

Ceylinco Life Insurance Limited

Intergrated Annual Report 2020



**CEYLINCO
LIFE**

A Relationship For Life™

Derisking

The Future





Derisking

The Future

The year 2020 highlighted the strength of our collective human ingenuity. We were able to thrive by innovating and adapting to emerging realities.

Our passionate Ceylinco Life team rose to the occasion with their inimitable zeal and human ingenuity to traverse through an uncharted journey with resilience. This difficult terrain enabled us to unleash our potential by leveraging on our comprehensive portfolio, innovative products, unparalleled reach and robust digital platforms.

The success that we delivered enable us to take confident strides towards a brighter tomorrow strongly anchored by the trust of our stakeholders. This will propel us to derisk the future of all Sri Lankans through life insurance and retirement planning.

VISION

“TO TAKE THE MESSAGE OF LIFE INSURANCE AND RETIREMENT PLANNING TO EVERY SRI LANKAN AND PROVIDE PROTECTION TO EVERY FAMILY.”

MISSION

TO BECOME THE MOST TRUSTED, ACCLAIMED AND PROGRESSIVE LIFE INSURANCE COMPANY IN SRI LANKA, BY PROVIDING NEED BASED LIFE INSURANCE SOLUTIONS TO OUR CUSTOMERS, RECOGNISING AND REWARDING OUR EMPLOYEES, CREATING SUCCESSFUL PARTNERSHIPS WITH STAKEHOLDERS AND ENSURING SUSTAINABLE BUSINESS PRACTICES FOR SUSTAINABLE, RESPONSIBLE AND PROFITABLE GROWTH, WHILE LEAVING A SMALLER CARBON FOOTPRINT ON THE PLANET.

OUR VALUES

PROFESSIONALISM

In delivering life insurance and retirement planning solutions to meet the individual needs of our customers.

REWARDING

Customers, sales force, staff for their dedication and loyalty.

INTEGRITY

In everything we do, individually and collectively.

DEDICATION

In communicating the importance of Life Insurance and Retirement Planning to every Sri Lankan.

EXCELLENCE

In customer service, product development, innovation and fulfilling our social responsibility.

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CEYLINCO LIFE AT A GLANCE

Leading the way

Ceylinco Life Insurance Limited is a fully owned subsidiary of Ceylinco Insurance PLC (CIP). The Company ventured into the life insurance business in 1988 as the life insurance division of CIP. With the mandatory segregation of life and general insurance businesses under Section 53 of the Regulation of Insurance Industry (Amendment) Act No 03 of 2011, Ceylinco Life Insurance Limited was

incorporated on 22 April 2014 and commenced operations on 1 June 2015.

The Company has a rich heritage as one of the longest standing life insurance companies in Sri Lanka. The roots of the Company trace back to Ceylon Insurance Company which was founded by Hugh Weerasekera and Cyril E. S. Perera as the first Ceylonese Company to be registered

under the Companies Ordinance of 1938. The Company commenced business on 3rd April 1939, providing life and general insurance services. Ceylon Insurance Company was the origin of Ceylinco Insurance PLC.

With an established presence of 32 years, we have been the market leader in Sri Lanka's life insurance industry for 17 consecutive years.

Leading the Way

- Sri Lanka's first Online Life Insurance Plan launched in 2012
- First life insurer to introduce Tele-Underwriting to Sri Lanka
- First life insurance company to surpass the One Billion annual premium income mark in 1998
- First Mn Dollar Round Table (MDRT) qualifier in Sri Lanka produced from Ceylinco Life in 1993.

Financial Strength

- Rs. 151 Bn worth of total assets
- Fastest growing life fund
- Rs. 107 Bn Life Fund
- Capital Adequacy Ratio (CAR) of 424%

Social Impact

- Direct employment generation : 814
- Value created to employees: Rs. 1.59 Bn
- Investment in CSR: Rs. 8.6 Mn
- Giving back to our community, we have touched the lives of 130,000+ people through medical camps, healthcare facilities and enhanced infrastructure for schools.

Environmental Impact

- Solar powered branches: 19
- Green Branches: 18

Most Valuable Life Insurance Brand

- Sri Lanka's 'Most Valuable Life Insurance Brand' by Brand Finance in 2020
- 'Best Life Insurer' in 2020 for the 7th consecutive year by World Finance
- The most popular life insurance brand in the country for 14 consecutive years by SLIM-Nielsen.

The Company offers a comprehensive suite of insurance products and services. Customer-centric and service driven since inception, the Company has been taking confident strides into the future by blending its wide physical reach with

digital capabilities to provide differentiated offerings, in line with the evolving needs of a wide spectrum of customers.

The Company's overarching aim is to build relationships for life – with customers, employees and all other stakeholders. This

guiding principle has become the Company's moral compass which depicts its value creation process. As a result the Company considers the impact of every action on its relationship with its stakeholders before implementing same.

Unparalleled Reach



139

Branches

2019: 141

Valued Team



814

Team members

2019: 844

Professional Sales Team



4,084

Sales Team

2019: 3,467

Lives Derisked



Nearly **one million**

policyholder base

Digital capabilities



12.2% of

sales team with tabs

2019: 1.5%

People's Life Insurance Brand



SLIM-Nielsen

For 14

consecutive

years

Subsidiaries

Two of the Company's subsidiaries complement the main business as follows:

Ceylinco Healthcare Services Limited

Ceylinco Healthcare Services Limited (CHSL) delivers one of the most advanced and trusted cancer care in the country. Besides two radiation treatment units - the Ceylinco Radiation Treatment Centre and the

Ceylinco Tomo - Therapy Centre, Ceylinco Healthcare Services Limited owns and operates the Ceylinco Diabetic Centre, offering comprehensive screening, diagnostic services and medical care.

Serene Resorts Limited

The nation's first retirement resort at Uswetakeiyawa, 'La Serena' caters to 'active retirees'. It is a medium-sized resort build on

beach front land at Uswetakeiyawa, just 14 km North of Colombo. The resort comprises of 28 single bedroom chalets and 16 two-bedroom chalets, built around common facilities including a swimming pool, mini gym, restaurant, library and a reading room, entertainment lounge and a beach terrace. It is built with the initiative to support senior individuals who require an elegant space to relax but under the care of qualified caregivers.

ABOUT THE REPORT

Our reporting suite

We welcome you to the

Sixth

INTEGRATED ANNUAL
REPORT OF CEYLINCO LIFE

Ceylinco Life Insurance Limited (herein referred to as Ceylinco Life or the 'Company') 2020 Annual Report, 'Derisking the Future' aims to provide a transparent assessment of its ability to deliver sustainable value whilst creating a significant impact on the community and the environment at large.

The report considers the financial performance of our two subsidiaries – Serene Resorts Limited and Ceylinco Healthcare Services Limited and associate company, Citizens Development Business Finance PLC which are unrelated business entities collectively referred to as the 'Group' the key financial aspects are discussed in the context of the Company as well as the Group, the non – financial narrative is discussed in the perspective of the Company.

Scope and Boundary

This Integrated Report covers the operations of Ceylinco Life Insurance from 1st January 2020 to 31st December 2020 in line with our annual reporting cycle. The most recent report of the Company for the year ended 31st December 2019 is available on our website at <http://www.ceylincolife.com>.

Material events post this reporting period, up to the sign off date by the Board of Directors on 19 February 2021, have been included in this Report, ensuring a more relevant and up to date Report. In addition to the focus on performance over the year, this Integrated Annual Report provides stakeholders an insight of the Company's value creation process and its strategic framework.

There were no restatements of non-financial information provided in the previous report. There were no significant changes in the Company's ownership or supply chain during the year under review

The only significant change in this year's Annual Report is that we are reporting more from a strategic point of view – highlighting key strategies that have helped the company deliver an above-industry standard performance.

Integrated Thinking

We have adopted an integrated approach towards our strategic planning process wherein we strive to connect performance with purpose.

Recognised for Excellence in Integrated Reporting

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

Materiality

The content of the Report has been determined following a materiality analysis which brings into focus all the aspects of our operations and the operating landscape. It considers legitimate business interests of our stakeholders and the Company's strategic aspirations. The process of determining material content and a full list of material topics is set out on page 42-47 of this Report.

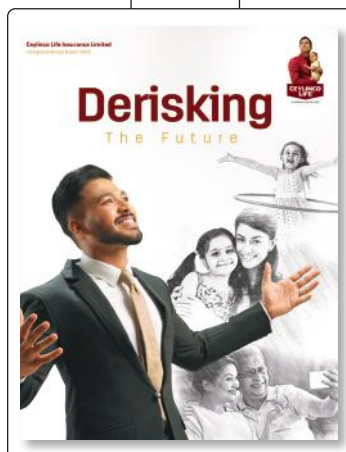
Reporting Frameworks

Financial Reporting

- Sri Lanka Accounting Standards (SLFRS/LKAS) issued by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka).
- The Regulation of Insurance Industry Act No 43 of 2000 and amendments thereto.
- Guidelines established by the Companies Act No. 7 of 2007.

Integrated Reporting

International Integrated Reporting Council's (IIRC) Integrated Reporting <IR> Framework.



Governance Reporting

- Code of Best Practice on Corporate Governance 2017, issued by the Institute of Chartered Accountants of Sri Lanka.
- Guidelines established by the Companies Act No. 7 of 2007
- Rules and regulations issued by the Insurance Regulatory Commission of Sri Lanka (IRCSL)
- IRCSL Direction No 17: Corporate Governance Framework for Insurers

Sustainability Reporting

- This report has been prepared in accordance with the Global Reporting Initiative (GRI) Sustainability Reporting Guidelines GRI Standards - "In accordance Core" option.
- The United Nations Sustainable Development Goals (SDGs).

Preparation of Financial Statements


The Financial Statements presented on pages 174 to 278 of this Report have been prepared in accordance with the Sri Lanka Accounting Standards (SLFRS/LKAS) and the requirements of the Companies Act No.7 of 2007. The note on Corporate Governance complies with the Code of Best Practice

on Corporate Governance issued by the Institute of Chartered Accountants of Sri Lanka.

How this Report is Structured

This year's Annual Report material content structure has been changed in line with international best practices. We have aligned the narrative with the Company's

strategic priorities clearly highlighting what we want to achieve and how we intend to reach those aspirations. Navigation icons have been used across the Report to demonstrate connectivity between themes and to eliminate duplication of content.

Organisational Overview	Financial Highlights (page 20) Key Highlights of 2020 (page 18) Value Creation Model (page 49) Our Operating Environment (page 51) Materiality and Risk Management (page 42)	
Leadership Insights & Performance Strategic Report	Chairman's Message (page 10) Strategic Imperatives and Progress (page 26)	MD's Message (page 14)
Performance and Outlook	Financial Review (page 54)	
Stewardship & Corporate Governance	Corporate Governance (page 122)	
Financial Statements	Financial Statements (pages 174 to 278)	Supplementary Information (Page 280)

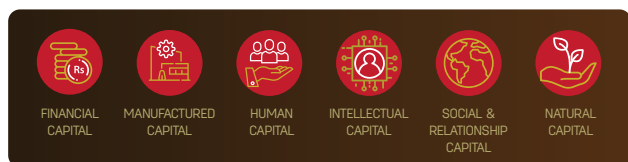
Forward Looking Statements

This report contains forward looking statements in respect of the Company's future direction. Several risks, uncertainties and other important variables in the external environment may cause the actual results to be materially different to the expectations. The Company undertakes no obligation to update publicly nor release any revisions to these forward-looking statements to reflect events or circumstances after the date of this document or to reflect the occurrence of anticipated events.

Precautionary Principle

The precautionary principle is applied to social and environmental sustainability. We have taken steps to mitigate the risks caused to society and environment.

ICON Guide



Sustainable Development Goals (SDGs)

This report presents the main SDGs impacted by our business and the way they are related to our priority strategies.

External Assurance

A combined assurance approach has been adopted to verify the accuracy and completeness of the content herein. Messer's, Ernst and Young, Chartered Accountants have provided an independent assurance for the Consolidated Financial Statements as well as limited assurance on the non-financial sustainability indicators as per the Global Reporting Initiative (GRI) Standards.

Improvements to the Report

- Structured to demonstrate our strategic priorities and drivers
- Greater connectivity through navigation icons
- Enhanced the conciseness of the report by reducing 40 pages
- Adoption of Gender Parity Reporting introduced by CA Sri Lanka

Board Approval

The Board of Directors of Ceylinco Life Insurance Ltd undertakes responsibility for the integrity of the information presented in this report. In their opinion, this report addresses all the matters that are material to the Company's ability to create value and transparently presents its performance and future strategy.

Signed on behalf of the Board:

P A Jayawardane

Director/Chief Financial Officer

19 February 2021

CEYLINCO LIFE INSURANCE LIMITED
INTEGRATED ANNUAL REPORT 2020



Feedback



Your valued feedback will help us in our quest in improving the standards of reporting. You may forward your suggestions and recommendations to:

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No 106, Havelock Road,
Colombo 5, Sri Lanka
Telephone: +94 11 246 1117
E mail: kushanw@ceylife.lk
Web: www.ceylincolife.com

INTRODUCING OUR CAPITALS

The capitals that power our business

Financial Capital



Funds available with the Company, shareholders' equity and reserves

Share capital and reserves

Our financial sustainability relies on the availability and management of our own funds. Financial capital enables value creation with all other capitals. Through the combined use of capital inputs, such as share capital, reserves and policyholder funds, we build manufactured assets, enhance the productive capacity of our people through training, innovate around technology and services, and benefit our community relationships through our investment in community engagement initiatives.

Prudent investment strategy to optimise returns

Stringent cost management and cost optimisation

Please refer section Delivering Financial Value on page 54

Manufactured Capital



Tangible and intangible infrastructure, including IT assets

Property, plant and equipment - Rs. 9.2 Bn Mn. Capital Expenditure - Rs. 153 Mn.
Physical touchpoints Virtual touchpoints/Digital Channels Digital infrastructure

Management of the manufactured capital enables the Company to strengthen the relationship with policyholders through seamless access to channels by providing the optimum accessibility and superior customer experience. This capital directly contributes to operational efficiency, driving costs down, improving profitability and facilitating sustained growth.

Investment in manufactured capital is a continuous and ongoing process to ensure the Company's ability to deliver on its strategy. The key determining factor of any investment in manufactured capital is the value offered towards achieving the Company's strategic objectives.

Please refer section Transforming Our Business with IT on page 85

Human Capital



Employees' competencies, knowledge, experience, and training programmes.

- Training and development
- Positive working environment
- Established solid labour relationships
- Develop critical skills and succession planning
- Performance and talent management
- Policies and procedures to improve service delivery

Skilled and engaged employees enhance the ability to serve our customers, driving our business performance and enabling the effective implementation of our strategies. This helps achieve corporate objectives and to create value to all our stakeholders. Employees facilitate value creation in a dynamic business environment.

We strive to create a secure working environment coupled with opportunities for personal and professional growth.

We stive to create a direct link between employee engagement, business performance and service to our customers.

Please refer section To be an Employer of Choice on page 98

What it includes

Inputs

How it adds value

Our approach

Link to strategic imperatives

Social & Relationship Capital



Relationships the Company builds with its policyholders, sales agents, service providers, regulators, suppliers and the community at large.

- Policyholder engagement initiatives.
- A rewarding work environment for agents.
- Ethical and responsible dealings with business partners.
- Wellbeing of the community.

Developing enduring relationships with our policyholders, sales agents, business partners and community forms the core foundation for business growth and maintaining market leadership.

Our customer-centric insurance solutions along with superior service define our unique value proposition. By leveraging technology, we aim to enhance our service levels. Our engagement activities with our policyholders are unique and is a key differentiator in the insurance industry.

Please refer section Building Relationships for Life on page 68

Natural Capital



In its operations, natural resources are used and nurtured, while the Company endeavours to preserve natural reserves and mitigation of climate risk.

- Air
- Water
- Land
- Minerals

Building natural capital helps to reduce our environmental footprint contributing towards a low-carbon economy.

This helps to protect our planet for current and future generations and ensure long-term sustainable value creation.

Our focus is on reducing our carbon footprint, driving green operations, and supporting green initiatives to conserve the environment. Having identified environmental footprint as a material issue, we have formulated strategies to address the matter and ensure sustainability. We strive to ingrain environmental consciousness into our core business processes.

Please refer section Nurturing Our Environment on page 91

Intellectual Capital



Collective knowledge, research, thought leadership, brand management and intellectual property

- Policies, frameworks and processes
- Standard operating procedures
- Corporate culture
- Responsible leadership

Intellectual Capital is a vital source of competitive advantage that would result in a value premium for the Company. It fosters innovation which is a source of competitive advantage and results in generating wealth for the future.

We develop our intellectual capital through strong process flows, partnerships with other institutions and encouragement for learning and innovation. We nurture our intellectual capital through development of new products, improvement of systems and processes that enable us to be more efficient while reducing the environmental impact and operating costs, by enhancing our corporate image and consumer confidence.

Please refer section Leading with Trust on page 64

IMPACT OF COVID – 19

Delivering seamlessly and responsibly

Our Strategic Response to COVID-19

- Established a Business Continuity Planning (BCP) team with the leadership of the Executive Directors and Corporate Management. This team met daily over online platforms to discuss and plan how operations would be conducted to provide an uninterrupted service to the policyholders and monitor progress of the actions taken.
- Introduced a split-team mechanism for all staff to reduce the risk on operations. These two teams took turns in reporting to work and avoided physical contact with each other.
- Implemented rigorous IT security measures to prevent any loss of sensitive data given the higher cyber risks associated with Work from Home arrangements.

Continuation of Business

(i) Energising Sales Staff/Employee Morale

- No pay cuts
- No lay-offs
- Commission advances to sales force
- Commission recoveries deferred temporarily
- Annual bonus paid without reduction
- More recruitments to the sales force

(ii) Flexibility to Sales staff

- Regular in-person sales team meetings were held via online platforms.
- Allowed sales agents to handover their collections to any branch not located in areas under quarantine curfew/lockdown

Online Products

- Online plans were re-launched
- The Short-term Endowment Plan was adapted into an online platform.

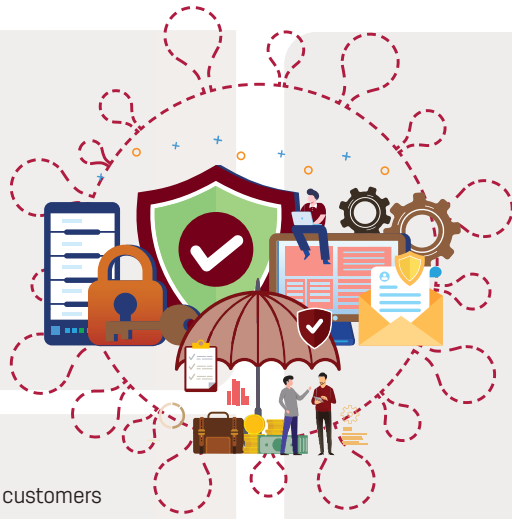


Healthy & Safety of Employees and Stakeholders

- Introduced a roster-based method for reporting to work and reduced maximum per day staff count.
- Equipped all essential staff and call center with IT resources to enable WFH
- Providing surgical and KN95 masks to all employees
- Sanitising procedures, daily temperature checking and wearing of masks made mandatory
- Encouraged staff to avoid public transport and reimbursed fuel expenses for use of their personal vehicles
- "Stay Safe Mobile App" to track movement of staff and visitors
- Appointed an independent party to conduct a special health and safety audit and implemented their recommendations
- Introduced best health practices and staggered meal breaks to prevent interaction and gathering of staff members.
- Benchmarked and improved against "Sri Lanka Standard 1672: 2020 COVID-19 Safety Management System Requirements for Organisations".

New Process and Technology

- Online sales of existing products
- Sales competitions on on-line premium collection, total premium collection and new business premium collection
- With customer consent, converting of advance payments, maturities and cash bonus into future premium.



