020 Rs. '000 |
| Actuarial Gain on Defined Benefit Plans | | (12,194) | (1,532) |
| Tax Expenses | | 10,936 | 20 |
| Net Gain/(Loss) on Available-for-Sale Financial Assets | | 128,548 | (9,133) |
| Total | 12 (b) | 127,290 | (10,645) |

42.2 Movement of Share of Other Comprehensive Income /(Loss) of Company

| Year ended 31 December | 2021 | | | 2020 | | |
|---|---------------------------------|--|---------------------------------|---------------------------------|--|---------------------------------|
| | 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 |
| Net Gain/(Loss) on Available-for-Sale Financial Assets | 203,726 | - | 203,726 | 9,441 | - | 9,441 |
| Total | 203,726 | - | 203,726 | 9,441 | - | 9,441 |

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

Notes to the Financial Statements

43.(b) Capital Management Objectives, Policies and Approach Contd.

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 Srilanka. (IRCSL). Further, under the parallel run requirements of IRCSL 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.

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 | 2021 Rs. '000 | 2020 Rs. '000 |
|-------------------------------------|------------------|------------------|
| Total Equity | 14,468,104 | 12,972,646 |
| Adjustments onto a regulatory basis | (6,675,902) | (5,500,542) |
| Available Capital Resources | 7,792,202 | 7,472,104 |

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 | 2021 Rs. '000 | 2020 Rs. '000 |
|-------------------------------------|-------------------|-------------------|
| Total Equity | 44,194,032 | 38,145,035 |
| Adjustments onto a regulatory basis | 27,470,590 | 33,591,988 |
| Available Capital Resources | 71,664,622 | 71,737,023 |

The adjustments onto a regulatory basis Includes the followings:

1. Adjustment for valuation differences of Assets and Liabilities between SLFRS and RBC frameworks.
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 considered as a deduction from capital 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 2021 and 2020 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 2021 | 7,792,202 | 3,918,202 | 199 | 120 |
| 31st December 2020 | 7,472,104 | 4,084,522 | 183 | 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 2021 | 71,665,000 | 18,048,000 | 397 | 120 |
| 31st December 2020 | 71,737,000 | 16,918,000 | 424 | 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 organisation'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.

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) ii Sensitivity of the Value of Life Insurance Liabilities for Change in Assumptions

| Sensitivity of the Value of Insurance Liabilities as at 31/12/2021 | Changes in Assumptions | Impact on the Net Best Estimate Liabilities |
|--|------------------------|---|
| Expenses | +10% | +1.50% |
| Expenses | -10% | -1.50% |
| Mortality | +10% | +0.46% |
| Mortality | -10% | -0.46% |
| Morbidity | +20% | +0.37% |
| Morbidity | -20% | -0.39% |
| Withdrawal Rate | +20% | -0.40% |
| Withdrawal Rate | -20% | +0.57% |

Changing assumptions as mentioned above does not have material impact to the income statement.

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 are varying 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, 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.

Notes to the Financial Statements

44.(a) iii 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 Non-life Insurance Liabilities as at 31/12/2021 | 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) | 43,557 | (57,181) |

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 | 4 |
|------|---------------|---------------|--------------|-------------|---------|
| 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 | 128,184,503 | (1,000) |
| 2017 | 1,024,084,173 | (364,476,124) | 495,972 | 758,285,869 | - |
| 2018 | 988,889,167 | 20,145,932 | 12,012,341 | 991,526,647 | - |
| 2019 | 952,207,050 | 30,712,276 | 19,286,206 | - | - |
| 2020 | 323,652,514 | 83,737,967 | - | - | - |
| 2021 | 992,194,180 | - | - | - | - |

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 counterparties 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 counterparties 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.

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 | Notes | GROUP | COMPANY | GROUP | COMPANY |
|--|-------|--------------------|------------------|--------------------|------------------|
| | | 2021 Rs. '000 | 2021 Rs. '000 | 2020 Rs. '000 | 2020 Rs. '000 |
| Financial Instruments | | | | | |
| Held-to-Maturity Financial Assets | | | | | |
| Debt Securities | 13(a) | 64,137,247 | - | 51,698,662 | - |
| Loans and Receivables | | | | | |
| Debt Securities | 13(b) | 95,584,031 | 1,233,146 | 69,897,967 | 720,277 |
| Staff Loan | | 1,157,198 | - | 1,317,091 | - |
| | | 96,741,229 | 1,233,146 | 71,215,058 | 720,277 |
| Available-for-Sale Financial Assets | | | | | |
| Equity Securities | 13(c) | 904,932 | 437,659 | 933,196 | 233,933 |
| Debt Securities | | 9,898,228 | 127,009 | 20,368,132 | 114,019 |
| | | 10,803,160 | 564,668 | 21,301,328 | 347,952 |
| Financial Assets at Fair Value through Profit or Loss | | | | | |
| Equity Securities | 13(d) | 99,519 | - | 78,006 | - |
| Debt Securities | | - | - | 3,096,757 | - |
| | | 99,519 | - | 3,174,763 | - |
| Reinsurance Assets | 16 | 6,035,830 | - | 4,200,999 | - |
| Insurance Receivables/Trade Debtors | 19 | 6,829,050 | - | 6,952,701 | - |
| Cash and Cash Equivalents | 21 | 1,507,233 | 5,436 | 1,640,927 | 45,555 |
| Total Credit Risk Exposure | | 186,153,268 | 1,803,250 | 160,184,438 | 1,113,784 |

Notes to the Financial Statements

44.(b) ii Industry Analysis

| 31 December 2021 | 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 | 10,237,229 | 53,668,148 | - | - | - | 63,905,377 |
| | 10,237,229 | 53,668,148 | - | - | - | 63,905,377 |
| Loans and Receivables | | | | | | |
| Term Deposits | 66,279,411 | - | - | - | - | 66,279,411 |
| Repo Investments | 6,296,199 | - | - | - | - | 6,296,199 |
| Unquoted Debentures | 4,875,489 | - | - | - | - | 4,875,489 |
| Debentures Quoted | 14,440,646 | - | - | - | - | 14,440,646 |
| Staff and Vehicle Loans | - | - | - | - | 1,031,121 | 1,031,121 |
| | 91,891,746 | - | - | - | 1,031,121 | 92,922,867 |
| Available-for-Sale Financial Assets | | | | | | |
| Equity Securities | 129,441 | - | 6,825 | 546,927 | 97,897 | 781,090 |
| Debt Securities | 2,250,270 | 5,756,551 | - | - | - | 8,006,820 |
| Unit Trust | 276,287 | - | - | - | - | 276,287 |
| | 2,655,998 | 5,756,551 | 6,825 | 546,927 | 97,897 | 9,064,197 |
| Financial Assets at Fair Value through Profit or Loss | | | | | | |
| Equity Securities | 169 | - | 447 | 457 | - | 1,073 |
| | 169 | - | 447 | 457 | - | 1,073 |
| Sub Total | 104,785,141 | 59,424,699 | 7,272 | 547,384 | 1,129,018 | 165,893,513 |
| Financial Instruments -Other Subsidiaries & Ceylinco Insurance PLC | | | | | | 5,887,642 |
| Total Credit Risk Exposure (Note 13) | | | | | | 171,781,155 |

| 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 (Note 13) | | | | | | 147,389,811 |

Notes to the Financial Statements

44.(b)iii The below table indicates the ratings of investments as at 31 December 2021 & 2020

| Group | AAA Rs.'000 | AA+ | AA | AA- | A+ | A | A- | BBB+ | BBB | BBB- | B | Unrated | Total |
|--|-------------------|-------------------|----------------|-------------------|-------------------|------------------|------------------|----------------|----------------|----------------|---------------|------------------|--------------------|
| 31 December 2021 | 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 |
| Insurance Business | | | | | | | | | | | | | |
| Financial Instruments | | | | | | | | | | | | | |
| Held-to-Maturity Financial Assets | | | | | | | | | | | | | |
| Debt Securities | 53,668,149 | - | 5,482,067 | 2,630,698 | 2,124,463 | - | - | - | - | - | - | - | 63,905,377 |
| Loans and Receivables | 21,163,030 | - | 175,780 | 47,750,247 | 16,579,236 | 4,116,093 | 803,693 | 998,170 | 290,076 | 10,387 | 5,034 | 1,031,121 | 92,922,867 |
| Available-for-Sale Financial Assets | | | | | | | | | | | | | |
| Equity Securities | - | - | - | - | - | - | - | - | 122,051 | - | - | 659,039 | 781,090 |
| Debt Securities | 6,124,603 | - | - | 655,242 | 105,802 | 651,516 | 315,244 | - | 101,998 | - | 52,416 | - | 8,006,820 |
| Unit Trust | - | - | - | - | - | - | - | - | - | - | - | 276,287 | 276,287 |
| Financial Assets at Fair Value through Profit or Loss | | | | | | | | | | | | | |
| Equity Securities | 39 | 28 | - | 84 | 141 | - | - | - | - | - | - | 781 | 1,073 |
| Sub Total | 80,955,821 | 28 | 175,780 | 53,887,640 | 19,315,877 | 6,892,072 | 1,118,937 | 998,170 | 514,124 | 10,387 | 57,449 | 1,967,228 | 165,893,513 |
| Financial Instruments - Other Subsidiaries & Ceylinco Insurance PLC | | | | | | | | | | | | | |
| Total | | | | | | | | | | | | | 171,781,155 |
| 31 December 2020 | | | | | | | | | | | | | |
| Group | AAA | AA+ | AA | AA- | A+ | A | A- | BBB+ | BBB | BBB- | B | 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 |
| Insurance Business | | | | | | | | | | | | | |
| Financial Instruments | | | | | | | | | | | | | |
| Held-to-Maturity Financial Assets | | | | | | | | | | | | | |
| Debt Securities | 36,964,953 | 5,859,754 | - | 3,485,121 | 2,935,437 | 2,240,792 | - | - | - | - | - | - | 51,485,457 |
| Loans and Receivables | 10,846,968 | 24,365,820 | - | 10,303,075 | 16,344,455 | 3,845,836 | 299,438 | 824,765 | 259,055 | 243,858 | - | 1,035,985 | 68,369,257 |
| Available-for-Sale Financial Assets | | | | | | | | | | | | | |
| Equity Securities | - | - | - | - | - | - | - | - | 100,371 | - | - | 764,169 | 864,540 |
| Debt Securities | 16,819,315 | 1,381,401 | - | - | 502,557 | 608,634 | - | 56,490 | - | - | - | - | 19,368,399 |
| Unit Trust | - | - | - | - | - | - | - | - | - | - | - | 192,023 | 192,023 |
| Financial Assets at Fair Value through Profit or Loss | | | | | | | | | | | | | |
| Equity Securities | 43 | 28 | - | 126 | 145 | - | - | - | - | - | - | 585 | 927 |
| Debt Securities | 3,096,757 | - | - | - | - | - | - | - | - | - | - | - | 3,096,757 |
| Sub Total | 67,727,436 | 31,607,003 | - | 13,788,322 | 19,782,594 | 6,695,262 | 299,438 | 881,255 | 359,426 | 243,858 | - | 1,992,762 | 143,377,360 |
| Financial Instruments - Other Subsidiaries & Ceylinco Insurance PLC | | | | | | | | | | | | | |
| Total | | | | | | | | | | | | | 147,389,811 |