Data Protection and information security

- Equipped company devices with next-gen antivirus solutions
- Installed data leakage prevention (DLP) software in company devices which increased visibility over use and transfer of data.
- IT security team monitored the firewall activities continuously to identify unusual network traffic patterns.

Caring for our Policyholders

- Offered a 3-months grace period to customers to pay their due premiums.
- Advised customers to inform any claims to the call center and allowed submission of claim documents through online platforms.
- Discouraged face-to-face contact with customers and relied on digital methods to keep in touch.
- Educated policyholders to use online payment channels through the call center and WhatsApp. Video tutorials were provided on how to pay premiums the online.
- Introduced a free life cover equal to the basic sum assured a subject to a maximum of Rs. 1 Mn on deaths due to COVID-19 or a 6-months period.

Reaching out to the Community

- Distributed surgical boots to the Infectious Diseases Hospital (IDH), Colombo.
- Donated surgical masks to the medical staff of the Jaffna Teaching Hospital and for the Police Officers in the Ampara District.
- Donated two non-invasive ventilators to the COVID-19 Presidential Task Force.
- Distributed Personal Protective Equipment (PPE) to 111 police stations in the Western Province.



CHAIRMAN'S MESSAGE

Derisking the future



In the midst of chaos, there is also opportunity

– Sun Tzu



Dear Stakeholders,

I am pleased to present you our 6th Integrated Annual Report which lays out in detail the value that Ceylinco Life Insurance Limited, as the market leader in the life insurance industry, generates for stakeholders and the wider community. The year under consideration proved to be one of the most challenging in recent history for the nation and indeed the world. Our theme of 'Derisking the Future' by providing a circle of protection around our customers, partners and employees in the midst of a global pandemic is apt in the current context.

A Global Crisis

The COVID-19 outbreak took the world by surprise as it disrupted the global economy and almost every country in varying degrees. The extent to which this may affect the world economy in the next couple of years is yet uncertain. With the International Monetary Fund (IMF) projecting a global growth contraction by 4.4%, the worst recession since World War II, the challenges in curtailing the virus continue to further cloud the near-term outlook.

Following the lockdowns which were enforced in efforts to flatten the curve, the pace of economic recovery from the crisis will depend on the efficacy of public health and fiscal measures. Governments across the globe have announced a multitude of fiscal and monetary measures to mitigate the economic fallout. Policy rates have been reduced to their lowest levels in the recent past and while Central Banks prompted to provide debt moratoriums to soften the impact the businesses face with the pandemic. Amidst these unforeseen challenges, almost all companies underwent a drive of digitisation, due to the initial mandatory lockdowns imposed by governments.

A Challenging Operating Context

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

Mandatory policy measures included a reduction in interest rates, which caused much hardship to retirees and pensioners. The decision to reduce interest rates was taken with a view to achieve the objective of reducing the borrowing cost of corporates, thereby making them more competitive. However, as a direct consequence, income from the retirees and pensioners is being transferred to the corporates, thereby affecting their standard of living. The ultimate objective of a successful economy is the wellbeing of its people, which begs the question: does our current policy achieve that goal?

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

Delivering a Resilient Performance

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

The Company's robust performance amidst economic uncertainty can be attributed to its sound business model and risk management framework that surmounted the challenges posed by the pandemic. Navigating through this unprecedented crisis, we experienced the power of collective human ingenuity not just to survive through a global crisis but also to thrive by innovating and adapting to the emerging realities. The need to constantly evolve and learn is imperative in the dynamic business environment. Our successful journey bears testimony to our ability to innovate by using technology as a key differentiator in an intensely competitive market.

The crisis intensified awareness about the importance of life and health globally and influenced the way people perceive the importance of protection of family members against life's uncertainties. We also observed that when policyholders were at home with their families, it was more fitting to approach and talk about life insurance. Given the low penetration levels of life



The Company's robust performance amidst economic uncertainty can be attributed to its sound business model and risk management framework that surmounted the challenges posed by the pandemic.



insurance in Sri Lanka, a vast untapped opportunity is available to be tapped. We are well equipped to unlock this immense potential, with our comprehensive portfolio, innovative products, unparalleled reach, and robust digital platforms.

Dividend

The Company proposed a final dividend of Rs. 782.5 Mn for the FY 2020, subject to the shareholder's approval.

Safeguarding Employees

The immediate concern on the outbreak of the COVID-19 pandemic was the health and safety of our staff. A cross-functional Health and Safety Committee was formed to monitor and manage employees' health and safety concerns, which was directly supervised by the Executive Directors. Strategically, in vertical management/ top-down management, from the senior management to various departments/ business units we had two teams ready at any given time - with one team in office, while the other team worked from home - in case some employees had to self-isolate. All the recommended safety measures such as social distancing, wearing of masks, sanitization facilities were made compulsory.

More importantly, employees were given the necessary IT support from the senior management to WFH. Regular in-person meetings were moved to online mode, in addition to special training videos to demonstrate how the sales force could prospect business over the phone while minimising customer visits. The excellent performance demonstrated by Ceylinco Life during the financial year 2020 is as much about our culture that empowers employees as much as it is about our strategy, superior systems and processes.

Compliance with Regulatory Standards

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

Corporate Governance

We, in spirit, comply with the Code of Best Practice on Corporate Governance, issued by the Institute of Chartered Accountants of Sri Lanka. We also comply with Direction 17 – Corporate Governance Framework for Insurers issued by the IRCSL. The relevant disclosures under these reporting frameworks have been provided in this Annual Report.

In 2020, the Company undertook an annual review of the Board Sub-committee charters and the Risk Appetite Statement and Risk Framework were revised considering the recent developments in the business environment.



One of the greatest lessons learnt from the pandemic is that Business Continuity Planning has become a critical pillar for organisations, especially in the case of disasters and worst-case scenarios such as a global pandemic.



Social and Environmental Stewardship Strategy

At Ceylinco Life, we believe and shoulder the responsibility on our part to strengthen communities so that they can prosper and fulfil their aspirations. Our mission to make the world a better place drives our projects in the health and education sectors. The Pranama scholarships will continue as well as donations of classrooms to underprivileged schools and provision of urgently needed medical equipment to government hospitals. We intend to resume our Waidya Hamuwa medical camps, which are presently halted due to the pandemic, when the health restrictions are lifted/relaxed. These projects have created a profound positive impact on our communities.

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

In 2020, we implemented an improved Sustainability Policy for the Company and the Sustainability Committee was reformed.

Performance of Subsidiaries

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

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

Shaping the Future

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

One of the greatest lessons learnt from the pandemic is that Business Continuity Planning (BCP) has become a critical pillar for organisations, especially in the case of disasters and worst-case scenarios such as a global pandemic. Ceylinco Life's advanced Business Continuity systems and processes enabled the Company to ensure uninterrupted operations even during the lockdown. Further, from an IT perspective, underwriters are in the process of improving their capabilities to operate remotely without compromising on service quality, which is a relief as the Company has established a strong reputation for speedy disbursement of claims.

As observed the 'new normal' era has created a dramatic behavioural change, increasing the need for protection against the vagaries of life and living in volatile and uncertain environment. With our leadership position and customer focus, we are well positioned to absorb these emerging opportunities by leveraging our wide physical reach, complemented by our digital channels. Developing new solutions through innovation and automation will always remain our priority in driving growth and wealth creation potential. Considering the untapped potential of the life insurance market in Sri Lanka, we hope to leverage the power of data analytics to identify additional business that can be generated from the existing base of policyholders by upselling and cross selling.


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

The life insurance industry is greatly perturbed by the arbitrary changes made by the Department of Inland Revenue in the basis of computing taxes. This has resulted in the need to obtain relief by resorting to legal action and unnecessary expenditure on providing bank guarantees for such arbitrary assessments. We believe that a stable taxation policy across a medium-term horizon will greatly benefit the life insurance industry to develop and grow in Sri Lanka.

Appreciation

Our performance vis-à-vis the industry is largely attributable to the relentless efforts of our people and various business partners, who rallied with unwavering dedication and support on all fronts. Together, we are confident of achieving more.

The year under review has revealed the firm commitment of the Directors on the Board to sustain our success while the, CEO/Managing Director and the entire Ceylinco Life team have gone the extra mile, notwithstanding the arduous circumstances. I have the greatest confidence that the dedication to sustain excellence and serve customers puts us in an even stronger position now that our resilience has been tried and tested. Our policyholders, shareholders and regulators have been exceptional partners in our strong performance this year.



R Renganathan
Chairman

19th February 2021

CHIEF EXECUTIVE OFFICER'S REVIEW

Demonstrating resilience in adversity



Adversity
reveals genius,
prosperity
conceals it.

– Horace



The year under review was underscored by unimaginable adversity and although the challenges seemed insurmountable, Team Ceylinco Life demonstrated resilience, innovation, optimism and agility to deliver admirable financial results. Since the nature of adversity is not within our control, instead, we focused on controlling our response to the challenges in a manner that safeguarded our internal and external stakeholders and tethered the Company's roots to growth and profitability.

A Noteworthy Performance

Despite the headwinds posed by the outbreak of the COVID-19 pandemic in Sri Lanka, Ceylinco Life recorded a Gross Written Premium growth of 17.96%, the highest in over a decade in the history of the Company, slightly short of the 20% goal set for the year 2020. This extraordinary financial performance is particularly noteworthy during a difficult year in which national measures taken to fight COVID-19 such as the lockdown brought the economy to a standstill in the first half of the year.

The Life Fund of the Company reached Rs. 106.7 Bn while the shareholders' fund grew up to Rs. 38.1 Bn, which signifies an increase of 21.1% compared to the preceding year. The Return on Equity (ROE) of Ceylinco Life stood at 18.2% in 2020 while the Capital Adequacy Ratio (CAR), computed according to the Risk Based Capital (RBC) Regulations imposed by the Insurance Regulatory Commission of Sri Lanka (IRC SL), stood at 424% as at end 2020. During the year under review, we honoured claims and benefits to the value of Rs. 12.5 Bn.

The group insurance and the retirement planning segments were the two salient contributors to our robust GWP growth. Although the main individual life business did not experience much growth, these two business segments made up for the rest by growing at higher rates than anticipated so that an overall GWP growth of 17.9% was achieved. Demonstrating equanimity under pressure, the team at Ceylinco life achieved a modest new business growth which is commendable as it seemed highly unlikely, given the general depressed economic conditions in the market coupled with salary cuts, layoffs and reduced disposable incomes, that any new business growth could be achieved.

The profitability of the Company considering the circumstances is commendable, as the financial results achieved are on par with some of the largest conglomerates in the country.

Strategic and Operational Progress

One of the pillars for the Company's success against a bleak operating environment was the manner in which the Ceylinco team rallied around each other and the corporate goals, remaining strongly focused on achieving profitability without being weighed down by the enormity of challenges faced by them. Despite the initial decline in collections in the first month of the lockdown, the sales force was

supported by the Company by enhancing their digital marketing skills through videos and other innovative means. Optimizing the existing customer base, greater emphasis was placed on upselling and cross selling to the customers through insights via data analytics.

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

Investing Prudently

With most of our investments in treasury bills and bonds, fixed deposits and debentures issued by banks with high credit worth and real estate, Ceylinco Life has ensured adequate provisioning for a worse-case scenario. As a responsible life insurer, we place significant emphasis on investing prudently. We have focused on building a solid investment portfolio over the years, which generates sustainable returns to safeguard the interests of all stakeholders. Our investment portfolio grew by 19.6% over the year to Rs. 139.8 Bn as against Rs. 116.9 Bn as 31st December 2019. The investment portfolio earned an investment income of Rs. 14.9 Bn.

At the end of the year under review, the Ceylinco Life investment portfolio comprised of Government Securities (38%); Fixed Deposits (34%); Corporate Debt (19%); Real Estate (8%); and others (1%). These investments are made in conformity with the investment guidelines stipulated under the Regulation of the Insurance Industry Act, No. 43 of 2000 and are subject to regular monitoring by the Insurance Regulatory Commission of Sri Lanka (IRC SL). Most of our investments are secured in AA + institutions as we do not invest in high return investments which could prove to be risky.

“
Going digital en masse was a seamless transition for Ceylinco Life, since we had already set in place the digital platforms to facilitate convenience for customers and enhance the efficiency of our sales force.
 ”

Fulfilling Employee Needs

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

In order to encourage customers to pay premiums on time without leaving the safety of their homes, we shared videos in all three languages to guide them on how to pay online. There was a marked increase in online payments of premiums during the year.

Going digital en masse was a seamless transition for Ceylinco Life, since we had already set in place the digital platforms to facilitate convenience for customers and enhance the efficiency of our sales force. We had commenced an initiative of equipping our staff with digital devices several years ago. For teams who WFH, the Company's IT team ensured they had the necessary firewalls and cyber security measures in place on their workstations.

The management team initiated Business Continuity Plans immediately which enabled the Company to continue working seamlessly. As far as possible, we maintained the momentum of our operations with a 'business as usual' approach although the way we delivered services was different while stringent health and safety protocols had to be observed.

Naturally, the pandemic gave rise to fear and uncertainty – but to sustain the morale of the team high, the senior management led from the front – attending office themselves leading by example, that if all safety measures were taken, the fear of uncertainty would be less. Internally, senior management was in frequent touch with branch managers via calls to enquire about their wellbeing and also to keep them motivated.

Despite all the disruptions, Ceylino Life diligently paid claims and maturity benefits without delay. A total of Rs. 12.5 Bn was disbursed to customers during the year as against Rs.10.7 Bn in the previous year. While adhering to the IRCSL directive to grant an extended grace period of 3-months to customers to pay their premiums, we further incentivised customers to continue their policies active by offering an additional free life cover worth up to Rs. 1 Mn against deaths due to COVID-19.

Driving Customer Care

In the absence of face-to-face interactions due to the pandemic, the Company engaged with customers via social media – conveying messages to stay safe and enquiring about their wellbeing. We already have an e-platform in place for policy submission, and we are now in the process of digitizing all paper-based customer interactions including digital signatures for a seamless experience at the customer's doorstep.

Our online platform was enhanced to improve user friendliness for customers. Further, in the early days of the first lockdown, we launched 'Contactless Life Insurance' with uncomplicated Online Life



Despite all the disruptions, Ceylino Life diligently paid claims and maturity benefits without delay. A total of Rs. 12.5 Bn was disbursed to customers during the year as against Rs.10.7 Bn in the previous year.



Insurance and Retirement plans that could be purchased as well as paid for, via the Ceylino Life website, offering life insurance protection or an investment in retirement that could be obtained in a matter of minutes without venturing out of one's home. The online plans are easy to access, understand and purchase and are also available 365 days of the year.

For payments, we promoted web-based, mobile-phone based and app-based payment options to help customers maintain their policies in active status during the period of curfew and self-quarantine. We also kept the Company's Call Centre active and monitored our social media and messaging platforms to respond to customer queries at our earliest.

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

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

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

Building on Sustainability

The Company sets up new branches on rented premises. However, as the premium income grows, a block of land is bought to build its own premises, bringing the tally of owned and occupied branch buildings to 28 at present, apart from the portfolio of buildings held as investment property. Taking a step further, Ceylino Life is developing environmentally friendly premises with solar panelled roofs to harness renewable energy. The Divulapitiya and Nelliady branches boast zero electricity consumption from the national grid, generating solar energy along with water recycling, rainwater harvesting etc.

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

Additionally, we made a series of donations of protective equipment and materials related to the COVID-19 pandemic. These

included donation of; surgical boots to the Infectious Diseases Hospital in Colombo, surgical masks for the use of medical staff at the Jaffna Teaching Hospital, two non-invasive ventilators to the COVID-19 Presidential Task Force and distribution of Personal Protective Equipment (PPE) to 111 police stations in the Western Province.

Looking Ahead

We are proud of the fact that the Company continued to generate employment and support families, increasing recruitment of sales agents by 22% during the year. Our direct and indirect employment generation is recovery contributes towards economic with livelihoods of over 5,000 families spread throughout the island.

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

The pandemic has accelerated the shift onto digital platforms and going ahead, we will enhance ours and encourage our platforms and encourage our customer base to adopt digital payments to the greatest extent possible. Greater use of data analytics will help tailor solutions to meet additional existing needs of policyholders, thereby for generation of new business from the present data base. Since the Company has already acknowledged and implemented digitalisation as a key enabler, we are moving fast to become a digitally driven insurer.

Our focus is also on the gig economy, where a substantial number of people have moved out from regular jobs to generate income

from short-term jobs or freelance work. We are targeting this segment for our life, retirement and health products.

Appreciation

Our people are at the heart of what we do and the value we deliver. I extend a warm thank you to Team Ceylinco Life for their commitment and dedication, particularly in the challenging time we are facing, and bringing our purpose to life. We thank our policyholders and appreciate the support of our shareholder as well as all other stakeholders who continue to work with us.

Our performance this year was made possible under the visionary leadership of the Chairman and the Board of Directors who led the Company through a turbulent business environment. I would also like to thank the Executive Management team for their continued guidance and support.

I take this opportunity to place on record my appreciation to the regulator and other partners in our success. Considering the professional, profitable, and empathetic manner in which Ceylinco Life conducted its operations amidst a global pandemic, I have the fullest confidence in the Company's ability to surmount any other obstacles in the future.



Thushara Ranasinghe
Managing Director / CEO

19 February 2021

KEY HIGHLIGHTS OF 2020

A year in perspective



Ceylinco Life opens its newest Green branch in Malabe.

Ceylinco Life renovates & re-equips Chemo therapy Unit for Trincomalee General Hospital.

January



Ceylinco Life extends 'Family Savari' with carnival in Kurunegala for 1,600 people.

Ceylinco Life hosts Annual Awards to recognise top achievers.

Ceylinco Life is voted Sri Lanka's most popular life insurer for the consecutive 14th year.

March



Ceylinco Life continues its 'Green Journey' by laying the foundation stone for the new Piliyandala branch.

July



Ceylinco Life Family Savari draw sparks celebrations for 655 policyholder families across Sri Lanka.

Ceylinco Life signs an MoU with the Centre for Sustainability Solutions, University of Kelaniya to restore 50 hectares of forest land as part of Company's zero carbon emissions agenda.

Ceylinco Life presents 'Pranama' schols to 154 more future leaders of Sri Lanka.

February



Ceylinco Life introduces Contactless Life Insurance & Retirement Plans.

April



Ceylinco Life is ranked the 'Most Valuable Life Insurance Brand'.

Ceylinco Life promotes Health Insurance countrywide.

June



Ceylinco Life's Green Club collects 990 kgs of e-waste for safe disposal.

Ceylinco Life invests in large solar power installations in Anuradhapura & Jaffna.

August



Ceylinco Life 'Family Savari' relaunched with Rs 30 Mn in gold as reward to customers.

Ceylinco Life opens 5-floor Green Branch on company owned premises in Nelliady.

September



Ceylinco Life reaches a milestone launching the 20th 'Pranama' Scholarships programme.

October



Ceylinco Life donates vital PPE to 111 police stations in the Western Province,

Ceylinco Life embarks on enterprise-wide Carbon Footprint assessment.

November



Ceylinco Life takes its Green example to Divulapitiya with an eco-friendly branch.

Ceylinco Life is ranked the only insurer among Sri Lanka's 'Most Admired' Companies in 2020.

Opening of a class room at G/Thanabaddegama Anagarika Dharmapala School, Elpitiya.

December



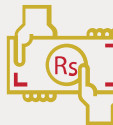
Rs. 22 Bn +

Gross Written Premiums



Rs. 150 Bn +

Total Assets



Rs. 100 Bn +

Life Fund

We are committed to build and maintain relationships, driven by our strong commitment towards sustainable growth of our people and the communities that we serve.