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

| 31 December 2021 | Notes | Within One Year Rs.'000 | After one year not more than to three years Rs.'000 | Above Three Years Rs.'000 | Total Rs.'000 |
|--|-------|----------------------------|--|---------------------------------|--------------------|
| Financial Assets | | | | | |
| Financial Instrument | | | | | |
| Measured at Fair Value | | 8,136,781 | 2,133,630 | 632,268 | 10,902,679 |
| Measured at Amortized Cost | | 42,044,103 | 73,923,459 | 44,910,914 | 160,878,476 |
| Reinsurance Receivable | | 6,035,830 | - | - | 6,035,830 |
| Insurance Receivable /Trade Debtors | | 6,829,050 | - | - | 6,829,050 |
| Other Assets | | 1,000,257 | - | - | 1,000,257 |
| Cash and Cash Equivalents | | 1,507,233 | - | - | 1,507,233 |
| Total Financial Assets | | 65,553,254 | 76,057,089 | 45,543,182 | 187,153,525 |
| Financial Liabilities | | | | | |
| Reinsurance Payable | | 5,911,296 | - | - | 5,911,296 |
| Interest Bearing and Borrowings | | 5,955,175 | 123,702 | - | 6,078,877 |
| Other Liabilities (Excluding Statutory Obligation) | | 8,797,613 | - | - | 8,797,613 |
| Total Financial Liabilities | | 20,664,084 | 123,702 | - | 20,787,786 |
| Total Excess Liquidity | | 44,889,170 | 75,933,387 | 45,543,182 | 166,365,739 |

Notes to the Financial Statements

44.(c) i Maturity analysis for Financial Assets and Financial Liabilities Contd.

| 31 December 2020 | Within One Year Rs.'000 | After one year not more than to three years Rs.'000 | Above Three Years Rs.'000 | Total Rs.'000 |
|--|-------------------------------|--|---------------------------------|--------------------|
| Financial Assets | | | | |
| Financial Instrument | | | | |
| Measured at Fair Value | 5,913,840 | 11,552,963 | 7,009,288 | 24,476,091 |
| Measured at Amortized Cost | 25,264,582 | 56,140,715 | 41,508,423 | 122,913,720 |
| Reinsurance Receivable | 4,200,999 | - | - | 4,200,999 |
| Insurance Receivable /Trade Debtors | 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 | 44,999,888 | 67,693,678 | 48,517,711 | 161,211,277 |
| Financial Liabilities | | | | |
| Reinsurance Payable | 4,560,668 | - | - | 4,560,668 |
| Interest Bearing and Borrowings | 1,969,040 | 102,862 | - | 2,071,902 |
| Other Liabilities (Excluding Statutory Obligation) | 7,817,292 | - | - | 7,817,292 |
| Total Financial Liabilities | 14,347,000 | 102,862 | - | 14,347,000 |
| Total Excess Liquidity | 30,652,888 | 67,590,816 | 48,517,711 | 146,761,415 |

44.(d) Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of 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 concentration of 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).

The following tables demonstrate the sensitivity to a reasonably possible change in USD exchange rate, with all other variables held constant. The impact on the Group's profit before tax is due to changes in the loan and receivables.

| | 2021 | | 2020 | |
|---------------------------------------|---------|-----------|---------|-----------|
| Change in USD rate | 10% | -10% | 10% | -10% |
| Effect on Profit Before Tax (Rs.'000) | 391,361 | (391,361) | 188,696 | (188,696) |
| Effect on Pre-Tax Equity (Rs.'000) | 391,361 | (391,361) | 188,696 | (188,696) |

44.(d) ii 1 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 group to cash flow interest risk, whereas fixed interest rate instruments expose the group 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.