FINANCIAL HIGHLIGHTS

Scaling new heights

Year Ended 31 December	Company		
	2020	2019	Change
	Rs.'000	Rs.'000	%
Results for the Year			
Gross Written Premium	22,076,250	18,718,553	17.94
Net Claims / Net Benefits	12,266,513	10,604,066	15.68
Increase in Long Term Insurance Fund	9,423,994	7,189,811	31.07
Investments and Other Income	14,912,201	13,392,554	11.35
Transfer to Retained Earnings (Annual Shareholder Transfer)	4,100,849	3,900,000	5.15
Profit Before Taxation	8,766,512	8,211,937	6.75
Profit After Taxation	6,934,121	6,671,670	3.93
Position at the Year End			
Shareholder's Equity	38,145,035	31,492,079	21.13
Long Term Insurance Fund	106,737,377	96,204,089	10.95
Investments	133,707,835	116,918,311	14.36
Total Assets	150,801,386	133,211,402	13.20
Per Ordinary Share			
Earnings (Basic) (Rs.)	138.68	133.43	3.93
Dividends (Rs.)*	15.65	13.40	16.79
Net Asset Per Share (Rs.)	762.90	629.84	21.13
Ratios			
Return on Total Assets %	4.60	5.01	(8.19)
Return on Equity %	18.18	21.19	(14.19)
Dividend Cover (Times) *	8.86	9.96	(11.01)
Dividend Payout Ratio (%) *	11.28	10.04	12.37
Capital Adequacy Ratio			
Total Available Capital (TAC) Rs.Mln	71,737	61,948	15.80
Risk Based Capital requirement(RCR) Rs. Mln	16,918	17,865	(5.30)
Risk-based Capital Adequacy Ratio (CAR) %	424%	347%	22.28
Minimum CAR (%) Required by Regulator %	120%	120%	

* Dividend of 2020 is proposed and subject to the shareholder's approval.

NON - FINANCIAL HIGHLIGHTS

Contributing to a Sustainable Future

Indicator	GRI Relevance	Unit of Measure	2020	2019
Financial Capital				
Direct economic value added	201-1	Rs. Mn	4,056	3,428
Manufactured Capital				
Total number of branches		Count	139	141
Investment in new properties		Rs. Mn	153	87
Natural Capital				
Electricity consumption	302-1	Mwh	2,050	2,283
Fuel consumption	302-1	Litres	266,450	275,505
Water withdrawal	303-3	Units	26,292	31,332
Direct GHG emissions (Scope 1) *	305-1	tCO2e	931.28	711.27
Energy indirect GHG emissions (Scope 2) *	305-2	tCO2e	960.93	776.33
Other indirect GHG emissions (Scope 3) *	305-3	tCO2e	1,660.23	19.34
Indirect GHG Emissions from Products Used by the Organisation (Scope 4) *			124.60	Nil
Total GHG emissions *	305-5	tCO2e	3,677.05	1,506.94
Weight of waste paper recycled through 3rd party contractors	306-2	Kg	5,678	17,086
Significant environmental fines	307-1	Rs. Mn	Nil	Nil
Human Capital				
Estimated value of defined benefit plans	201-3	Rs. Mn	2,184	1,962
New employee recruitments	401-1	Count	42	37
Employee turnover	401-1	Count	71	56
Total employees	401-1	Count	814	844
No of incidents of work related injuries and fatalities	403-2	Count	Nil	Nil
Workers with high incidence or high risk of diseases related to their occupation	403-3	Count	Nil	Nil
Incidents of child labour	408-1	Count	Nil	Nil
Average hours of training per employee **	404-1	No of hours	6.5	18.5
Percentage of employees receiving regular performance and career development reviews	404-3	%	100	100
Incidents of discrimination	406-1	Count	Nil	Nil
Social & Relationship Capital				
Customer complaints as a percentage of active policies		%	0.13	0.16
Number of Pranama Scholarship recipients		Count	154	162
Value of Pranama Scholarships granted		Rs. Mn	11.5	11.7
Sustained complaints on breach of customer privacy and loss of customer data	418-1	Count	Nil	Nil
Non-compliance with social and economic laws and regulations	419-1	Count	Nil	Nil
Incidents of non-compliance related to products	417-2	Count	Nil	Nil
Incidents of non-compliance related to marketing communications	417-3	Count	Nil	Nil
Number of sales agents		Count	4,084	3,467
Female representation in agency force		%	49	52
Number of MDRT qualifiers		Count	135	55
Premium ceded to reinsurers		Rs. Mn	505	550
Number of Waidya Hamuwa programs conducted	203-1	Count	Nil	12
Number of class rooms developed	203-1	Count	2	7
Intellectual Capital				
Incidents of violation of corporate code of conduct and ethics	205-3	Count	Nil	Nil
Number of key IT systems introduced/improved		Count	2	2

* The GHG emission computations in 2019 were based on a preliminary computation.

**Average hours of training per employee in 2020 are entirely based on online trainings.

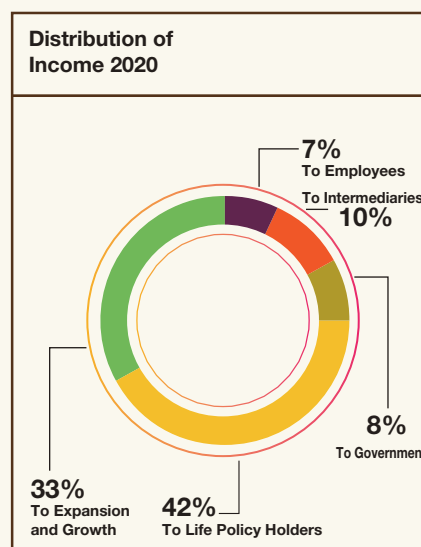
ECONOMIC VALUE ADDED STATEMENT

Delivering Value to Our Stakeholders

For the Year Ended 31 December	2020	2019	2018	2017	2016	2015
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Invested equity						
Shareholders' fund	34,688,848	28,035,892	22,969,401	17,190,714	11,911,829	9,446,370
Earnings						
Profit after tax	6,934,121	6,671,669	5,794,289	6,011,241	3,079,041	2,060,046
Cost of equity (Based on 12 months weighted average T-bill rate plus 2% for risk premium)	8.30%	11.57%	11.11%	12.05%	11.92%	8.60%
Cost of average equity	2,878,441	3,243,753	2,551,900	2,071,481	1,419,890	812,388
Economic value added	4,055,680	3,427,916	3,242,389	3,939,760	1,659,151	1,247,658

For the Year Ended 31 December	2019		2020
	Rs.'000		Rs.'000
Net Earned Premium	18,168,431		21,570,788
Investment & Other income	13,392,554		14,912,201
	31,560,985		36,482,989
Net Claim incurred	(10,604,066)		(12,266,513)
Cost of external services	(1,218,887)		(2,016,642)
Total Value Added	19,738,033		22,199,834
		Change %	
To Employees as Remuneration	1,539,117	3.09	1,586,632
To Intermediaries as Commission	1,962,792	8.20	2,123,644
To the government as Tax	1,496,163	19.43	1,786,883
To the shareholders as Dividend *	670,001	(100.00)	-
Increase in Life Fund	7,189,811	31.07	9,423,994
Retained as Depreciation	208,480	65.27	344,560
Retained as Reserves	6,671,669	3.93	6,934,121
Total Value Distributed	19,738,033	12.47	22,199,834

* Dividend was not considered in the value distributed for 2020, since it has been proposed only and not paid.



SUSTAINABILITY POLICY

Embedding economic social and governance parameters

Sustainability is integral to our overall business success and strategy. Our vision to take the message of life insurance and retirement planning to every Sri Lankan and provide protection to every family is deeply connected to our goal of building sustainable, healthier communities for life.

As a life insurance company, we always balance the needs of today with the need to honour our commitments in the future. This perspective compels us to consider the economic, social and environmental impacts of our decisions. It is our policy to conduct our business in a sustainable manner, leaving a minimal footprint as possible on our planet.

Our Sustainability Strategy

Ceylinco Life’s focus on advancing sustainability is a key strategy and differentiator for us. Endorsed by our Board of Directors, our sustainability strategy is anchored on four principles: organisational resilience, environmental responsibility, community wellness, and governance and risk management. The strategy reflects input from external and internal stakeholders and is aligned with our company’s overall vision and mission.

Our Sustainability Principles

Organisational Resilience

We cultivate an organisation that is competitive, forward-thinking, resilient and sustainable for the long term, so we can continue to meet the needs of our key stakeholders, who are at the centre of all we do.

Environmental Responsibility

We are accountable for the impact of our operations on the environment, so we are consistently taking steps to measure, manage and reduce that impact.

Community Wellness

We believe that by actively supporting the communities in which we live and work, we can help to build a positive environment for our stakeholders.

Governance and Risk Management

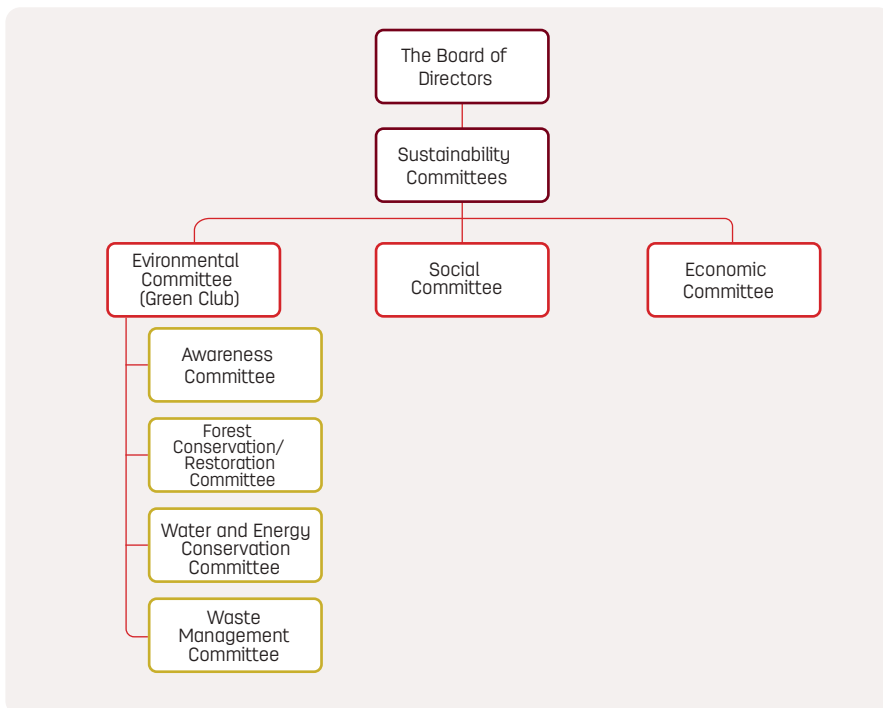
We believe a well-governed organisation contributes to a stable operating platform for the Company, and positions us to meet our obligations to stakeholders. Proactive risk management and a strong risk culture are essential to our long-term success.

Stakeholder Engagement

Our commitment to sustainability starts with listening to stakeholders. Through a variety of engagement channels, we seek to understand and integrate the needs and interests of our stakeholders into all aspects of our operations and sustainability strategy. Open dialogue and inclusive engagements help us improve our business, build positive relationships and understand evolving expectations. Our main stakeholders relevant to sustainability, are those who we consider to have a direct or indirect interest in, or can influence or be impacted by, our business activities. More details can be found on Stakeholder Engagement section on page 25.

Materiality Matters

Our sustainability reporting focuses on a set of “material issues”. We identify, prioritize and validate these issues through ongoing stakeholder engagement and an annual materiality analysis to ensure that we are addressing the right issues. Refer to Materiality Matters section on page 42.



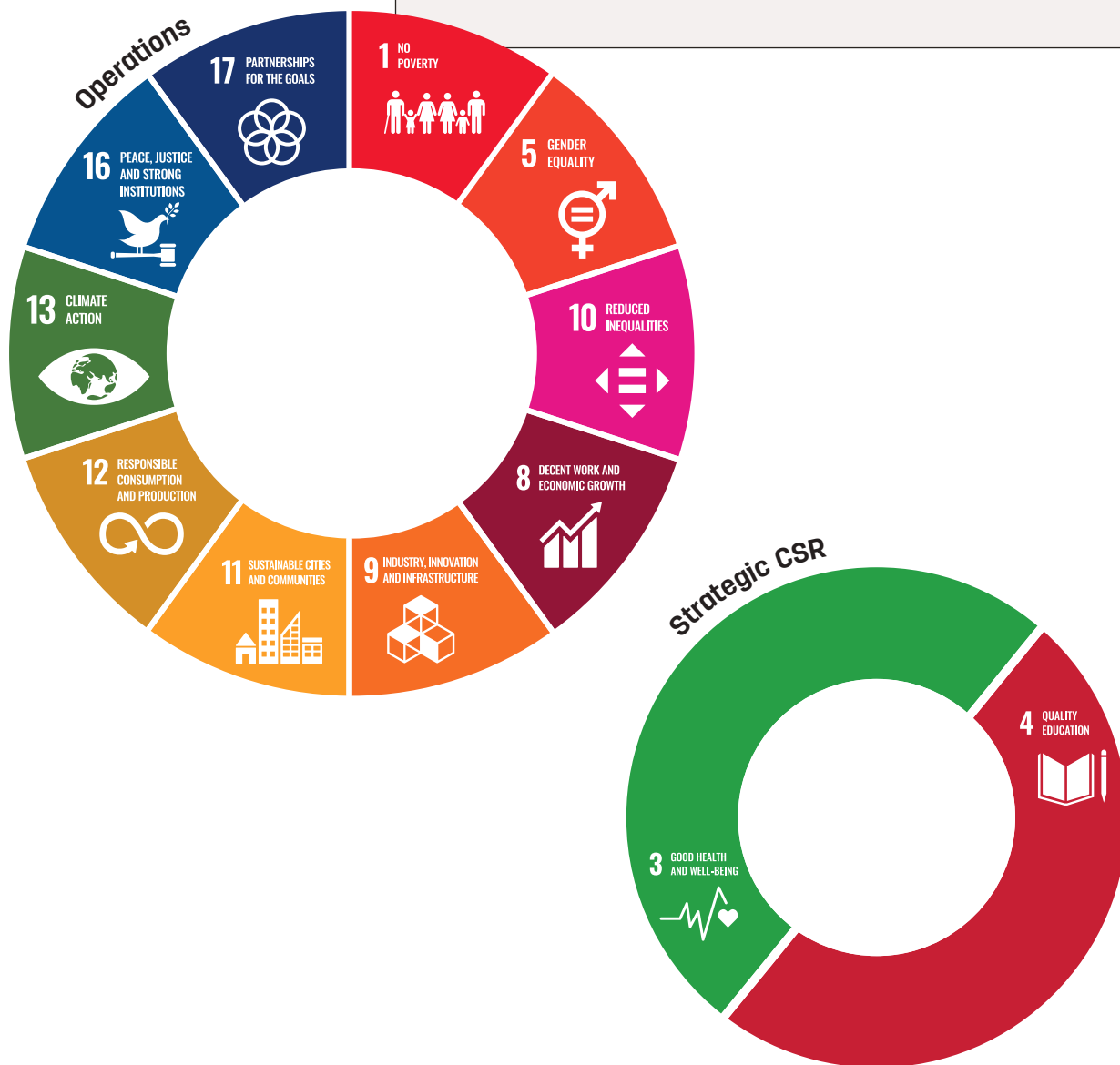
Organisational Resilience	Financial stability	<p>OUR APPROACH</p> <p>Improving financial stability is vital to keep our company resilient in terms of financial strength. This enables us to honour customer claims throughout the terms of the contracts. This is also a key factor for customer to trust us. We ensure that all funds are invested in a prudent manner adhering to regulatory guidelines to generate steady returns and accumulate financial wealth. <i>More details can be found in Delivering Financial Value on page 54.</i></p>
	Customer focus	<p>OUR APPROACH</p> <p>Placing our customers at the centre of all means, listening to them and understanding what they need from us at every touch point. It's not just about selling insurance or benefits. It's about delivering the best outcomes for our policyholders. Our customer-centric strategy means we're working harder than ever to ensure we're modernizing and humanising our brand, while maintaining our core attributes of being a caring, optimistic and relevant company. <i>More details can be found in Building Relationships for Life on page 68.</i></p>
	Technological innovation	<p>OUR APPROACH</p> <p>We're transforming our business by digitising current operations and creating innovative new models that can delight our customers, de-mystify a complex business and support the important work of our sales agents and business partners. Leveraging data allows us to personalize and deepen relationships with customers, and better predict and anticipate their needs to help them achieve their goals. In the digital age, we can become a larger part of their daily lives, thanks to mobile connections, new tools and capabilities. <i>More details can be found in Transforming Our Business with IT on page 85.</i></p>
	Talent management	<p>OUR APPROACH</p> <p>We are committed to creating inclusive, sustainable and empowering workplaces where employees can contribute to their full potential. Our objective is to build and attract a disproportionate share of top talent across our businesses, wrapped in a culture that emphasizes collaboration, integrity and treating customers and colleagues with dignity and respect. <i>More details can be found in To be an Employer of Choice on page 98.</i></p>
Environmental Responsibility	Environmental impact management	<p>OUR APPROACH</p> <p>We are accountable for our impact on the environment, and work every day to measure, manage and reduce that impact. Through our environmental management framework, we integrate environmental sustainability into our day-to-day operations and decision-making. Our wide range of programs and practices aim to manage the environmental footprint of our business. We track and report on key environmental indicators to monitor progress and identify opportunities for improvement. <i>More details can be found in Nurturing Our Environment on page 91.</i></p>
Community Wellness	Promotion of community health and facilities	<p>OUR APPROACH</p> <p>We contribute to uplift the standard of health and medical facilities of the nation by donating high dependency units (HDU) to hospitals. We conduct 'Waidya Hamuwa' programs in rural communities to help them improve their health conditions. <i>More details can be found in Building Relationships for Life on page 80.</i></p>
	Promotion of school facilities	<p>OUR APPROACH</p> <p>We continue to support schools in rural areas by undertaking the design and construction of class rooms. <i>More details can be found in Building Relationships for Life on page 80.</i></p>
Governance and Risk Management	Ethics, Integrity and Corporate Governance	<p>OUR APPROACH</p> <p>We always maintain a firm stance in ethics and integrity. We voluntarily comply with the Code of Best Practice on Corporate Governance. <i>More details can be found in Corporate Governance section on page 122.</i></p>
	Risk Management	<p>OUR APPROACH</p> <p>As a large life insurance company, we are exposed to various risks, including sustainability-related risks. Our Enterprise Risk Management Framework prescribes a comprehensive set of programs for conducting our business activities. The risks that arise when providing products and services to customers are managed within these programs. This framework, along with our suite of risk management policies, seeks to ensure that risks are appropriately managed to achieve the Company's business objectives. <i>More details can be found in Enterprise Risk Management on page 137.</i></p>

Contribution to the
**SUSTAINABLE
DEVELOPMENT
GOALS**

The United Nation’s SDGs provide a guide for development priorities aimed towards ending poverty, protecting the planet and ensuring prosperity for all as part of a new sustainable development agenda. Ceylinco Life directly and indirectly contributes towards Sri Lanka’s progress of 12 of the 17 SDGs.

This year, we have sought to improve our SDG reporting by,

- Demonstrating relevance within the capital reports on the progress towards SDGs
- Classification of SDGs into 2 broad categories encompassing relevance of SDGs to the operations directly and to the strategic CSR initiatives of the Company.



STRATEGY & RESOURCE ALLOCATION

Our road map to the future

Strategy and resource allocation lies at the heart of corporate success. As the pace of change in our world accelerates, we recognise that our strategic direction too must be cognisant of these changes and that our strategies must be sufficiently flexible to enable us respond dynamically to the changes taking place in our business environment.

Our Strategic Imperatives



Ceylinco Life operates within a framework of six strategic imperatives: market leadership, strengthening relationships, environmental sustainability, technology development, investing in human resources and smart, prudent investing. In other parts of this document, we have outlined how these six imperatives interact with the six capitals of sustainable reporting.

The Strategic Planning Committee

At Ceylinco Life, corporate strategy is developed by the Strategic Planning Committee within a strategy formulation framework that takes into consideration global megatrends and other environmental forces. The Committee which meets monthly, comprises a team of Executive Directors including the CEO, General Managers and Senior and Deputy General Managers. It is headed by the Executive Chairman. Both strategy formulation and implementation come under the purview of the Committee.