44.(d) ii 2 Interest rate sensitivity

The following table demonstrates the sensitivity to a reasonably possible change in interest rates on that portion of loans and borrowings affected. With all other variables held constant, the Group's profit before tax is affected through the impact on floating rate borrowing, as follows.

| Sensitivity Analysis | | 10% Increase | 10% Decrease |
|------------------------------------|-----|--------------|--------------|
| Effect on Profit Before Tax - 2021 | Rs. | (24,954) | 24,954 |
| Effect on Profit Before Tax - 2020 | Rs. | (27,309) | 27,309 |

The Group's financial instruments are primarily debt securities and fixed interest investments. Since the group does not have floating rate investments, the risk is only for fair value.

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 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 Subsidiary, 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 Department of Inland Revenue has issued a Notice of Assessment on the Income Tax Return submitted by Ceylinco General Insurance Ltd. 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/Group."

Notes to the Financial Statements

45.(a) ii 1 Assessments on Income Tax

One of the Subsidiaries, Ceylinco Life Insurance Limited, 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, 2015/16 (in the name of Ceylinco Insurance PLC) and 2015/16, 2016/17 and 2017/18 (in the name of Ceylinco Life Insurance Limited) 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 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.

Assessments relating to Y/A 2017/18 is 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 Tax Assessments on VAT

Ceylinco Life Insurance Limited has received Assessments for year 2017, 2018 and 2019 under the Value Added Tax Act No 14 of 2002 from the Inland Revenue Department with regard to 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.

45.(a) ii 3 Tax Assessments on VAT and NBT on Financial Services

Ceylinco Life Insurance Limited has received three Assessments for year 2014 (in the name of Ceylinco Insurance PLC), 2016 and 2017 (in the name of Ceylinco Life Insurance Limited) 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 of 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 business 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 Limited 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.

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 | 2021 Rs. '000 | 2020 Rs. '000 |
|--|------------------|------------------|
| Commitment under Sub Contractor agreements entered | 90,500,000 | 689,770,000 |
| | 90,500,000 | 689,770,000 |

- 45.(b) ii** The Ceylinco Life Insurance Ltd. has committed to pay an amount of Rs. 155,763,693/- (2020- Rs. 98,920,830/-) as at the reporting date under contract entered in to on Capital Expenditure projects.

The Ceylinco Life Insurance Ltd. has entered in to a forward agreements to acquire government securities worth Rs. 600Mn (face value) and transaction value date is on 04 January 2022.

46. ASSETS PLEDGED

The following assets have been pledged as security for liabilities.

| Nature of Assets | Nature of Liability | Carrying Amount Pledged Rs. '000 | Included under |
|---|--|--|--|
| 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. | 341,191 | 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. | 134,000 | Loans & Receivables |
| Land & Buildings - CEG Education Holdings Ltd Group | Loan facilities from Sampath Bank PLC | 1,108,000 | Property, Plant & Equipment |
| Fixed Deposits -CEG Education Holdings Ltd Group | Loan facilities from Nations Trust Bank PLC | 226,953 | Loans & Receivables |
| Property, Plant & Equipment- Energy Lanka Holdings | Pledged to Sampath Bank PLC to obtain loan facilities. | 161,000 | Property, Plant & Equipment |
| Investment in Government Debt Securities - Ceylinco Investcorp Pvt Ltd. | Pledged to obtain repo borrowings | 1,422,439 | Fair Value through Other Comprehensive Income Financial Assets |

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.

Notes to the Financial Statements

47 (a) Compensation of Key Management Personnel

| Year ended 31 December | GROUP | | COMPANY | |
|---|-------------|---------------|-------------|-------------|
| | 2021 Rs. | 2020 Rs. | 2021 Rs. | 2020 Rs. |
| Short-Term Employee Benefits -Company | 148,565,484 | 142,160,441 | 148,565,484 | 142,160,441 |
| Short Term & Long Term Employee Benefits Received from the Subsidiaries | 791,747,415 | 918,500,986 | - | - |
| | 940,312,899 | 1,060,661,427 | 148,565,484 | 142,160,441 |

47.(b) Transaction With Related Parties-Subsidiaries

| Year ended 31 December | 2021 Rs. | 2020 Rs. |
|---------------------------|---------------|-------------|
| Dividend Received/ (Paid) | 1,410,788,732 | 281,705,337 |
| | 1,410,788,732 | 281,705,337 |

47.(c) Transaction With Related Parties-Sub Subsidiaries

| Year ended 31 December | 2021 Rs. | 2020 Rs. |
|---------------------------|-------------|-------------|
| Dividend Received/ (Paid) | 112,103,136 | 98,761,496 |
| | 112,103,136 | 98,761,496 |

47.(d) Transaction With Related Parties -Equity Accounted Investees

| Year ended 31 December | 2021 Rs. | 2020 Rs. |
|---------------------------|-------------|-------------|
| Dividend Received/ (Paid) | 25,945,162 | 21,620,000 |
| | 25,945,162 | 21,620,000 |

Transaction With Related Parties - Subsidiaries

47.(b) i Ceylinco Investcorp (Pvt) Ltd.

| Year ended 31 December | 2021 Rs. | 2020 Rs. |
|---------------------------|-------------|-------------|
| Dividend Received/ (Paid) | 7,425,000 | 7,425,000 |
| | 7,425,000 | 7,425,000 |

47.(b) ii CEG Education Holding (Pvt) Ltd.

| Year ended 31 December | 2021 Rs. | 2020 Rs. |
|---------------------------|-------------|-------------|
| Dividend Received/ (Paid) | 53,199,980 | 53,199,980 |
| | 53,199,980 | 53,199,980 |

47.(b) iii Energy Lanka Holdings (Pvt) Ltd.

| Year ended 31 December | 2021 Rs. | 2020 Rs. |
|---------------------------|-------------|-------------|
| Dividend Received/ (Paid) | 67,732,627 | 86,633,794 |
| | 67,732,627 | 86,633,794 |

47.(b) iv Ceylinco Insurance Company(Pvt) Ltd.-Maldives

| Year ended 31 December | 2021 Rs. | 2020 Rs. |
|---------------------------|-------------|-------------|
| Dividend Received/ (Paid) | 37,246,125 | 34,446,563 |
| | 37,246,125 | 34,446,563 |

47.(b) v Ceylinco General Insurance Ltd.

| Year ended 31 December | 2021 Rs. | 2020 Rs. |
|---------------------------|-------------|-------------|
| Dividend Received/ (Paid) | 462,685,000 | 100,000,000 |
| | 462,685,000 | 100,000,000 |

47.(b) vi Ceylinco Life Insurance Ltd.

| Year ended 31 December | 2021 Rs. | 2020 Rs. |
|---------------------------|-------------|-------------|
| Dividend Received/ (Paid) | 782,500,000 | - |
| | 782,500,000 | - |

Transaction With Related Parties - Sub Subsidiaries**47.(c) i American Education Centre Ltd.**

| Year ended 31 December | 2021 Rs. | 2020 Rs. |
|---------------------------|-------------|-------------|
| Dividend Received/ (Paid) | 13,375,000 | 13,375,000 |
| | 13,375,000 | 13,375,000 |

Notes to the Financial Statements

47.(c) ii International College of Business & Technologies Ltd.

| Year ended 31 December | 2021 Rs. | 2020 Rs. |
|---------------------------|-------------|-------------|
| Dividend Received/ (Paid) | 98,728,136 | 85,386,496 |
| | 98,728,136 | 85,386,496 |

Transaction With Related Parties -Equity Accounted Investees

47.(d) i Energy Generators (Pvt) Ltd.

| Year ended 31 December | 2021 Rs. | 2020 Rs. |
|---------------------------|-------------|-------------|
| Dividend Received/ (Paid) | 25,945,162 | 21,620,000 |
| | 25,945,162 | 21,620,000 |

47.(d) ii Citizen Development Business Finance PLC

| Year ended 31 December | 2021 Rs. | 2020 Rs. |
|---------------------------|-------------|-------------|
| Dividend Received/ (Paid) | 17,847,405 | - |
| | 17,847,405 | - |

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 | 90% |
| 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 2021.

- 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.
- 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 2021.

The Ceylinco General Insurance Limited did not face any extra ordinary surge in claims due to COVID19 in any class of business except health insurance.

- The Values of financial instruments and investment property were 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 incorporated certain adjustments to the existing valuation technique in deriving the fair value of an asset.
- During 2021, due to COVID-19, 410 death claims of amount Rs. 129.3 Mn and 3,990 hospitalisation claims of amount Rs. 52.6 Mn reported to Ceylinco Life Insurance Limited. Further, it was observed that there was decreasing trend in COVID-19 claims with only 4.4% of the number of claims reported in fourth quarter of the year (October 2021 to December 2021). 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 2021.
- The economic impacts of COVID-19 pandemic have been appropriately allowed for in the pragmatic future reinvestment rates assumed for determination of participating fund yield assumptions used for discounting of participating business liabilities (participating business forms 50.1% of the total liabilities of the Company) as at 31 December 2021. The appointed actuary (WTW) believes that the interest rates used for determination of liabilities appropriately covers for economic risks faced by Ceylinco Life due to COVID-19 pandemic.
- 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 2021 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 except for following.

The Government of Sri Lanka in its Budget for 2022 has proposed a one-time tax, referred to as a surcharge tax of 25% to be imposed on companies that have earned a taxable income in excess of Rs. 2,000 million for the year of assessment 2020/2021. The proposed tax should be deemed an expenditure in the financial statements relating to the year of assessment 2020/2021.

The Bill introducing the proposed tax was published after the reporting period and it has not been placed on the Order Paper of the Parliament for its first reading before the date these financial statements were authorized for issue. The proposed tax has not been substantively enacted by the end of the reporting period. Therefore, the financial statements have not been adjusted to reflect the consequences of this proposal.