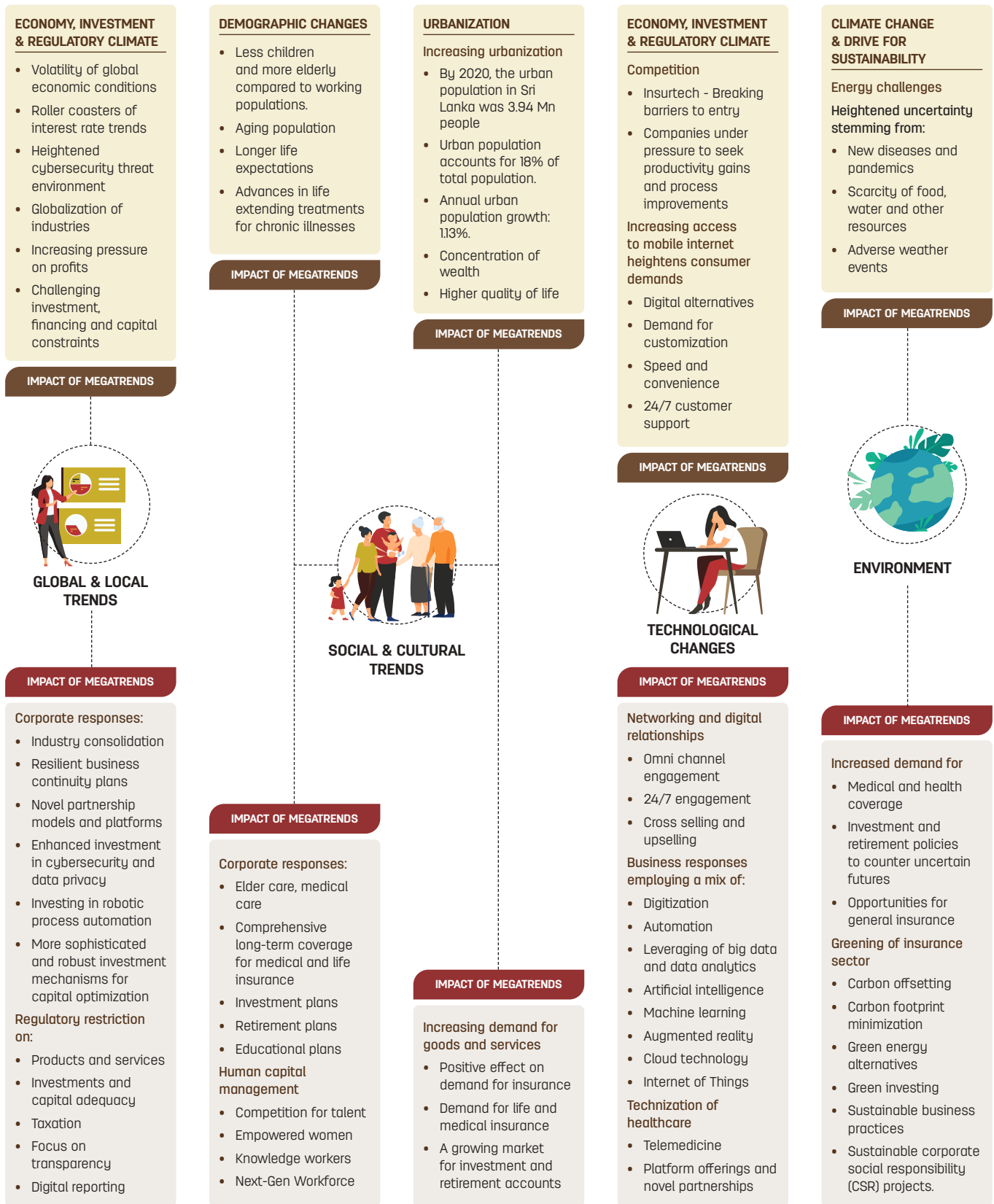
Impact of Megatrends

Megatrends are trends that are already in motion that have the potential to impact our customers, our business, our industry and the economy. Although the future is uncertain, in strategy formation, it is possible to imagine potential future scenarios and be prepared for the challenges coming our way.

In making strategic choices, we could opt for flexible and adaptable options that could lead us towards more robust and viable outcomes. That is the only viable choice open to far seeing companies like Ceylinco Life. The alternative is to be wiped out or diminished by the impact of trends that we failed to anticipate.

Both business opportunities and threats to sustainable business growth are born at the intersection of where the business environment meets our strengths and weaknesses. As such, we carefully watch global megatrends, their impact on the global life insurance industry and the impact on the ground in Sri Lanka.

Global Megatrends and Their Potential Impact on Life Insurance



Converging trends create opportunities

The convergence of demographic, urbanization and technology trends create enhanced opportunities for long term insurance. The demand for these insurance products are heightened by the obvious impacts of global warming, such as new diseases and pandemics, adverse weather events and the resulting overall uncertainty. In other words, Derisking the future will be very much in demand.

SWOT Analysis

Where we observe threats to our business, we counter these by overcoming our weaknesses and leveraging strengths that are highlighted by periodic SWOT analyses.

During the strategy process, we also factor in the stakeholder concerns highlighted in our stakeholder management process (pages 36-41) weighed according to their level of impact as assessed by a robust process of materiality assessment.

We use SWOT analysis as a preliminary tool to understand our strategic position in the business environment. It helps us to better under our internal strengths and weaknesses as well as threats and opportunities in the external environment.

Strengths	Weaknesses
A legacy of 32 years in the Sri Lankan insurance industry	Conservative risk culture and business policy
Market leadership	Sales force turnover
Strong brand reputation as the most valuable life insurance brand in Sri Lanka	
Extensive customer reach across the wide branch network	
Financial strength and stability	
Strong employee loyalty with a high retention rate	

Opportunities	Threats
A large untapped market is available	Low economic growth
Rapid growth in aging population	Tightening regulatory and supervisory framework
Increase in mobile phone penetration	Intense competition from other industry players

Leveraging strengths to capitalize opportunities

- Expand product portfolio in the retirement insurance segment
- Use the strong branch to penetrate into the untapped market
- Use the financial strength to develop online or mobile business processes (e.g. e-underwriting)

Leveraging strengths to counter threats and weaknesses

- Use the internal expertise to differentiate products from the competition
- Deploy financial resources in improving regulatory compliance
- Improve retention of sales agents through financial and non-financial rewards

Value Drivers in Life Insurance

In formulating our responses to the global megatrends that impact us, we try to follow global trends in life insurance, especially the best practice of leading insurers across the globe. According to EY, the winners of the next wave of insurance will be those who effectively learn to achieve profitability through pursuing their purpose. The following value drivers in global life insurance show us the way. These value drivers flow directly from the strategic responses of the world's leading life insurance companies to the global megatrends we noted earlier.

INSURANCE FOR THE NEXT DECADE

1. An Emphasis on Financial Health and Wellness

As noted under global megatrends, there is a growing demand for financial health and wellness. EY surveys show that 40% of Millennial and Gen Z consumers expect financial, health and wellness guidance from insurers. Opportunities exist for:

- Insurance and retirement planning value propositions that offer high degrees of financial security as well as paths to physical and mental health.
- Flexible, forward-looking, goal-based offerings that emphasizes proactive prevention rather than downside protection.
- Recognition of the needs of participants of the gig economy.

2. Delivering Long Term Value

As the world has come into a post-pandemic era, there will be a greater emphasis from our stakeholders on insurers' ability to deliver long term value. This means a lot more emphasis will fall on holistic, long-term metrics, intangibles including intellectual property, human talent, innovation, brand reputation and sustainability. This shift will be essential to building trust with younger generations of customers, employees and other stakeholders.

3. Collaboration with Governments and Regulators

Collaborations are additive while confrontations are deductive. Leveraging industry-government collaborations can lead to significant long term benefits. In 2019, insurers in Singapore experienced a 34 percent increase in consumer adoption of retirement policies after formal industry-government encouragement.

4. Ecosystems and Omnichannel Engagement

In the US, annuity, advisory and investment firms are forming alliances for education on lifetime income. Although omnichannel engagement is already a key pillar in Ceylinco Life's relationship building, marketing and customer engagement, we have only explored the potential for developing ecosystems, so far, with the establishment of subsidiaries in advanced cancer care and retirement care and accommodation. Both these belong to sectors of the economy that can be roped into a viable ecosystem.

5. Capital optimization and convergence

Globally the threat of near zero low interest rates, competitive factors and macroeconomic factors together are driving insurers to seek and achieve higher levels of capital efficiency. In seeking efficiencies mergers and acquisitions (M&A) and reinsurance are key variables.

For Ceylinco Life, with capital adequacy rates that are way beyond the basic levels required by regulators, we must renew our focus on smart, prudent investing with a view to optimize our capital assets.

6. Commoditization and Customization

Increasingly life insurance and retirement products are becoming commoditized. Besides the regulatory and competitive pressures, this is driven by growing customer preferences for simplicity, transparency and comparability. Consumers are increasingly perceiving value through trust-based relationships and rich experiences. Flexibility and customization are imperatives in life insurance. In

developing the necessary digital and analytical capabilities Ceylinco Insurance is able to combine simpler component offerings into instant personalized solutions.

Riding the new wave in life insurance and retirement

Our purpose is Derisking the future. We offer people means to de-risk their futures. The promise of Ceylinco Life is to cultivate and nurture "A Relationship for Life" with our policyholders. This is more pressing today than ever before.

This is because the levels of uncertainty are higher today than ever. The pace of change in our society as well as due to global warming and related adverse consequences, including climate change. The solid family structures and village communities that sustained people in times of stress are frayed or have vanished. Urbanization has led people to leave the relatively safe confines of known communities in search of better opportunities, lifestyles and a higher quality of life. However, with the fraying of the extended family fabric that offered protection over generations, individuals and nucleus families now need to take measures to ensure financial security in retirement, savings and funds to educate their growing children and ensure a solid source of income in the event of death or disability.

Ceylinco Life has been a market leader in life insurance for 17 consecutive years. We hope to fill the gap and next wave of life insurance and retirement is here, we must take measures to ride that wave too, and retain our market leadership.

As around the globe, in Sri Lanka too, more and more people are working in non-pensionable jobs. Even those in pension eligible jobs are beginning to realise their pension benefits may be inadequate to sustain their desired post retirement lifestyles. This means an increasing number of people seeking solutions that offer protection and ongoing income streams in retirement.

The challenge for life insurers is clear. Meeting the challenge needs to be achieved within the context of low-interest rates, increasing regulatory burdens and a highly

competitive business environment with sophisticated, technology embracing consumer. Besides an intimate awareness of consumer needs, this necessitates a commitment to investing in modern technology so that customers may be met and served in their preferred modes of carrying on business or engaging with life insurance providers.

In addition to updating product and service offerings—to include retirement, endowment and savings schemes—today's life insurers have to refine their distribution models. Another key component of a changing life insurance industry is the need to re-tool and empower the insurance workforce and agent networks. The only way to retain our market leadership position is to learn how to effectively manage these multiple challenges at once.

Success in this industry, as in many other industries too, requires contextual ambidexterity. That is, being able to manage current business operations and revenues with excellence while also paying equal attention to growing future revenue streams and new business prospects. Ceylinco Life has mastered the balancing of these dual responsibilities and that places us ahead of many in Sri Lankan life insurance.

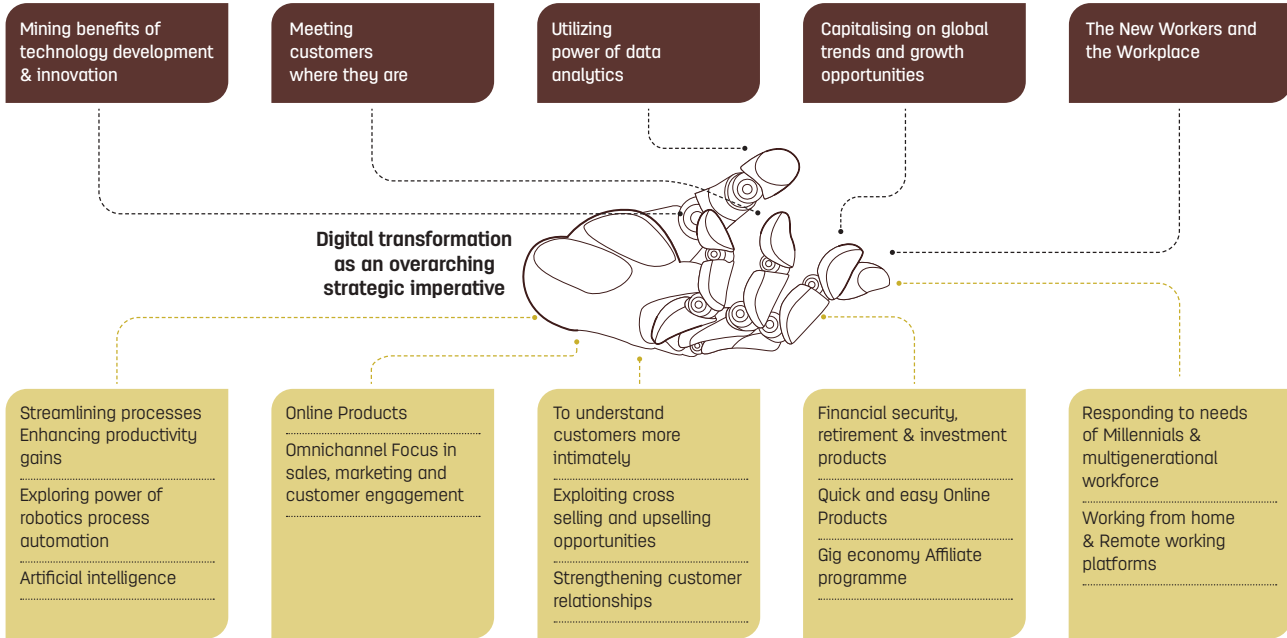
Responding to a Dynamic Environment

Strategies in Action

We know what we need to do to be the winners of the next decade. These are clearly set out in Global Megatrends and the The biggest challenge for life insurers across the globe is on optimizing capital to ensure sustainable growth in a challenging business environment. How exactly we have balanced the capital inputs to achieve strategic outcomes are described in detail under the writeups on our strategic imperatives.

This diagram sums up our strategies in action and the key strategic areas and the respective operational areas that fall under them.

Ceylinco Life - Strategies in Action



How do we serve our customers better?

To answer that question, we are using an all-of-the-above approach.

We have presented digital transformation as an overarching strategic imperative because its influence encompasses all of our other strategic action. Beyond that, mining the benefits of technology and innovation, meeting our customers where they are, utilizing the power of data analytics, capitalising on global trends and growth opportunities and preparing our gradually transforming workforce for the future are key focus areas. All of our strategic imperatives (as outlined in separate sections elsewhere in this report), and key areas of focus have one common thread running across most of them: customer centricity. The one apparent exception is catering to the needs of our human talent. Ultimately, serving the needs of our workforce, both employees and sales agents, again results in better customer service. That is, it leads back to customer centricity as well.

Strengthening relationships is a strategic imperative for Ceylinco Life. How we do so,

and strive for excellence in customer service are explained in detail under the discussion on strategic imperatives. In the following paragraphs, we discuss two key thrusts:

- Meeting the demand for new products and services
- The role digital transformation plays in the overall scheme of things

And while we explain our strategic endeavours above, we will also explain how the COVID-19 pandemic shortened our time lines on previously planned strategic actions in both of the above.

Demand for New Products and Services

Converging trends lead to business opportunities. The convergence of demographic, urbanization and technology trends create enhanced opportunities for long term insurance. As demonstrated in Global Megatrends, demand for insurance products are heightened by the obvious impacts of global warming, such as new diseases and pandemics, adverse weather events and the resulting overall uncertainty.

People turn to trusted sources in seeking to boost their financial wellbeing. In other words, Derisking the future is, and continue to be very much in demand.

We see immense scope in the following categories and are indeed offering new products catering to this demand.

For the benefit of the elderly:

- Demand for elderly care, medical care, comprehensive coverage, retirement planning

For the benefit of middle aged:

- Increasing demand for investment and retirement plans to sustain a longer retirement
- Long term coverage for medical and life insurance

For the benefit of youth:

- Sandwiched parents seeking to assure educational plans for their offspring
- Investment plans
- Endowment plans
- Demand for Life covers with medical riders (for parents) to relieve pressure on youth and young adults.

During 2020, as Sri Lanka was experiencing the COVID-19 pandemic induced lockdowns and resulting heightened anxiety levels, we introduced new online products, becoming the only life insurer in Sri Lanka to do so. They are available 24/7 and 365 days of the year. They are easy to access, understand and purchase through the website and come with an easy pay option.

All these are hybrids of our existing pure life products, retirement accounts and limited term endowment or investment accounts. Consumers can obtain a quotation on the spot and progress to registration upon answering a few basic questions on personal health and lifestyle habits. Payment for these can be affected immediately, safely and securely. Once transactions are complete, customers can view their plans through the Online Customer Portal.

Products Adapted into Online in 2020

Online Life Insurance Plans –

Comprehensive life plans with an optional accidental death benefit as well as a critical illness option covering 36 critical illnesses, similar to the standard Critical Illness Cover that we have offered to our policyholders previously. The life plan comes with a savings option for those who wish to generate a return throughout the cover period. The savings made would accumulate at a rate higher than the standard savings rate and competitive with most Fixed Deposit rates offered by banks.

Online Retirement Plans – These can be purchased without a life cover. It is easy to understand and the process can be completed within a mere ten minutes.

Online Endowment Plans

This is a 2 year plan that provides a life cover and an attractive maturity benefit. The plan can be seamlessly purchased via our website in a secured manner. The plan is very simple and easy to understand and the maturity benefit is guaranteed.

Accelerating the Pace of Digital Transformation

Research on global insurance companies show that, in terms of our digital transformation, Ceylinco Life is in sync with the evolving trends in the global insurance landscape. This trajectory helped us significantly in our ability to carry on business operations during the pandemic and resulting business disruptions as well as adhering to social distancing requirements.

In the section on Strengthening Relationships, we have discussed in detail the changes we made to enable us carry on with operations, provide an uninterrupted level of customer services and serve existing customers and meet the needs of new customers. We have also discussed how we adapted our relationships with our branches and the network of sales agents, empowering them with online access and the digital infrastructure and support to continue carrying out their duties even amidst the pandemic.

Our employees too were empowered with the ability to WFH and the technological support they needed to perform their responsibilities. These details are covered in the section on Investing in Human Talent, as part of the Human capital developments during 2020. We have also discussed about our significant and dedicated investments in money, time and effort on training and development of our human capital—our staff and sales agents—that enabled us to perform achieving an unexpected level of efficiency during the pandemic.

The infrastructure support and investments made on information and communication infrastructure, software and hardware are discussed in the section on Technology Development.

It was the relatively seamless orchestration of all these capitals that enabled us to perform well, and better than reasonably expected during the challenging year of 2020. The one big change we had to make, was to accelerate the pace of planned

digital transformation. Looking back, we can proudly say that, in terms of technology advancement, the COVID-19 pandemic took us forward by a few years.

The experience of taking all our operations digital within a short period strengthened us. It took us to a more competitive position. It has given us the confidence and assurance that we, as a team, are able to take on such challenges as those posed by COVID-19 and are able to rise to the occasion. We know that we have the capacity to sustain heightened degrees of change and transformation than we ever thought was possible.

This proves true the saying that opportunities are born during crises. Ceylinco Life managed to face the crises of COVID-19 admirably and became stronger in the process. Today, we are better placed than ever before to meet the challenges of the future and also to exploit the many opportunities that shift the world of life insurance and retirement put in our way.

Smart, Prudent Investing & Market Leadership

Our strategic goals are to maximize topline—Gross Written Premium and Investment Income—whilst rationalizing expenditure thereby increasing the wealth of policyholders and shareholders. We have established a number of KPIs to ensure that our operations are laser focused on delivering leading performance levels.

● Achieved ● Partially achieved ● Not Achieved

KPI	Target for 2020	Achievement	Status	Target for 2021
Gross Written Premium (GWP) Rs. Bn	20.5	22	●	25
Profit Before Tax Rs. Bn	8.5	8.77	●	9
Capital Adequacy Ratio (CAR) Internal - 200% Regulatory - 120%	Continue to meet the minimum CAR	CAR 424% at end of 2020	●	Continue to meet the minimum CAR
Growth in Life Fund	Grow Life Fund by 10%	10.9%	●	Grow Life Fund by 10%

Capitalising on Market Opportunities

In 2021 and beyond, we will leverage our strengths including market leadership to:

- Expand our product portfolio in the retirement insurance segment
- Use our strong branch network to further penetrate the relatively untapped insurance market in Sri Lanka
- Use our financial strength by investing in the development of online and mobile business opportunities such as underwriting.

Countering Threats and Overcoming Weaknesses

- Deploying financial resources productively towards improving regulatory compliance, especially in readiness for IFRS 17 implementation is a key project for the next two years.

Strengthening Relationships with Policyholders

Maintaining market leadership also means offering a superior level of customer service and taking measures to strengthen our bonds with our current policyholders. Retaining customers over the long term is another effective way of protecting our market leadership position. We will also use inhouse expertise and data analytics to differentiate our products from the competition and providing more choice and better value to consumers.

KPI	Target for 2020	Achievement	Status	Target for 2021
Average length of relationships with policyholders	10-15 years	Maintained at 10-15 years	●	10-15 years
Customer complaints as a percentage of active policies	Maintain below 2%	0.13%	●	Maintain below 2%
Net benefits and claims paid Rs. Bn	11.6	12.5	●	15.5

Investing in People

Our team holds the key to sales and marketing success. Finding new customers and retaining existing customers year after year is a challenging proposition in the highly competitive life insurance sector in Sri Lanka. We are committed to invest in our people, both our staff and sales agents. How we do so are explained under the Investing in Human Capital section and Strengthening Relationships with Sales Agents sections of this report.

Investing in Staff

KPI	Target for 2020	Achievement	Status	Target for 2021
Employee training budget	Rs. 12 Mn for local training	Rs. 8 Mn spent		Rs. 12 Mn
	Rs. 6 Mn for foreign training			Rs. 6 Mn
Employee turnover ratio	Maintain below 12%	8.7%		Maintain below 12%
Average employee service period	12 years	13 years and 8 months		12 years

To be the most sought-after employer in the life insurance industry is a strategic HR goal. In terms of employer branding, we wish to be a great place to work for in Sri Lanka. How we fare on this front will be measured annually by a reputed external and independent organisation specializing in this area.

We also plan to work on the following areas during 2021:

- Use of artificial intelligence (AI) to enhance customer experience, in our end-to-end processes coupled with a human touch. This means empowering our employees to work with technology to provide a superior customer experience.
- We are working on eliminating all repetitive process through robotic process automation (RPA).
- Use of technology for training – This means enabling self-paced learning using digital devices (for both sales force and staff)

Investing in Sales Agents

Further empowering the Ceylinco Life Sales Team as a professionally qualified team and empowering them with digital devices, the infrastructure support and training are key focus areas for 2021. Digitalization is particularly important for minimizing face-to-face contact with customers and prospects as long as the pandemic lasts with a view to minimizing health risks. It is also important to cater to the growing numbers of Sri Lankan consumers who seek to be served online via digital channels. Details of our efforts on this front have been detailed under the section on Strengthening Relationships with Sales Agents.

As retention has been recognised as a weakness—prevalent across the insurance sector—we will strive to improve retention rates of sales agents through finetuning our mix of financial and non-financial rewards and creating an appropriate working environment to improve productivity and standard of living.

KPI	Target for 2020	Achievement	Status	Target for 2021
Investment in training and development Rs. Mn	70	53		60
Number of agents using IT devices	50%	60%		65%

Championing Environmental Sustainability and Relationships

Modern consumers are increasingly conscious about the behaviour of the businesses they work with. In recognizing this reality, Ceylinco Life chooses and works on environmentally and socially sustainable corporate social responsibility projects. We are also committed to filling a vacuum where we see the need for services that we can deliver to communities across the nation. In doing so, we are well aware that our brand equity and business reputation grows, making us a more desirable company for new and prospective customers.

Green initiatives also make commercial sense, enabling us become more financially sustainable.

KPI	Target for 2020	Achievement	Status	Target for 2021
Reduction in fuel consumption	Reduce by 5%	Reduced by 3.2%	●	Reduce by 5%
'Waidya Hamuwa' programs	Conduct 12 programs	These programs could not be conducted due to COVID-19 restrictions	●	Conduct 12 programs
Class room development projects	Conduct 5 projects	2 projects were conducted	●	Conduct 5 projects
Reduction in electricity consumption	Reduce by 10%	Decreased by 10%	●	Reduce by 10%

Leveraging Technology for Growth

As we are committed to leveraging technology for growth, we have invested in new IT systems. This drives efficiency and productivity of operations. We also ensure continued reliability of IT systems through proactive maintenance and upgrades. Since we have a wealth of customer information, ensuring data security and privacy takes immense importance and we invest in data security measures as well.

KPI	Target for 2020	Achievement	Status	Target for 2021
New IT systems initiated	Implementation of a comprehensive document management system	System requirements have been evaluated and currently implementation in progress	●	<ul style="list-style-type: none"> Develop new Group Life System Develop a new Policy schedule printing system

Ensuring Economic Sustainability

A critical success factor for an insurance company is its ability to remain financially stable over a long period. At Ceylinco Life we are committed to reaping the benefits of smart and prudent investments to ensure we are able to invest in growth initiatives, including providing access to the latest in technology for our staff and sales agents. We are also committed to offering best-in-class services to our policyholders, leveraging technology to do so.

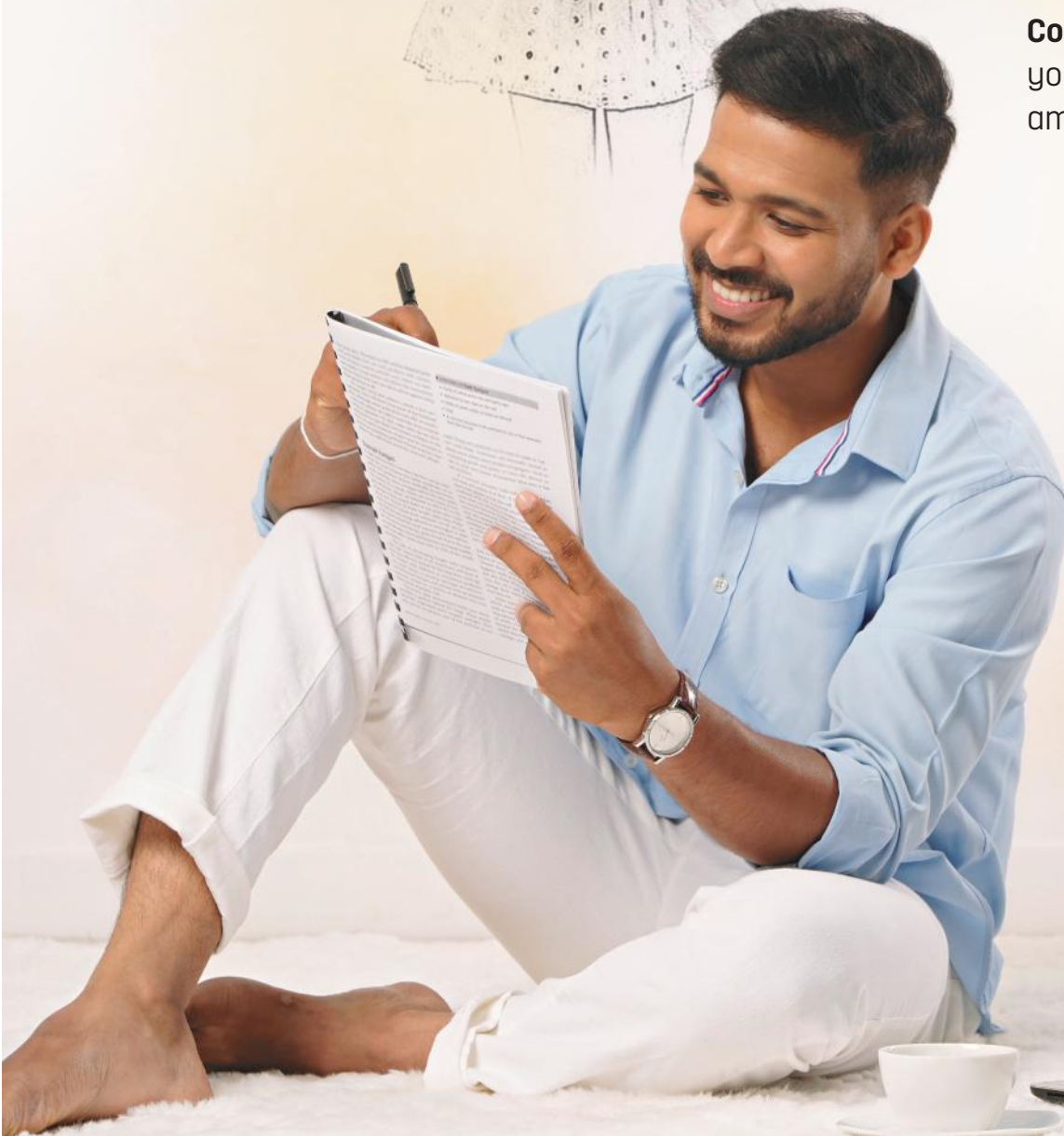
KPI	Target for 2020	Achievement	Status	Target for 2021
Investment and other income Rs. Bn	10.9	14.9	●	13.8
Investment portfolio growth	10%	12.7%	●	10%



De risk ing

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INTEGRATED STAKEHOLDER ENGAGEMENT

Insights from our stakeholders

We engage with a diverse spread of stakeholders who continuously challenge and inspire us to respond to their varying needs. Hence, we strive to continuously address and listen to their needs in a proactive manner through our business operations. It is only through such engagement mechanisms that we are able to create and deliver value to our stakeholders in the short, medium and long term.

Through a comprehensive and robust stakeholder management process, we initiate dialogues with our key stakeholders to address their expectations and needs whilst addressing the distribution of value created. We always consider the expectations and concerns of our key stakeholder groups which are identified through stakeholder feedback obtained through dialogue, collaboration and cooperation whilst considering the environmental, social and governance risks and opportunities across our business. This mechanism provides us the opportunity to be attuned with the future needs and expectations of our stakeholders by

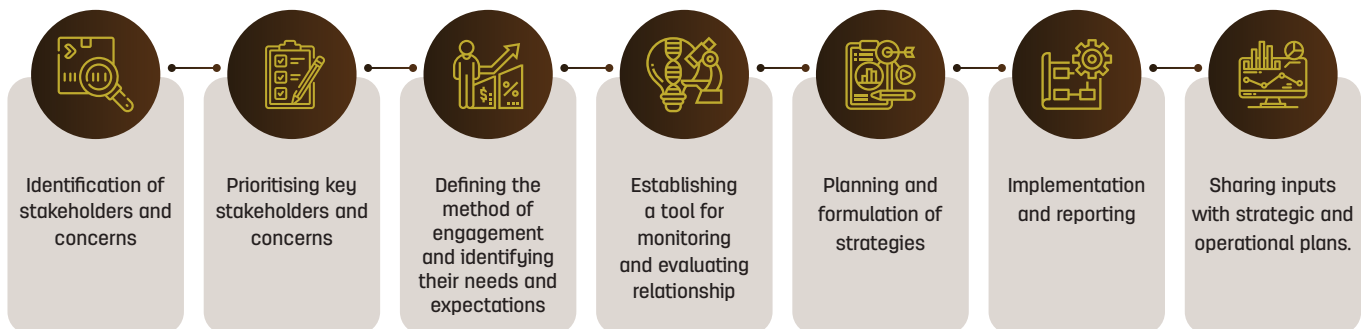
refining our business model and strategic planning processes based on feedback we have gathered from our stakeholders. This approach allows us to identify topics that have a direct or indirect impact on our ability to create, preserve or erode economic, environmental, and social value – not only for ourselves, but also for our stakeholders. Feedback from our stakeholders helps us to devise our strategies with a clear commitment to deliver sustainable value to our stakeholders, expand our offering, and initiate programmes and services to better serve our stakeholders.

Our Integrated Stakeholder Management Process

We firmly believe that stakeholder engagement enhances the value of our brand and contributes to strengthening our social and relationship capital, our stature as a preferred employer whilst strengthening our positioning as the market leader in the life insurance sector.

Our integrated stakeholder management process has been developed to achieve the goals of:

- Developing and maintaining positive and productive relationships.
- Keeping our key stakeholders informed of the activities of the Company and providing relevant information and access through appropriate modes of communication and engagement.
- Identifying key stakeholder concerns in order to identify material issues that will impact the long-term ability of the Company to create sustainable value or impact the decision processes of our stakeholders.
- Implementing projects and programmes that address the concerns of the stakeholders.
- Monitoring our performance on parameters valued by the stakeholders so that we can continuously work on creating and delivering value to our stakeholders.

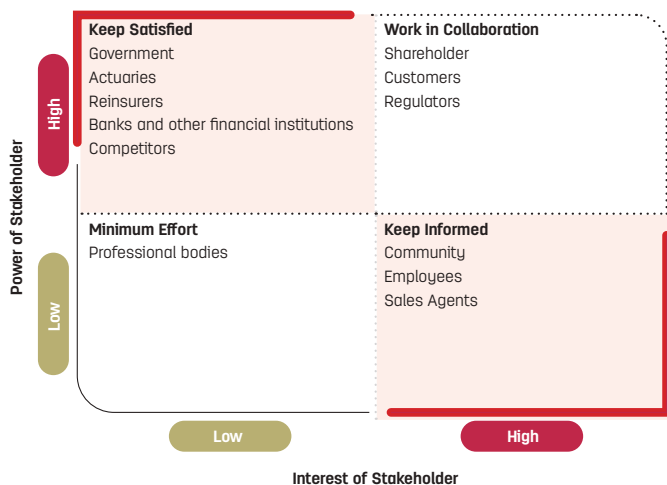


Stakeholders as individuals or a group are significantly impacted by the actions, products and services of Ceylinc Life. In turn their perceptions and actions can have a strong effect on our ability to conduct our activities and meet our strategic goals. We have identified the following key stakeholder groups who influence our operations either directly or indirectly.

We strive to continuously build and maintain cordial relationships with,

- Shareholder and investors
- Customers
- Employees
- Business partners
- Independent Sales Agents
- Regulators and government institutions (consisting of Actuaries, Reinsurers, Insurance Regulatory Commission of Sri Lanka (IRCSL), Sri Lanka Accounting Standards Monitoring Board (SLASMB))
- Community and environment

We assess our stakeholders based on their attributes (i.e. formal or informal) and then prioritise our stakeholders based on the level of power they exercise and level of interest.



SHAREHOLDER

As the sole shareholder, Ceylinco Insurance PLC expects Ceylinco Life to deliver long term sustainable returns.




Engagement Methodology	Frequency of Engagement	Strategic Response
AGM and Annual Report	Annually	The Company held its sixth AGM on 16 June 2020.
Quarterly Interim Financial Statements	Quarterly	Timely publication of Interim Financial Statements which are accessible to the shareholder and other interested stakeholders.
Corporate Website	Continuous	The corporate website is updated with the latest information regularly.

Priorities	Our Response	Impact on Capitals
Sustainable financial return and growth Attractive dividends Sound balance sheet Resilient performance to deliver against strategy	Generating sustainable financial returns (while complying with environmental sustainability), through growth in revenue, management of risk within acceptable risk appetite limits, prudent management of expenses and optimising the cost base	

CUSTOMERS




Engagement Methodology	Frequency of Engagement	Strategic Response
Complaints, inquiries, and requests received from customers	Ongoing	A 24-hour customer hotline/ website to provide information and customer service points of all branches.
Sales force feedback	Ongoing	Establishing the widest branch network and increasing interactions with sales team and customers.
Customer surveys	As required	Conduct regular customer satisfaction surveys and take corrective action promptly when necessary.
Inquiries/complaints received through the Call Centre	Ongoing	An easily accessible hotline to provide information and monitor service levels.

Priorities	Our Response	Impact on Capitals
Service standards	Launching efficient channels and providing personalised and comprehensive financial solutions by understanding the needs of our customers. Equipping and empowering our people to deliver an exceptional customer experience every time Increasing digitisation and innovation with a focus of safety	 FINANCIAL CAPITAL MANUFACTURED CAPITAL SOCIAL & RELATIONSHIP CAPITAL INTELLECTUAL CAPITAL HUMAN CAPITAL
Policy bonuses/delivery of claims,		
Maturity payments/ timely policy payments		
Financial stability of the insurer		



EMPLOYEES


Engagement Methodology	Frequency of Engagement	Strategic Response
Succession planning	Annually and as required	Introduce a career progression path and develop special projects. Leadership training to second tier of managers.
Share information and Company performance	New year message, year-end reviews, mid-year conferences, monthly messages	Through planned and scheduled meetings, Company intranet and other communication channels.
Departmental forums with the CEO	Quarterly	Forums within departments to obtain employee ideas and suggestions.
Celebrate financial and other achievements and milestones	As required	Recognizing high performers through annual awards and promotions.
Open-door policy	Ongoing	Accessible communication channels.
Training and development activities	As required	Planned through the annual training calendar.
Encouraging work-life balance	Daily	Through initiatives introduced by the Company.
Show respect	Embedded as a core value in the corporate culture	Encourage all to practice the corporate values.
Encourage volunteering	Company events and other official functions	Creating opportunities and allocation of opportunities based on competencies.

Priorities	Our Response	Impact on Capitals
Fair remuneration, effective performance management, and recognition.	Offering attractive remunerations and rewards. Developing an agile workforce to be relevant in rapidly changing environment Creating an inspiring and engaging work environment	 HUMAN CAPITAL SOCIAL & RELATIONSHIP CAPITAL FINANCIAL CAPITAL INTELLECTUAL CAPITAL
Career development and advancement opportunities.		
Employment at a company with a strong brand.		
Promotions and career advancement		
Job security		
A safe and healthy workplace		



SUPPLIERS & OTHER BUSINESS PARTNERS


Engagement Methodology	Frequency of Engagement	Strategic Response
Meeting with suppliers/ visits to suppliers	Ongoing / as needed	Supplier evaluation mechanism.

Priorities	Our Response	Impact on Capitals
Fulfilling contractual obligations with timely settlement of invoices	Maintaining healthy, mutually beneficial relationships with suppliers and service providers	 FINANCIAL CAPITAL SOCIAL & RELATIONSHIP CAPITAL
Building long term relationships for mutual growth	Initiating and maintaining healthy relationships Procurement from local suppliers	
Transparent procurement procedures		



INDEPENDENT SALES AGENTS


Engagement Methodology	Frequency of Engagement	Strategic Response
Annual and mid-year awards ceremonies	Annually	Motivate by recognizing and rewarding outstanding performance through awards, cash rewards, foreign tours and publicity on achievements.
Sports Meet	Annually	Reward best performers and give recognition in the Company newsletters.
Grievance handling	Ongoing	Discussions with immediate supervisors. Dedicated sales support centre. Frequent visits by senior management to branches and divisions.

Priorities	Our Response	Impact on Capitals
Healthy and sustainable commission structure	Developing a sales culture which promotes sales agents to thrive in a competitive and rewarding environment. Developing products that are accepted and well received in the market.	 FINANCIAL CAPITAL SOCIAL & RELATIONSHIP CAPITAL INTELLECTUAL CAPITAL
Motivation to achieve		
Intrinsic satisfaction for the profession		
Accepted and competitive products		



ACTUARIES


Engagement Methodology	Frequency of Engagement	Strategic Response
Year-end actuarial valuation of the long-term insurance business	Annually	Timely supply of information and data to support valuation.