Quarterly Analysis 2021

| Consolidated Statement of Income | 1st quarter Jan- Mar Rs.'000 | 2nd quarter Apr- Jun Rs.'000 | 3 rd quarter Jul- Sep Rs.'000 | 4th quarter Oct- Dec Rs.'000 | Total Jan- Dec Rs.'000 |
|--|------------------------------------|------------------------------------|-------------------------------------|------------------------------------|------------------------------|
| Gross Written Premiums | 11,954,664 | 10,407,332 | 11,091,298 | 14,428,246 | 47,881,540 |
| Premiums Ceded to Reinsurers | (2,549,715) | (1,823,945) | (2,079,584) | (3,012,498) | (9,465,742) |
| Net Written Premiums | 9,404,949 | 8,583,387 | 9,011,714 | 11,415,748 | 38,415,798 |
| Net change in Reserve for Unearned Premium | (554,641) | 578,482 | (292,679) | 436,599 | 167,761 |
| Net Earned Premium | 8,850,308 | 9,161,869 | 8,719,035 | 11,852,347 | 38,583,559 |
| Revenue from Non-Insurance Subsidiaries | 1,020,718 | 977,082 | 851,406 | 1,003,221 | 3,852,427 |
| | 9,871,026 | 10,138,951 | 9,570,441 | 12,855,568 | 42,435,986 |
| Investment and Other Income | 4,124,742 | 4,169,488 | 4,496,218 | 5,386,958 | 18,177,406 |
| Net Income | 13,995,768 | 14,308,439 | 14,066,659 | 18,242,526 | 60,613,392 |
| Net Benefits and Claims | (4,686,731) | (4,787,273) | (5,015,658) | (5,405,020) | (19,894,682) |
| Increase in Life Insurance Fund | (3,011,010) | (3,295,489) | (2,726,888) | (2,770,598) | (11,803,985) |
| Acquisition Cost | (1,136,726) | (1,052,055) | (1,070,421) | (1,192,920) | (4,452,122) |
| Cost of sales of Non-Insurance Subsidiaries | (215,765) | (204,642) | (235,637) | (206,500) | (862,544) |
| Other Operating and Administrative Expenses | (2,922,152) | (2,923,320) | (2,986,445) | (3,200,039) | (12,031,956) |
| Finance Cost | (42,613) | (38,437) | (87,162) | (81,327) | (249,539) |
| Total Benefits, Claims and Other Expenses | (12,014,997) | (12,301,216) | (12,122,211) | (12,856,404) | (49,294,828) |
| Profit Before Share of Associates | 1,980,771 | 2,007,223 | 1,944,448 | 5,386,122 | 11,318,564 |
| Share of Profit of Associates | 359,771 | 180,667 | 173,920 | 590,410 | 1,304,768 |
| Profit Before Tax | 2,340,542 | 2,187,890 | 2,118,368 | 5,976,532 | 12,623,332 |
| Income Tax Expense | (524,207) | (548,124) | (210,565) | (1,279,787) | (2,562,683) |
| Profit For the Year | 1,816,335 | 1,639,766 | 1,907,803 | 4,696,745 | 10,060,649 |

| Company Statement of Income | 1st quarter Jan- Mar Rs.'000 | 2nd quarter Apr- Jun Rs.'000 | 3 rd quarter Jul- Sep Rs.'000 | 4th quarter Oct- Dec Rs.'000 | Total Jan- Dec 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 | 94,439 | 1,262,213 | 32,236 | 246,010 | 1,634,898 |
| Net Income | 94,439 | 1,262,213 | 32,236 | 246,010 | 1,634,898 |
| Net Benefits and Claims | - | - | - | - | - |
| Increase in Life Insurance Fund | - | - | - | - | - |
| Acquisition Cost | - | - | - | - | - |
| Other Operating and Administrative Expenses | (37,690) | (42,462) | (47,444) | (46,755) | (174,351) |
| Finance Cost | - | (35) | (95) | (1,157) | (1,287) |
| Total Benefits, Claims and Other Expenses | (37,690) | (42,497) | (47,539) | (47,912) | (175,638) |
| Profit Before Tax | 56,749 | 1,219,716 | (15,303) | 198,098 | 1,459,260 |
| Income Tax Expense | (5,922) | (103,616) | (18,830) | (57,749) | (186,117) |
| Profit for the Year | 50,827 | 1,116,100 | (34,133) | 140,349 | 1,273,143 |

Note: The financial information reported quarter wise is reflected above for three quarters and based on audited financial statements fourth quarter is shown.

Quarterly Analysis 2020

| Consolidated Statement of Income | 1st quarter Jan- Mar Rs.'000 | 2nd quarter Apr- Jun Rs.'000 | 3 rd quarter Jul- Sep Rs.'000 | 4th quarter Oct- Dec Rs.'000 | Total Jan- Dec 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 Non-Insurance 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 Non-Insurance 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 Rs.'000 | 2nd quarter Apr- Jun Rs.'000 | 3 rd quarter Jul- Sep Rs.'000 | 4th quarter Oct- Dec Rs.'000 | Total Jan- Dec 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 quarter wise is reflected above for three quarters and based on audited financial statements fourth quarter is shown.