Priorities	Our Response	Impact on Capitals
Data for the actuarial valuation	Timely supply of data to support valuation and timely payment of invoices	 FINANCIAL CAPITAL SOCIAL & RELATIONSHIP CAPITAL
Timely payment of actuarial fees		



REINSURERS


Engagement Methodology	Frequency of Engagement	Strategic Response
Long-term treaty	Ongoing basis	Actively maintaining business relationships. Honour contractual obligations including timely payment of reinsurance premium.
Formal interactions with reinsurance partners	Ongoing basis	Implement international underwriting and claims management processes with technical guidelines.
On site visits and meetings	As required	Support product development and knowledge sharing.

Priorities	Our Response	Impact on Capitals
Timely payment of reinsurance premium	Timely supply of reinsurance data for review and timely settlement of invoices	 FINANCIAL CAPITAL SOCIAL & RELATIONSHIP CAPITAL

INDUSTRY ASSOCIATIONS




Engagement Methodology	Frequency of Engagement	Strategic Response
Participation for industry forums and meetings	As required	Participate in joint industry efforts such as Life Insurance Awareness Month

Priorities	Our Response	Impact on Capitals
Participation in industry-related seminars, forums and conferences	Participate in joint industry efforts such as Life Insurance Awareness Month for the betterment of the industry	 SOCIAL & RELATIONSHIP CAPITAL INTELLECTUAL CAPITAL
Contribution towards industry development		

REGULATOR: INSURANCE REGULATORY COMMISSION OF SRI LANKA (IRCSL)




Engagement Methodology	Frequency of Engagement	Strategic Response
Submission of statutory returns	Quarterly and annually as stipulated	Timely submission of all statutory returns. Prompt response to clarifications raised by the IRCSL.
Submission of other documents	Ongoing	Submission of other documents (e.g. product details, new advertisements etc.) as stipulated by the IRCSL.
Industrial forums, meetings and discussions	As and when required	Active participation in industrial forums, meetings and discussions organized by the IRCSL.

Priorities	Our Response	Impact on Capitals
Financial prudence and stability of the industry	Ensure compliance with all applicable Directions, Circulars, Determinations issued by the IRCSL	
Compliance with laws and regulations		
Business ethics	Conduct of business in the best interest of policyholders	
Innovation		

REGULATOR: DEPARTMENT OF INLAND REVENUE



Engagement Methodology	Frequency of Engagement	Strategic Response
Submission of tax returns and payment of taxes	Quarterly and annually	Timely payment of all applicable taxes and timely submission of tax returns.
Meetings and discussions with the Department of Inland Revenue	As and when required	Participation at meetings and responding to queries raised.

Priorities	Our Response	Impact on Capitals
Payment of taxes	Complying with rules and regulations on applicable taxes	
Compliance with laws and regulations	Providing timely and detailed regulatory updates and disclosures.	
Business ethics	Managing our business operations in an environmentally and socially responsible manner	

COMMUNITY AND ENVIRONMENT



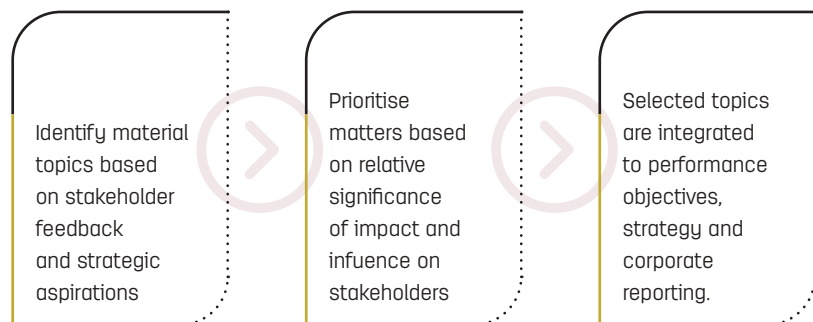
Engagement Methodology	Frequency of Engagement	Strategic Response
CSR projects	Ongoing basis	Identify deserving beneficiaries and assisting through the CSR programmes organized by the Company.
Sustainability initiatives	Ongoing basis	The "Go Green" initiative by the Company. Setting up green branches, installed solar power in the Head Office and launching environmentally friendly initiatives in branches.

Priorities	Our Response	Impact on Capitals
Identifying groups who need assistance in the areas of healthcare and education	Transforming economy and society positively through supporting Sustainable Development Goals (SDGs)	
Minimising adverse environmental impacts, optimal use non-renewable natural resources		
Playing a major role in society with social, economic, and environmental concerns.	Making a difference through our community engagement projects	
Creating stable and permanent jobs contributing to societal development and improvement in the standard of living.	Investing in Sri Lanka's medical infrastructure	
Making a difference through our community engagement projects.	Contributing to improve quality of peoples' lives through infrastructure development and provision of employment opportunities	
Investing in Sri Lanka's infrastructure particularly in the health sector to contribute to the quality of peoples' lives through infrastructure development.	Managing operations in a responsible way and minimising environmental impact	
Responsible consumption Reducing the environmental footprint using resources efficiently		

MATERIALITY MATTERS

Identifying issues that impact value creation

We constantly engage in open and detailed discussions with all stakeholder groups to understand their material issues, concerns and expectations. The identified issues are then classified based on their degree of importance to stakeholders and their ability to impact value creation. This enables us to derive insights, which are fed into our strategy planning process to define our strategic objectives. We periodically review these issues, identify their potential impact on our short-term and long-term goals and take corrective action, if required.



The process we use to determine what material matters are, aligned with the approach to materiality recommended by the Global Reporting Initiative (GRI) Sustainability Reporting Standards. We also consult the guidance provided in the International Integrated Reporting Council's (IIRC) Integrated Reporting Framework in this respect.

In the following table (page 43-47) we have listed material issues together with an explanation of why they matter and our strategic response to deal with those issues. While many of these have been highlighted as stakeholder concerns, we have also included in this assessment relevant issues stemming from global and regional trends that can significantly affect our business model, ability to effectively compete and ultimately, our survival.

Material issues are those that may significantly enable us to create and deliver value to our stakeholders in the short, medium and long-term. These are also issues that can exert considerable influence on the decisions made by our stakeholders. As responsible stewards, we owe it to our stakeholders to periodically assess both our internal aspects and the external business environment, and their interaction in order to identify and deal effectively with material issues. Accordingly, we arrive at a materiality matrix and rate the issues on their criticality. This matrix has been formed based on the issues that are important to our stakeholders and our organisation

Materiality Matrix While all issues highlighted during a materiality assessment are important, some are more critical than others. The Materiality Matrix enables us to distinguish the most critical among them—identified as those having a high level of impact on both the Company and our stakeholders. The diagram below plots the impact of each material aspect by their relative impact on stakeholders against their impact on the Company.

Key Changes to Material Topics

- Combined the following shareholder related material topics into one material topic:
 - Healthy financial returns and timely dividends,
 - Employee related material topics as one main material topic.
 - Accurate and timely financial information and disclosures and company news and updates.
 - Good Stewardship
- Included Strategic Concerns/ Company Leadership Team as a key stakeholder group which focuses on brand leadership, innovation and institutional knowledge into one topic.

Importance to Company	High		4, 12	1, 2, 5, 6, 7, 8, 9, 10, 11, 16, 17, 18
	Medium		3, 13, 14, 15	
	Low			
		Low	Medium	High

Importance to Stakeholders

Stakeholders	Key Concerns	Why this is a material topic	Our Strategic Response	Impact on Company High / Medium / Low	Impact on Stakeholder High/ medium / Low
Shareholder <i>GRI 201 Reporting Boundary - Internal and External</i>	1. Healthy financial returns Timely dividends Accurate and timely financial information and disclosures Company news and updates Good Stewardship	A primary concern that determines whether to continue investing with the Company. Investor decisions are based on financial information and relevant disclosures. Updates on matters of importance are an integral part of good stakeholder management. Investors expect Consistent Returns, Good environmental, social and corporate governance to enhance our brand value.	Ensuring healthy returns and the ability to deliver sustainable growth are the focus of the strategic imperatives we operate by. We prepare and deliver the Annual Report, interim financial reports and other relevant information on a timely manner. The Stakeholder Engagement section on page 36 details how we share this information. Ceylinco Life has consistently delivered on this expectation. Our commitment to being a good steward extends beyond satisfying the needs of shareholders and investors.	High	High
Customers/Policy holders <i>GRI 205 (Anti-corruption) GRI 417 (Marketing & Labeling) GRI 418 (Customer Privacy) GRI 206 (Anticompetitive Behavior) Boundary - External</i>	2. Trust/Reliability/ Financial stability of the insurer. Service standards and customer satisfaction and timely payment of claims The information provided by the customers are maintained with strict confidentiality. Products that suit customer needs Easy access to policy information	Key to customer retention and acquisition of new customers. Adds to brand value and sustainable business growth.	Ceylinco Life is committed to ensure that we always honour the trust our policyholders have place on us. We avoid unnecessary risk exposure to our financial stability through prudent and efficient financial strategies We abide by strict policies and data security laws to maintain customer privacy	High	High
	3. Omnichannel marketing and engagement. Meeting customers where they are.	Consumers are moving away from traditional channels and expect online policy information and ability to instantly purchase policies.	We have launched a number of online products during 2020 to cater to these consumer needs and expectations.	Medium	Medium

Stakeholders	Key Concerns	Why this is a material topic	Our Strategic Response	Impact on Company High / Medium / Low	Impact on Stakeholder High/ medium / Low
	4. Use of the latest technology and ease of doing business.	Consumers expect to be served via the latest technology. Cutting edge technology use is also becoming a critical success factor given the competitive nature of our industry.	Technology development is a strategic imperative for Ceylinco Life. Each year, we set aside substantial funds for innovation and technology development.	High	Medium
Strategic Concerns/ Company Leadership Team No GRI relevance Reporting Boundary - Internal and External	5. Brand leadership and innovation	Preserving and developing the value of our brand is crucial to growth and success. Our brand enhances our credibility and the attractiveness of our product offerings. Improved brand equity directly correlates to our ability to increase market share as well as to customer loyalty. Investing in product and process innovations boost our growth potential and improves the bottom-line. A reputation for innovation enhances brand equity and is an attractive proposition for younger consumers.	In addition to proactive brand stewardship and development activities, we engage in regular brand tracking to ensure Ceylinco Life retains its top-tier ranking in the market. Strengthening institutional knowledge is a key element of our strategic imperative. We strive to enrich and preserve our institutional knowledge and use it as a lever for excellence in operations and customer service, through continuous and ongoing efforts to build capacity of our people, systems and processes. We are committed to innovation and constantly seek opportunities for innovation across our business. We are committed to investing in innovative products, services, technologies and channels to build trust and improve customer satisfaction. Innovative training and rewards schemes increase employee motivation and productivity. Innovative systems and processes enhance overall productivity, cut costs and to minimize our carbon footprint. Innovative investment and risk management strategies enhance profitability and shareholder wealth and benefit all our stakeholders.	High	High

Stakeholders	Key Concerns	Why this is a material topic	Our Strategic Response	Impact on Company High / Medium / Low	Impact on Stakeholder High/ medium / Low
	6. Institutional knowledge	Institutional knowledge provides a strong foundation for our success. Safeguarding and building on institutional knowledge cultivated over the years enables us to retain and enhance our industry leadership position.	Strengthen our institutional knowledge with ongoing efforts to build capacity of our people, systems and procedures.	High	High
	7. Leveraging and building upon our distribution network	Today, omnichannel distribution and customer engagement has become a key competitive factor, especially since COVID-19 pandemic. Channel innovation helps expand market share and increase overall penetration to regions and market segments (such as millennials) that remain relatively untapped.	We aim to maximize our island-wide outreach by expanding branch access and with digital distribution models.	High	High
Business Partners – Sales Agent Reporting Boundary - Internal and External	8. Healthy commissions and benefits Recognition and rewards Job satisfaction	Job satisfaction of the agency force directly translates to policyholder satisfaction. A satisfied workforce enhances our prospects of market growth and penetration, by reaching out to new policyholders and offering great service and exploring cross selling with existing policyholders.	While complying with on commission structure regulations, we offer additional benefits to eligible agents so they are motivated to create and deliver further value to the Company. We award and recognise our high performers on an equitable basis. We see this as an essential investment to improve overall quality and motivation of our agents.	High	High
Business Partners – Actuaries	9. Data for actuarial valuations. Timely payment of actuarial fees	Timely and accurate data is vital to ensure accuracy of the valuations. We also ensure that timely payments are made to maintain good relationships with actuaries.	Clear deadlines are set up to ensure that data is provided on time to the actuary. Checks and balances are in place to ensure the accuracy of the data provided. We ensure timely payments of actuaries as per agreed terms.	High	High
	10 Product pricing	Premium is decided based on pricing. We must avoid improper pricing as it could result in underwriting losses.	All pricing models are subject to detailed actuarial analysis. Details on pricing of products are also a focus of the regulators.	High	High
	11. Regulatory reporting, Risk Based Capital (RBC)	RBC computations and reporting enable the company to ensure compliance with the reporting requirements. This also conveys the adequacy of the capital levels maintained by the company, measured against various risks. Advice of actuary is taken as and when required.	We have an internal RBC reporting team who work according to an agreed timeline to ensure that reporting is completed within due dates.	High	High

Stakeholders	Key Concerns	Why this is a material topic	Our Strategic Response	Impact on Company High / Medium / Low	Impact on Stakeholder High/ medium / Low
Business Partners – Reinsurers Reporting Boundary - External	12. Timely payment of reinsurance premium	Timely payment improves our relationship with reinsurers and enhances our corporate image.	An internal team coordinates with reinsurers and settle their invoices on agreed payment terms.	High	Medium
	13. Business growth potential	Ceylinco Life is an attractive business partner as we are one of the largest life insurers in Sri Lanka, a country with a vast untapped life insurance market.	We obtain reinsurance treaty covers from the world's top reinsurers. Our market leadership and growth prospects are a valued criterion for ongoing relationships.	Medium	Medium
Suppliers and Service Providers GRI 204 - (Supply Chain Management) Reporting Boundary - External	14. Transparent procurement procedure with timely streamlined processes	Timely settlement improves supplier relationships and enhances our corporate image. Transparency of procurement practices improves our corporate image and our ethical stance, an advantage with suppliers.	An internal team coordinates with suppliers and settle their invoices according to agreed payment terms. We are sought after business partners. All key suppliers are approved through a transparent process and established screening procedures.	Medium	Medium
	15. Growth potential	Our business growth creates opportunities for our suppliers for mutual benefit.	Our supplier network is a strength to us as they are our partners in progress.	Medium	Medium
Employees GRI 202 (Market Presence) GRI 401 (Employment) GRI 402 (Labour Management Relations) GRI 403 (Occupational Health and Safety) GRI 404 (Training and Education) GRI 405 (Diversity and Equal Opportunity) GRI 406 (Non-discrimination) GRI 408 (Child Labor) GRI 409 (Forced or Compulsory Labor) Reporting Boundary - Internal	16. Providing competitive remuneration and benefits to employees with career advancement and training and development opportunities. Ensuring the wellbeing of employees and providing a employee experience.	Employees are a strategic asset and offer a distinctive competence viz a viz competitors of the Company. We offer a competitive package Employment and retention are critical success factors in the industry. Employee safety is a pivotal area of focus in 2020. During 2020 with the pandemic, considerable emphasis was placed on ensuring the safety of the employees by adopting safety protocols and precautions to safeguard our employees from the virus and to ensure COVID free workplace. A significant investment was made in the Head Office and branch network.	Investing in human capital is a strategic imperative for Ceylinco Life. We offer a competitive total rewards package that combines intrinsic and extrinsic rewards to our employees. This is part of our strong employer branding. A significant investment was made in making our workplaces safe and free from the virus. We also ensured flexible Work from Home arrangements to ensure the safety of our employees while delivering a seamless service.	High	High

Stakeholders	Key Concerns	Why this is a material topic	Our Strategic Response	Impact on Company High / Medium / Low	Impact on Stakeholder High/medium / Low
<p>Community at large <i>GRI 203 (Indirect Economic Impacts)</i> <i>GRI 301 (Material), GRI 302: (Energy), GRI 303 (Water), GRI 305 (Emissions), GRI 306: (Effluents and Waste), GRI 307 : (Environmental Compliance), GRI 413 (Local Communities)</i> <i>Reporting Boundary - External</i></p>	<p>17. Creation of employment opportunities Investments in community infrastructure (health and education facilities) Ethical business conduct Eco-friendly business conduct</p>	<p>We recruit individuals from within the localities for operations of our branches. Initiative by the Company aims to set up green branches and promote environmentally friendly initiatives at branch level. We are committed to increasing our green branch network and promoting green business practices. More information is provided in the section on Environmental Sustainability on page 91.</p>	<p>Our CSR efforts revolve around identifying groups who need assistance in the areas of healthcare and education and meeting those needs. We also identify deserving beneficiaries and assist them through other CSR activities. We strive to eliminate social inequalities across the country by investing in infrastructure and social services, with a special focus on enhancing educational and health facilities in underserved communities. The ongoing "Go Green" initiatives and our commitment to measure our carbon footprint reinforce our commitment towards environmental sustainability.</p>	<p>High</p>	<p>High</p>
<p>Regulators including IRCSL, CBSL, SLAASMB, Professional bodies, Ombudsman, Competitors etc. <i>Reporting Boundary - External</i> <i>GRI 419 (Socioeconomic compliance)</i></p>	<p>18. Compliance with laws and regulations Timely submission of tax returns and payment of taxes Cooperation and collaboration Ethical business conduct</p>	<p>Compliance with the laws and regulations, timely submission of taxes and returns, provision of data for national accounts and cooperation and collaboration with regulators and adherence to reporting standards is part of good corporate citizenship. Insurance penetration in Sri Lanka remains low and there is considerable scope for growth. Enhancing industry growth by educating and attracting potential customers to increase insurance penetration requires a concerted effort from all industry players, including professional and industry associations.</p>	<p>Strengthening relationships with stakeholders is strategic imperative for Ceylinco Life. We firmly believe in upholding good business ethics and corporate governance best practice. As such, we are committed to compliance in all aspects and for cooperation and collaboration with regulators. We are also committed to collaborating with industry players including our competitors for growth of the insurance industry and further extend reach and benefits of insurance to the uninsured.</p>	<p>High</p>	<p>High</p>

OUR VALUE CREATION PROCESS

Responding dynamically to deliver value

Ceylinco Life's success over three decades which is highlighted by its market leadership position for over 16 years demonstrates the robust nature of its business model and the competitive strengths the Company possess in making significant progress with market share and leadership.

As a dynamic organisation, we are able to, swiftly adapt to emerging business realities of a Volatile, Uncertain, Complex and Ambiguous (VUCA) business landscape.

As a life insurance provider, the Company's principal business activity is providing financial security and protection for Sri Lankans through insurance solutions. The Company through its extensive branch network and the largest force of sales agents reach out to potential policyholders with a wide range of products and services.

Our value creation process is powered by the Ceylinco Team of 814 employees, sales agents who operate across an island wide brick-and-mortar branch network as well as digital channels. We are deeply mindful of the environmental footprint created by our business expansion and thus have integrated environmentally friendly green branches.

The primary business activity of the Company is supported by several support services such as underwriting, risk management, actuarial and finance functions. In this process the Company provides and assures its policyholders with protection and stability over a long-term time horizon.

Ceylinco Life draws inputs from six capitals which are the resources that are externally and internally generated. The internal inputs are financial capital, intellectual and manufactured capital whilst the externally drawn inputs are social and relationship capital, natural capital and human capital.

Several other functions support the main business function which ensures regulatory support is extended. The Company's risk management and corporate governance functions assist the organisation to carry out business within the frameworks of regulations and compliance.

The value delivered is translated into outputs and outcomes whereby stakeholders can reap economic benefits in the form of profits and other benefits encompassing profitability, dividends, employee emoluments etc. These translate further into employee development, mutually rewarding interactions, enhanced relationships with business partners, contribution to community and environment.

The Company is driven by a strong sense of purpose which goes beyond profits and economic benefits to contribute to the environment and the community in which it operates in a significant and tangible manner. Based on strong ethos of building a relationship for life across all dimensions – policyholders, employees, community and the environment the Company takes a long-term perspective of building perpetual value for its stakeholders.

VALUE CREATION MODEL

The value we create



CAPITAL SCORE CARD

Financial Capital

Indicator of Value	Value derived as at 1st January 2020	Value derived as at 31st December 2020	Growth in value created
Long Term Insurance Fund – Rs. Bn	96.2	106.7	10.5
Total Assets – Rs. Bn	133.2	150.8	17.6
Investments – Rs. Bn	116.9	133.7	16.8
Shareholder's Equity– Rs. Bn	31.5	38.1	6.6
Net Asset Per Share Rs.	629.84	762.90	133.06
Capital Adequacy Ratio %	347	424	77
Activities undertaken to create Financial Capital	Enhanced growth in GWP and profitability despite the challenging business environment whilst maintaining leadership position.		

Social & Relationship Capital

Indicator of Value	Value derived as at 1st January 2020	Value derived as at 31st December 2020	Growth in value created
New insurance solutions	2	2	-
No of sales agents	3,467	4,084	617
Empowering sales agents with tablets.	52	500	448
No of Pranam Scholarship Recipients	162	154	-
No of MDRT Qualifiers	55	135	80
Activities undertaken to create Social & Relationship Capital	Responded with agility to the evolving business environment to maintain and build relationships with policyholders, sales agents and business partners. Integrated with the needs of the community through a wide range of philanthropic activities.		

Human Capital

Indicator of Value	Value derived as at 1st January 2020	Value derived as at 31st December 2020	Growth in value created
Remuneration and benefits paid Rs. Mn	1,539	1,586	47
New recruits	37	42	5
Average Training hours Per Employee	18.5	6.5	-
Activities undertaken to create Human Capital	Ensured that our team integrated into safety practices introduced by the pandemic. Ensured that all remuneration and benefits were paid and continuing the training activities in an uninterrupted manner in the new normal.		

Manufactured Capital

Indicator of Value	Value derived as at 1st January 2020	Value derived as at 31st December 2020	Growth in value created
Investment in Investment Properties Rs.Mn	87	218	131
Branch network	141	139	-
Activities undertaken to create Manufactured Capital	Focused on investing in the IT infrastructure of the Company to ensure continuity of business operations and service levels. Opened three new branches in 2020.		

Natural Capital

Indicator of Value	Value derived as at 1st January 2020	Value derived as at 31st December 2020	Growth in value created
Electricity Consumption - Mwh	2,283	2,050	180
Fuel Consumption – Liters	275,505	266,450	9,055
No of green branches	15	18	3
Water Withdrawal – Units	31,332	26,292	5,040
Activities undertaken to create Natural Capital	Sustainability and conservation of natural capital was taken to the net level with the monitoring of GHG emissions. Focused on green branches and integrating sustainability to our core business.		

Intellectual Capital

Indicator of Value	Value derived as at 1st January 2020	Value derived as at 31st December 2020	Growth in value created
Brand value Rs. Bn	3.8	3.7	-
Key IT initiatives	2	2	-
Activities undertaken to create Intellectual Capital	Brand value and affinity was strengthened. Key digitization activities and process improvements enhanced ease of conducting business with Ceylinco Life.		

OPERATING ENVIRONMENT

Responding to a Dynamic Environment

Global Economy & Outlook

The COVID-19 global pandemic has been one of the most epoch defining events in recent history and its scale and impact can be compared to the two World Wars and the Great Depression. The crisis undermined global financial stability, and large segments of the global economy ground to a standstill, including the informal economy. The unprecedented scale of the COVID-19 pandemic impacted all nations across the globe adversely. International Monetary Fund (IMF) projections in January 2021 show the global economy shrinking by 3.5 % in 2020 while advanced economies shrank by 4.9 % and emerging markets and developing economies by 2.4%.

Despite a rich pipeline of vaccines, the global outlook is expected to be plagued by uncertainty due to renewing waves and new variants disrupting growth prospects. The strength of the recovery may vary from country to country depending on how effective each country is in terms of access to medical interventions and pandemic control policy implementation. Some nations are vulnerable to cross-country spillovers while weaker structural characteristics entering the crisis would be a critical factor in the pace of recovery in all nations. Taken overall, the effectiveness of vaccine roll outs and restrictions for curbing the viral spread affect activity prior to the widespread vaccine availability. Therefore, how financial conditions and commodity prices would evolve in the meantime would have an impact on growth prospects.

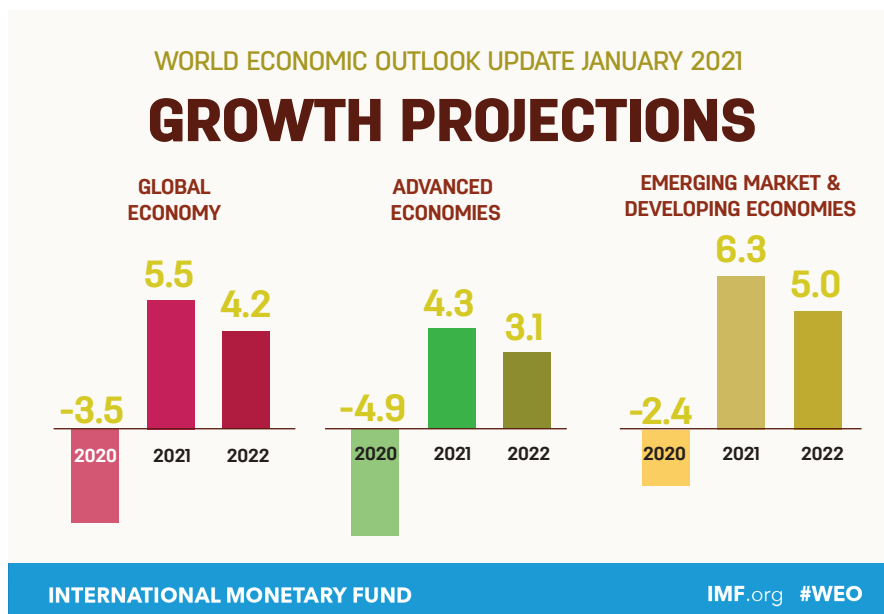
Bolstered by stronger than expected momentum in the second half of 2020, current estimates by the International Monetary Fund (IMF) shows that the global growth contraction at -3.5%, an upwards revision of 0.9% from 2020 third quarter projections. The global economy is projected to rebound with 5.5% growth in 2021 (an upward revision of 0.3%) and then moderate to 4.2% in 2022. Global trade volumes are projected to grow by 8.1% in 2021 though services are expected to lag behind, a pattern consistent with restricted cross-border travel until transmission of the virus declines across the globe. It should also be noted that while some industries, like airlines and tourism will continue to face challenges, others, such as telecommunications and pharmaceuticals, are expected to surge even higher.

Subdued inflation is expected to be seen across 2021-22, with advanced economies projected to remain below 1.5% and emerging market and developing economies at just over 4.0%, which is lower than the historical average of the group. 2021. Oil prices are expected to increase to just over 20% of their low base in 2020 but will still remain well below their average for 2019. Non-oil commodity prices are also expected to rise, reflecting the projected global recovery. Major Central Banks are expected to maintain their current policy rate stances for the foreseeable future, promoting financial stability for advanced economies and improvement for emerging market and developing economies.

IMF's January 2021 Global Financial Stability Report Update projects that globally, markets remain upbeat about prospects for 2021. In its World Economic Update in January 2021, the IMF expects major Central Banks across the globe to maintain the policy rates they held at the beginning of 2021 till end of 2022. Hence, we can expect financial conditions in advanced economies to remain at current levels. Financial conditions for emerging market and developing economies are expected to gradually improve in the same time horizon.

Sri Lankan Economy & Outlook

The Sri Lankan economy was showing signs of a slow paced recovery following the Easter Sunday attacks when the economy once again contracted by 1.7% and 16.3% respectively in the first and second quarters of 2020, due to the pandemic. The impact of the global downturn was felt in the local arena. Lockdowns during April-May impeded economic activity, the closure of airports to tourists from March 2020 to January 2021 crippled the tourism sector which is one of the revenue streams to the country, and global demand remained weak throughout. As a result, the country experienced reduced tourism and export earnings, capital outflows, and heightened pressure on government finances. This caused the rupee to depreciate by 2.6% against the US dollar in 2020. The economy



rebounded in the third quarter of 2020 with a GDP growth of 1.5% mainly triggered by monetary easing, government stimulus measures, lower global petroleum prices, and larger than expected remittances from migrant workers. The trade deficit contracted significantly during the year with a reduction in merchandise imports (in particular, fuel imports), contributing to a strengthened external current account balance. Despite some acceleration in food inflation, headline inflation remained subdued in 2020. Under the current flexible inflation targeting framework, the Colombo Consumer Price Index (CCPI) based headline inflation remained broadly within 4-6% across the year, and low levels of demand drive inflationary pressures meant that core inflation remained subdued. This enabled the Central Bank of Sri Lanka (CBSL) to ease monetary policy to historic levels to buoy the ailing economy.

While the second wave of COVID-19 infections from October onwards hampered momentum, the CBSL anticipates a strong growth of 6% in 2021. The CBSL envisages continuing its accommodative monetary policy stance to drive the country's economic recovery. In this low inflation, low-interest rate environment, credit to the private sector is expected to expand by around 14.0% in 2021 and by about 12.0-12.5% annually over the medium-term. Particular attention will be given to the Micro, Small and Medium Scale enterprises (MSME) sector, which is the backbone of the country's economy.

During the year Fitch, Moody's and S&P downgraded Sri Lanka's sovereign rating in 2020. The reason cited being Sri Lanka's increasingly challenging external debt repayment position. The government's external debt obligations amount to USD 23.2 Bn between 2021 and 2025 (about USD 4 Bn annually). Fitch is of the view that Sri Lanka's financing and debts service challenges are exacerbated by its existing financing model, which has resulted in high government interest to revenues ratios. The downgrading of Sri Lanka's sovereign credit rating will drive up the country's external borrowing costs.

According to the World Bank the economic impact of COVID-19 will have significant welfare implications. Poverty measured using the \$3.20 poverty line (in 2011 PPP) is estimated to have declined from 9.4 % in 2018 to 8.9 % in 2019. However, the COVID-19 crisis is believed to have triggered sharp jobs and earnings losses. Informal workers, about 70 percent of the workforce, are particularly vulnerable as they lack employment protection or paid leave. The apparel industry, which employs about half a million workers, has reportedly reduced significant jobs. While agricultural production is expected to be largely undisrupted, weak external demand is likely to impact export-oriented subsectors and wages.

The resilience of the Sri Lankan economy is undeniable, and the latest available CBSL Monetary Policy Review states that the country's outlook for 2021 remains positive. It goes on to say that the rebounding of the economy in 2021 will be supported by the "unprecedented policy stimulus measures introduced by the Government and the Central Bank, improved domestic economic sentiments, alongside the improving prospects of the global economy."

Insurance Sector of Sri Lanka & Outlook

The Sri Lankan insurance industry comprised of 27 entities. Of these, 13 companies were engaged in the long term (Life) insurance business, 12 in general insurance business and two were operating in both general and long-term niches.

The performance of the industry as at the end of Quarter 3 is set out below:

Insurance Industry Performance in Sri Lanka

Rs. Mn	2019 End of Q3	2020 End of Q3
Gross Written Premium		
Long term insurance	63,913	72,297
Insurance industry	140,160	145,391
Total Assets		
Long term insurance	480,332	556,157
Insurance industry	675,093	747,489
Claims		
Long term insurance	26,570	27,521
Insurance industry	63,361	55,965
Profitability		
Long term insurance	12,220	9,978
Insurance industry	18,119	20,159

Despite the vagaries of the COVID-19 pandemic, the Sri Lankan insurance industry grew during the first three quarters of 2020, compared to the corresponding period in 2019. The industry was forced to relook at the business operations during this period. During the first half of 2020, insurers needed to re-engineer operating models to stay efficient in the post COVID-19 era with a close eye on gaining a competitive edge. The pandemic has caused insurers to increase the digitisation of their operations and interactions with clients. Agent networks

need to be more digitally enabled. With the pandemic gaining momentum with additional mutations of the virus spreading the need for physical office networks and moving more people to remote Working From Home on a long-term basis will be witnessed. At the same time, more focus will fall on the automation of processes for greater cost efficiencies and resilience.

The long-term insurance fared better than the general insurance sector and the overall industry in terms of gross written premiums and total assets. Long term insurance sector gross written premiums for the first three quarters grew by 13.1 % while total assets grew by 15.8 %. Long term sector claims saw an increase of 3.6 % during the same period. Insurers have the expectation that the pandemic, and associated deaths would lead to heightened awareness and a resulting increase in demand for mortality products. This period also had a favourable impact wherein it provided a platform for constructive long-term effects, helping healthcare reach more remote and less affluent populations including the under- or un-insured. Making healthcare more available and accessible means that, in some small way, societies may benefit from learnings and actions taken during COVID-19. Secondly, the pandemic made people to reconsider their individual health insurance needs. In the wake of the SARS epidemic, for example, a temporary spike in critical illness policy sales in Asia. A similar phenomenon could be witnessed post-coronavirus, with rising sales of health insurance, critical illness and even life cover across the provinces in Sri Lanka as well. With these, insurance companies have also taken initiatives to prevent the spread of COVID-19 by extending benefits to their policyholders.

The Central Bank recognises that certain social groups, such as fixed income earners, particularly senior citizens depending on retirement pensions, will be adversely affected by low deposit interest rates. The sustainable solution to this problem lies in long-term income growth and institutional developments involving mutual funds, insurance and annuity schemes, pension, and superannuation schemes. In response to this situation, the Government has

also proposed to introduce a contributory pension scheme to assist those in public enterprises, as well as the private sector. As the Budget 2021 proposed, other social safety net schemes will be developed to support the economically vulnerable groups in a low inflation, low-interest rate environment. In this context, pension plans and retirement products will be well sought after and will serve to bridge this market need.

On the investment side: the present low interest rate environment will drive investment returns downwards, which may also be hit by the ongoing volatility affecting financial markets. At the same time, there are potentially dramatic increases in derivative collateral requirements which could decrease cash flow. Insurers may also experience dividend income reduction for some of the assets in their portfolios.

To grow and flourish in a post-pandemic era, the life insurance industry needs to focus on expanding consumer awareness and drive market penetration. The strategic path and the way forward to drive market penetration in the emerging new reality are discussed in page 27-30.

DELIVERING FINANCIAL VALUE

Smart, Prudent Investing



As an insurance provider, the success of Ceylinco Life depends on our financial acumen. That is why smart, prudent investing is a strategic imperative for the Company. While the idea of smart, prudent investing extends across our investments in all of the six capitals, in this section, we focus primarily on financial management aspects of our business.



SDG's Impacted

Capital Impacts/ Value Created



Our financial management strategy is a key driver of financial success and our ability to create sustainable value for our stakeholders. We faced 2020 with an adaptive and flexible financial management approach, aligned to specific strategic challenges that impacted us during the COVID-19 pandemic. This approach was a critical success factor behind our outstanding financial performance in 2020.

Human Capital Investment in training and development enhances employee capacity

Intellectual Capital Investment in brand development increases intellectual capital

Social & Relationship capital Investment in CSR, policyholder and sales agents, community centered initiatives build relationships.

Natural Capital Investment in Go Green initiatives contributes to a low carbon economy.

Manufactured Capital Investment in buildings and IT infrastructure build manufactured capital.



- Rs. 22,076 Mn - Gross Written Premiums, crossing the 20 Bn threshold for the first time
- 17.9% Increase in Gross Written Premium
- 26.4% Increase in New Policies Issued
- Rs. 12,267 Mn Net Benefits and Claims Paid
- 11.4% Investment and Other Income Growth
- Rs. 14,912 Mn Investment & Other Income
- Rs. 4,101 Mn Surplus from Life Insurance Business
- 6.8% Increase in Profit Before Tax
- 3.9% Increase in Profit After Tax
- Total Assets crossed Rs. 150 Bn
- 13.2% Growth in Total Assets

Management Approach

Financial Capital comprises the pool of resources which are reflected in our financial statements. As a life insurer, our utmost purpose of managing our financial capital is to create long-term sustainable value to our shareholder while protecting the interests of our policyholders. Thus, financial stability, liquidity and profitability are key deliverables of our financial strategy.

2020 was a unique year in which the entire world suffered from the challenges posed by the COVID-19 pandemic. Every industry in Sri Lanka including the insurance sector faced unprecedented challenges during the year. It tested the resilience of every corporate, big and small.

Success during the pandemic depended on how fast we could react to the challenges we faced. We have identified below as some significant challenges to our financial management strategy.

Challenges	Management Approach
COVID-19 implications for financial position and financial performance	<p>Financial management was the toughest challenge faced by the Company during this period because the premium collection and payments came to a literal standstill at the initial stages of the first wave of COVID-19.</p> <p>The Management, with the collaboration of banks, custodians and our employees, was able to accelerate our digital transformation efforts to move the premium collection and payment processes online, with minimal physical documentation.</p> <p>We encouraged customers and sales agents to use online payment methods and mobile applications for the collection of premiums.</p> <p>We empowered and rewarded our sales force to move online and motivated our customers to pay online. Sales agents were encouraged to seek new prospects using digital channels, especially when lockdowns were in effect.</p> <p>The many measures we took are detailed in the Building Relationships for Life section (Customers – page 68; Sales Agents – page 76) and in Technology Development page 85 of this report.</p>
Drastic drop in market interest rates due to downward revision of interest rates according to monetary policy of Central Bank of Sri Lanka	<p>A significant amount of our financial investment portfolio comprises long term investments. Anticipating a low interest rate environment, we locked into higher yield interest rates which minimized the impact on interest income.</p> <p>We managed to convert this challenge into an opportunity and realized more capital gains from the financial investments through our proprietary trading activities during 2020.</p>
IRCSL granted an extension period to policyholders for premium payment	<p>Our sound working capital management strategy enabled us to facilitate the extended grace period to policyholders in compliance with IRCSL requirements without affecting our liquidity position.</p>

Financial Capital & Value Creation

Rs. 107 Bn
life fund

Rs. 38 Bn
shareholder fund

Rs. 151 Bn
total assets

Aligning with UN Sustainable Development Goals



SDG Goal	No Poverty	Climate Action
Key Focus Areas and Achievements in 2020	Honoring legitimate claims of our policyholders to ensure they maintain their living standard when unforeseen events affect their lives.	<p>We have taken a comprehensive approach to sustainability and made substantial investments in order to reduce our carbon footprint.</p> <p>We have expanded the number of green buildings in our branch network under our 'Go Green' initiative.</p> <p>We have adopted many measures to reduce our carbon footprint in the green branches and across the entire business are discussed in detail in Nurturing Our Environment on page 91.</p>
	<ul style="list-style-type: none"> Rs. 725 Mn - death claims paid Rs. 354 Mn - disability claims paid Rs. 118 Mn – hospitalization cash benefits claims paid 	<ul style="list-style-type: none"> Rs. 212 Mn invested in building three green branches Rs.. 15.6 Mn invested in installing solar panels at 19 Locations Rs. 9.5 Mn saved from electricity expense Rs. 750,000 spent on obtaining a carbon footprint assessment

Overview of Financial Results – Policyholders' Fund

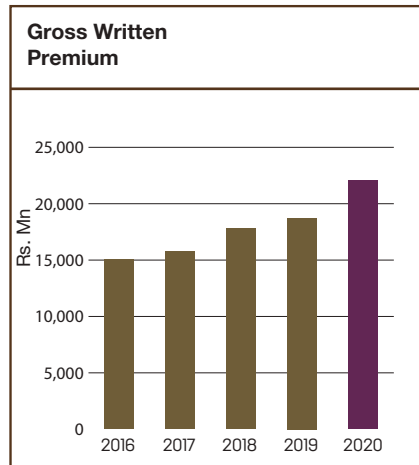
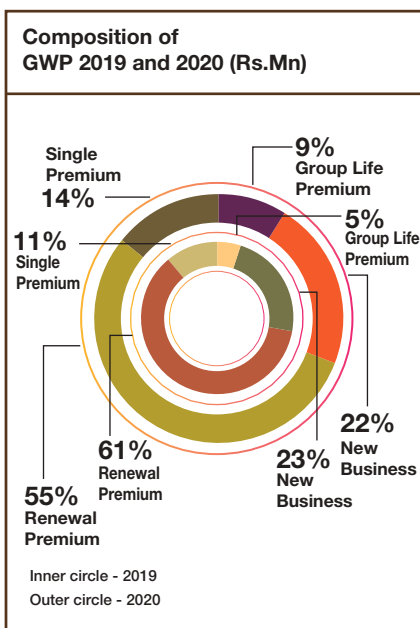
For the Year Ended 31st December,	2020	2019	Change
	Rs. Mn.	Rs. Mn.	%
Gross Written Premiums	22,076	18,719	17.9%
Premiums Ceded to Reinsurers	(505)	(550)	-8.1%
Net written premiums	21,571	18,168	18.7%
Investment and other Income attributable to policyholders	12,156	10,856	12.0%
Net Benefits and Claims Paid	(12,267)	(10,604)	15.7%
Increase in Long-term Insurance Fund	(9,424)	(7,190)	31.1%
Acquisition Cost	(2,124)	(1,963)	8.2%
Operating and Administrative Expenses Attributable to Policyholders	(4,554)	(4,415)	3.1%
Interest Expense	(76)	(41)	86.1%
Tax Expense	(1,181)	(912)	29.6%
Surplus from Life Insurance Business / Underwriting Result	(4,101)	(3,900)	5.1%

The above table depicts the result of the financial performance of the Policyholders' Fund which is a part of the overall financial performance of the company.