Ten Year Summary

| Statement of Financial Position Group | 2021 Rs.'000 | 2020 Rs.'000 | 2019 Rs.'000 | 2018 Rs.'000 | 2017 Rs.'000 | 2016 Rs.'000 | 2015 Rs.'000 | 2014 Rs.'000 | 2013 Rs.'000 | 2012 Rs.'000 |
|--|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|-------------------|-------------------|-------------------|
| As at 31 December | | | | | | | | | | |
| Assets | | | | | | | | | | |
| Intangible Assets | 319,879 | 388,710 | 398,227 | 116,208 | 165,621 | 136,861 | 89,005 | 45,170 | 46,731 | 76,706 |
| Property, Plant and Equipment | 22,943,260 | 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 |
| Investments | 181,129,789 | 154,616,448 | 134,973,999 | 120,240,010 | 107,801,759 | 97,387,970 | 78,066,663 | 66,832,062 | 59,820,194 | 52,071,307 |
| Other Assets | 27,945,437 | 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 |
| Total Assets | 232,338,365 | 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 |
| 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 | 57,898,521 | 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 |
| Retained Reserves | 2,897,854 | 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 |
| Revaluation Reserve | 4,608,433 | 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 |
| Restricted Regulatory Reserve | 3,456,184 | 3,456,184 | 3,456,184 | 3,456,184 | 3,456,184 | - | - | - | - | - |
| Total Capital and Reserve | 70,185,814 | 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 |
| Minority Interest | 2,544,124 | 2,323,015 | 2,324,107 | 1,890,031 | 1,658,418 | 1,551,468 | 860,378 | 762,469 | 550,728 | 564,737 |
| Liabilities | | | | | | | | | | |
| Insurance Provision - Life | 118,780,428 | 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 |
| Unit Linked Fund | 686,266 | 657,389 | 582,925 | 519,695 | 427,146 | 333,129 | 268,062 | 228,873 | 190,452 | 157,657 |
| Insurance Provision - Non- Life | 15,227,333 | 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 |
| Other Liabilities | 24,914,400 | 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 |
| Total Liabilities | 159,608,427 | 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 |
| Total Equity and Liabilities | 232,338,365 | 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 |
| Long Term - Supplementary Information | | | | | | | | | | |
| Assets | | | | | | | | | | |
| Intangible Assets | 362,838 | 349,627 | 349,627 | 37,358 | 56,950 | 2,759 | 645 | 2,198 | 4,609 | 15,105 |
| Property, Plant and Equipment | 9,343,481 | 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 |
| Investments | 117,580,700 | 133,707,835 | 116,918,311 | 103,744,946 | 92,264,065 | 84,220,630 | 67,139,575 | 57,209,653 | 50,751,773 | 44,198,752 |
| Other Assets | 4,101,192 | 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 |
| Total Assets | 131,025,373 | 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 |
| Liabilities | | | | | | | | | | |
| Insurance Provision - Life | 119,634,780 | 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 |
| Unit linked Fund and Other Funds | 686,266 | 657,389 | 582,925 | 519,695 | 427,146 | 333,129 | 268,062 | 228,872 | 190,135 | 157,657 |
| Equity and Other Liabilities | 10,704,327 | 43,406,620 | 36,424,389 | 29,490,493 | 23,943,900 | 18,199,846 | 11,955,568 | 10,817,572 | 10,990,466 | 7,623,205 |
| Total Equity and Liabilities | 131,025,373 | 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 |

| Statement of Financial Position Group | 2021 Rs:000 | 2020 Rs:000 | 2019 Rs:000 | 2018 Rs:000 | 2017 Rs:000 | 2016 Rs:000 | 2015 Rs:000 | 2014 Rs:000 | 2013 Rs:000 | 2012 Rs:000 |
|---|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Investor Information | | | | | | | | | | |
| Return on Net Assets | % | 17.99 | 19.50 | 20.83 | 24.18 | 24.36 | 18.45 | 19.76 | 17.26 | 16.75 |
| Net Assets Per Share - Group | Rs. | 2,657.10 | 2,313.07 | 2,008.60 | 1,732.34 | 1,428.90 | 840.93 | 760.33 | 675.72 | 525.04 |
| Net Assets Per Share - Company | Rs. | 668.30 | 652.39 | 679.19 | 666.32 | 653.09 | 622.99 | 671.02 | 601.35 | 475.60 |
| Market Price Per Share 31st December | | | | | | | | | | |
| Voting | Rs. | 2,249.75 | 1,997.80 | 1,986.90 | 1,990.00 | 1,597.00 | 1,410.10 | 1,379.00 | 1,340.00 | 855.90 |
| Non -Voting | Rs. | 1,197.00 | 1,021.80 | 840.00 | 950.00 | 825.10 | 800.00 | 550.00 | 398.00 | 330.50 |
| Earnings Per Share | Rs. | 368.58 | 351.18 | 323.45 | 317.76 | 306.21 | 132.32 | 96.46 | 98.78 | 73.94 |
| Price Earnings (times) - Voting | | 6.10 | 5.69 | 6.14 | 6.26 | 5.22 | 10.66 | 14.00 | 13.00 | 11.58 |
| Price Earnings (times) - Non Voting | | 3.25 | 2.91 | 2.60 | 2.99 | 2.69 | 6.05 | 5.00 | 4.00 | 4.47 |
| Market Capitalisation | Rs. Mn | 52,673 | 46,510 | 45,126 | 45,894 | 37,233 | 33,334 | 31,103 | 29,358 | 19,238 |
| Dividend Per Share | Rs. | | 40.00 | 38.00 | 35.00 | 31.50 | 22.50 | 20.00 | 16.00 | 12.50 |
| Employee Information | | | | | | | | | | |
| Revenue Per Employee | Rs. Mn | 15,777 | 14,881 | 15.13 | 12.71 | 11.94 | 14.45 | 9.10 | 9.30 | 8.16 |
| Net Profit Per Employee | Rs.000 | 3285.61 | 3169.90 | 3,182.95 | 2,845.15 | 3403.64 | 1,708.41 | 1,116.00 | 947.00 | 699.33 |
| Number of Employees | Nos. | 3842 | 3,758 | 3,472 | 3,889 | 3,717 | 3,336 | 3,556 | 3,253 | 3,321 |

Note: Financial information for the years 2012 to 2021 are based on LKAS/SLFRS.

| Statement of Comprehensive Income | | | | | | | | | | |
|--|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Group | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 |
| | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 |
| Year ended 31 December | | | | | | | | | | |
| Non- Life (Sri Lanka) | | | | | | | | | | |
| Gross Written Premium | 20,206,104 | 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 |
| Net Earned Premium | 13,253,522 | 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 |
| Investment Income and Other Income | 1,745,143 | 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 |
| Net Claims | (7,063,541) | (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) |
| Acquisition Expenses (Net of Reinsurance Commission) | (1,169,605) | (1,221,200) | (1,112,842) | (1,034,245) | (1,123,388) | (883,178) | (726,892) | (570,376) | (724,493) | (709,502) |
| Operating & Administrative Expenses | (4,966,757) | (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) |
| Operating Profit Before Interest Expenses | 1,798,762 | 1,916,128 | 1,825,092 | 2,387,946 | 1,749,795 | 1,444,197 | 970,960 | 867,735 | 980,525 | 808,429 |
| Life | | | | | | | | | | |
| Gross Written Premium | 25,565,050 | 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 |
| Net Written Premium | 25,254,551 | 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 |
| Investment Income and Other Income | 14,931,254 | 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 |
| Net Claims and Benefit | (12,736,308) | (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) |
| Commission (Net of Reinsurance commission) | (2,171,869) | (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) |
| Increase in Life Insurance Fund | (11,803,985) | (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) |
| Operating & Administrative Expenses | (4,836,630) | (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) |
| Operating Profit Before Interest Expenses | 8,639,013 | 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 |
| Total Business (Group) | | | | | | | | | | |
| Gross Written Premium | 47,881,540 | 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 |
| Revenue | 60,613,392 | 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 |
| Net Earned Premium | 38,583,559 | 35,208,695 | 32,672,321 | 31,689,100 | 28,651,040 | 26,551,980 | 23,486,332 | 21,301,922 | 19,899,630 | 19,322,492 |
| Benefit Losses and Expenses | (32,561,211) | (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) |
| Other Revenue | 22,029,833 | 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 |
| Operating and Administrative Expenses | (16,484,078) | (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) |
| Operating Profit Before Interest Expenses | 11,568,103 | 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 |
| Interest Expenses | (249,539) | (273,088) | (288,606) | (170,888) | (153,112) | (143,853) | (124,218) | (167,890) | (127,116) | (55,726) |
| Income from Associates | 1,304,768 | 928,097 | 493,980 | 646,371 | 393,414 | 288,518 | 275,724 | 150,917 | 143,421 | 180,494 |
| Profit Before Taxation | 12,623,332 | 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 |
| Income Tax Expenses | (2,562,683) | (2,534,488) | (2,268,103) | (2,399,319) | (868,751) | (953,741) | (448,257) | (1,118,602) | (211,590) | (227,794) |
| Profit for the Year | 10,060,649 | 9,378,004 | 8,783,088 | 8,665,452 | 11,782,587 | 4,846,618 | 3,650,216 | 2,849,677 | 2,869,660 | 2,094,679 |

Note: Financial information for the years 2012 to 2021 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. 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.

Glossary of Financial & Insurance Terms

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.
- 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 Fifth Annual General Meeting of the Shareholders of the Company will be held on 20th May 2022 at 10.30 a.m. as a virtual meeting emanating from the Auditorium - Level 7, ICBT Building, No. 36, De Krestler Place, Bambalapitiya, Colombo 04 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, 2021 and the Report of the Auditors thereon.
3. To declare a Dividend for the year ended 31st. December, 2021
4. To re-elect Mr. Rajkumar Renganathan , who retires by rotation at the Annual General Meeting in terms of Article 95, as a Director.
5. To re-elect Mr. Telge Nihal Mahinda Peiris who retires by rotation at the Annual General Meeting in terms of Article 95, as a Director.
6. To re-elect Mr. Sri Ranga Abeynayake 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 have 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 73 years in December, 2022 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 re-elect Mr. Nugent Duncan Nugawela, 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 have 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. Nugent Duncan Nugawela who will be 70 years in December, 2022 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. Nugent Duncan Nugawela

9. To authorise the Directors to determine payments for charitable purposes for the year 2022.
10. To re-appoint Auditors and authorise the Board of Directors to determine their remuneration.
11. 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
4th April 2022

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.

The completed Form of Proxy should be deposited at the Registered Office of the Company , "Ceylinco House", 69, Janadhipathi Mawatha, Colombo 1, on or before 10.30 a.m. on 18th May 2022 A Proxy drop box is also available at Ground floor of the Ceylinco House.

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