Gross Written Premiums

Gross Written Premium (GWP) is the total premium paid by the policyholders to the insurance the company, before deducting reinsurance and ceding commission. This is our main source of income.

Our total gross written premium recorded a growth of 179 percent over 2019 to reach Rs. 22,076 Mn. In a year in which the global life insurance gross written premiums are expected to have declined by 6 percent, it is indeed a great achievement, as is the GWP crossing the 20 Bn threshold for the first time



	2020	2019	Growth
Group Life Premium	2,089,102	904,705	131%
New Business Premium	4,868,610	4,256,370	14%
Renewal Premium	12,151,247	11,453,266	6%
Single Premium	2,967,291	2,104,212	41%

Group Life Premiums

The contribution of Group Life premiums to the total GWP grew to 9% in 2020 (2019-5%). In absolute terms, Group Life premiums grew by 131% in 2020 over the 2019 figure. An aggressive drive to expand our Group Insurance segment has contributed to the impressive growth rate.

Group Life Insurance – A High Growth Segment

The biggest growth in premium incomes came from Group Policies, recording a 131% growth over 2019 and contributing to 9% of total premiums (5% in 2019).

Group Insurance segment is made up of two subsegments: Group term insurance and Group Credit.

Group Term

Group term insurance includes insurance policies offered to an affinity group of people, such as employers who cover their workforce or organisations that offer policies to account holders or key customer groups. Associations also make use of group insurance to benefit their members. These policies have to be renewed annually on the same terms or with added benefits.

By the end of 2020, there were approximately 250 active group insurance policies. The COVID-19 impact was minimal on this segment as less than 1% of group policies are affected. There were some delays in payments, but the policies were renewed.

An MoU with Joint Apparel Association Forum (JAAF)

Together with Ceylinco General Insurance, we offered an attractive life plus health insurance product to the Joint Apparel Association Forum (JAAF), the apex body for the Sri Lankan apparel industry whose members

provide employment to around 400,000 workers. Our offer was to cover the employees as well as their families including spouses, children and parents up to a certain limit. JAAF took up the offer and a Memorandum of Understanding with JAAF was signed in January 2020. As a result, Ceylinco Life would be the exclusive insurance provider for the apparel industry for two years.

While member companies of JAAF still have the option of using any insurance provider of their choice, JAAF would only promote Ceylinco Life as an insurance provider.

Channels for group terms business includes the direct channel (head office), our branch network and insurance brokers. In addition, Ceylinco General has the opportunity to promote life insurance as a joint offering.

During 2020, we covered around 100,000 employees from a number of factories including around 65,000 employees from a large group of companies. In 2021, our plan is to approach many more JAAF member factories. To make this a success, we will work with brokers and collaborate with our sister company, Ceylinco General on our joint group offerings.

Group Credit

Group Credit is another sub-segment of Group Insurance offered with banks and other financial institution. Group credit comprises mostly of single payment policies obtained upon the request of banks at the point of obtaining a loan facility. Currently we work with the three state banks-- National Savings Bank, People's Bank, Bank of Ceylon, and Pan Asia Bank. This is a key contributor to the growth of the Group Life segment.

Three types of bank loans require borrowers to obtain these insurance covers: housing, personal and pensioner loans. The borrowers take on a policy against death and disability so that it frees the borrowers' family

of the obligation for repayment of the loan. The low lending rates that prevailed during 2020 and an increasing demand for loans have contributed to the growth of the group credit sub-segment .

The demand for pensioner loans has been increasing significantly. In response, during 2020 we introduced an online system "DTA Fast" (Decreasing Term Assurance -Fast) in March 2020, beginning with the three state banks. DTA Fast facilitates bank credit officers to obtain Decreasing Term Assurance Policies for their new borrowers. DTA Fast was created to give us a competitive edge over other market offerings by enabling credit officers to apply for policies within five minutes. Each bank branch coming onboard receives a dedicated internet facility.

By the end of 2020, we had installed the DTA Fast system in 600 bank branches. In 2021 we will continue to extend the DTA Fast to the rest of the state bank branches across Sri Lanka.

Single Premium Products

Single Premium products which include our endowment and retirement policies, grew by 41% in 2020. Single Premium products contributed to 14% of total premiums in 2020 compared to 11% in 2019.

New Business

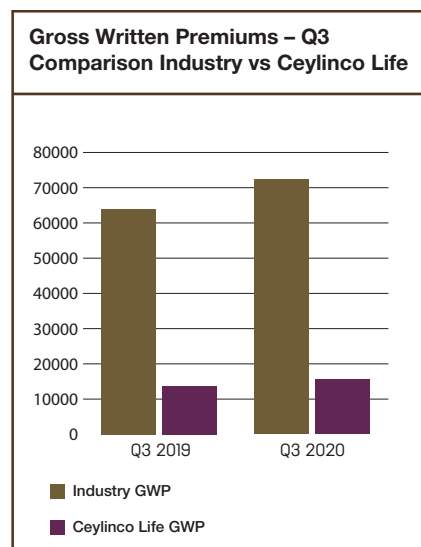
While new business showed a 14% growth over the previous year in absolute terms, when annualized, this was a 26% increase.

Description	2020	2019	Change
Annualized new business premium - Rs. '000	7,626,838	6,054,291	26.0%
No of new policies issued during the period	175,299	138,660	26.4%
Average premium per policy - Rs.	43,508	43,663	-0.4%

The number of new policies issued during 2020 grew by 26.4%. This reflects the strong emphasis on generating new business both online and offline, despite the the Covid-19 pandemic. It also tracks the 17.8% increase in the number of sales agents achieved during 2020. The average premium per policy dropped marginally during 2020.

GWP Growth – Industry vs Ceylinco Life

The GWP of the Sri Lankan life insurance industry recorded 13.1% growth for the nine months ended 30 September 2020 (Q3). Ceylinco Life grew its GWP by 13.9% over the same period. Ceylinco Life focuses mainly on core life insurance products while most other industry players are aggressively focusing on medical insurance.

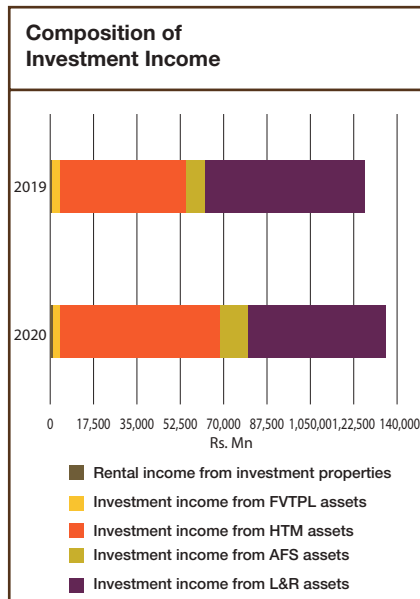


Source: IRCSL

Investment Income

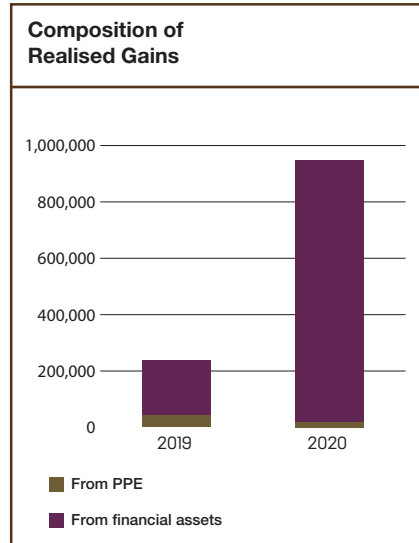
Investment income of Ceylinco Life increased to Rs. 13,542 Mn in 2020, recording a 6.8% growth over the previous year. This performance is the result of the smart, prudent investment strategies implemented by the Investment Committee. The Investment Committee Report on page 157 gives more details.

Held-to-maturity financial assets were the main contributor to the rise in investment income in 2020, generating Rs. 6,451 Mn. The second largest contributor was Rs. 5,544 Mn generated from loans and receivables financial assets during 2020.



Realised Gains

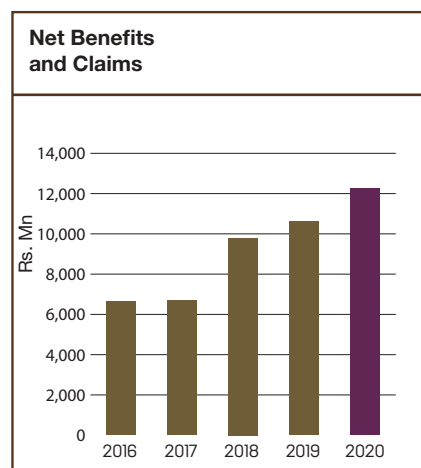
Realised gain represents the profit of proprietary trading of financial assets and the disposal gains of the property, plant and equipment. During the 2020, realised gain has shown a remarkable growth despite the economic implications of Covid-19. This has recorded a 3 times' increment compared to the previous year.



Proprietary trading of financial asset was the main contributor to the growth in realised gain during the year, generating

Net Benefits and Claims

For the year Ended 31st December,	2020	2019	Change %
	Mn	Mn	
Death, disability and hospitalization claims	1,197	909	31.6%
Policy maturities	8,612	6,949	23.9%
Interim payments on anticipated endowment plans	1,056	1,093	-3.4%
Policy surrenders	1,443	1,648	-12.4%
Encashment of bonus to policyholders - cash and loyalty bonus	150	145	3.7%
Annuities	52	25	105.8%
Gross claims and benefits	12,511	10,770	16.2%
Reinsurance recoveries	(244)	(166)	47.1%
Net benefits and claims	12,267	10,604	15.7%



Rs. 930 Mn with a growth of 376% over the previous year. The company has capitalized the opportunity of the low interest rate environment and realised more capital gains.

Net Benefits and Claims

Net benefits and claims from life insurance business excluding gross change in contract liabilities increased by 15.7% to reach Rs. 12,267 Mn in 2020, compared to Rs. 10,604 Mn in 2019.

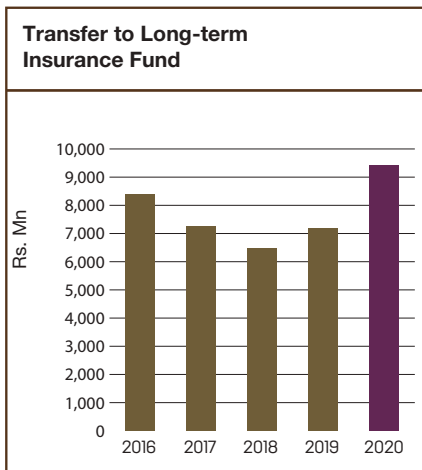
During the year under review, we paid Rs. 8,612 Mn worth of maturity benefits, which reflected a 23.9% increase from Rs. 6,949 Mn paid in 2019. Death, disability and hospitalization claims paid in 2020 amounted to Rs. 1,197 Mn, up by 31.6% over the Rs. 909 Mn paid in 2019.

Transfer to Long-term Insurance Fund

During 2020, the Company transferred Rs. 9,424 Mn to the Long-term Insurance Fund, after transferring Rs. 4,100 Mn to the Shareholders' Fund. This reflects an increase of 31.1% increase over 2019's Rs. 7,190 Mn transfer.

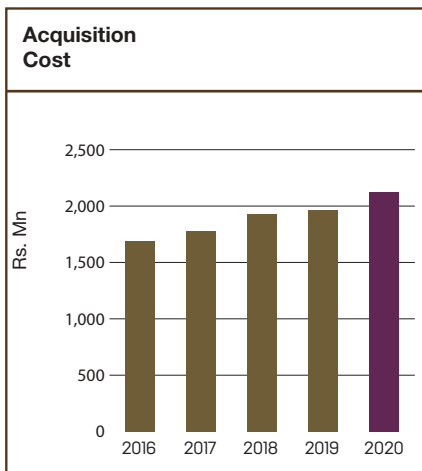
This transfer was made possible by the GWP growth combined with higher investment income generated from prudent investments of policyholders' funds. These were sufficient to absorb the escalation in acquisition

costs, the increased levels of customer benefits and claims and the increases in tax.

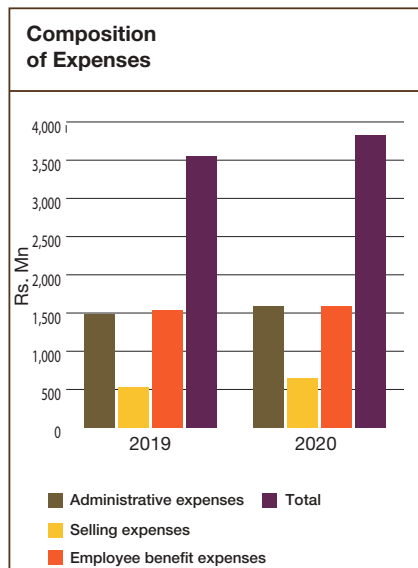


Acquisition Cost

Acquisition cost mainly represents the commission expenses incurred by the Company in underwriting life insurance. Ceylinco life depends predominantly on independent sales agents to deliver the message of life insurance to Sri Lankan families. The 8.2% rise in acquisition cost to Rs. 2,124 Mn in 2020 over Rs. 1,963 Mn in 2019 correlates to the increase in GWP in 2020.



Operating and Administrative Expenses



Description	2020	2019	Change
	Mn	Mn	
Administrative expenses	1,588	1,479	7.4%
Selling expenses	649	532	21.9%
Employee benefit expenses	1,587	1,539	3.1%
Total	3,823	3,550	7.7%

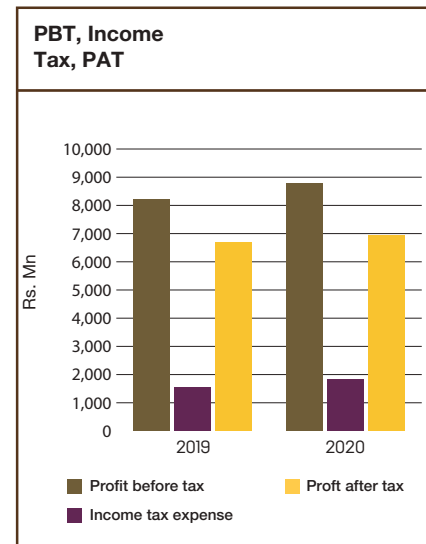
Total operating and administrative expenses increased by 7.7% to Rs. 3,823 Mn in 2020. The 22% increase in selling expenses reflects the spending on advertising and business promotions to win new business and defend our market share in the intensely competitive market.

There was a rise in employee benefits due to rewarding those making an exceptional contribution to business value creation during the year. This increase is after the reversal of the Company's contributions to the pension and gratuity funds resulting from the fair values of the plan assets being higher than the plan liabilities. More details about our investments in human capital are discussed in pages 98-104.

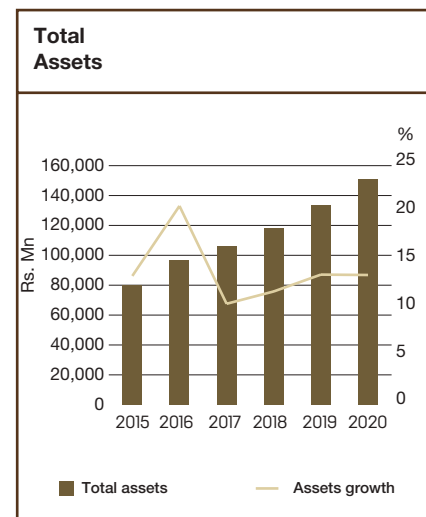
Profitability

In 2020, Ceylinco Life recorded a profit before tax (PBT) of Rs. 8,767 Mn which recorded a 6.8% increase over Rs. 8,212 Mn recorded in 2019. The income tax expense increased by 19% to Rs. 1,832 Mn from Rs. 1,540 Mn in 2019. The income tax charge for 2020 is Rs. 1,787 Mn. The profit after tax (PAT)

for 2020 is Rs. 6,934 Mn, a 3.9% growth over 2019.



Total Assets

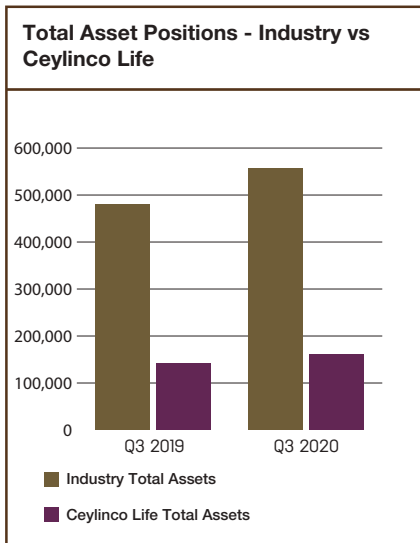


Total assets of the Company crossed the Rs 150 Bn mark in December 2020, while achieving 13% growth over 2019. The increase was mainly attributable to the growth in Loans and Receivables Financial Assets, Available for Sale Financial Assets and Investment Properties.

Total Assets – Industry vs Ceylinco Life

Total assets of the life insurance industry at end of Q3 (30 September) 2020 stood at Rs. 556,157 Mn, recording 15.79% growth over Q3 in 2019. Total assets of Ceylinco Life stood at Rs. 160,751 Mn at the same point, with a growth of 14.37% over Q3 2019. As the market leader, Ceylinco Life contributed to

over a quarter of the total assets of the life insurance industry at end of Q3 2020.



Source: IRCSL

Property, Plant and Equipment

Property, plant and equipment increased by 1.2% from Rs. 9,171 Mn in 2019 to Rs. 9,281 in 2020. Freehold land and buildings are considered as an admissible asset in capital adequacy calculations. These account for 88% of the value of property, plant and equipment.

During the year, the Company acquired land and buildings with a value of Rs 153 Mn, which includes three new branches constructed at Malabe, Divulapitiya & Nellyyadi. Additional details on additions, disposals, transfers and depreciation are given on page 198.

During the year, the Company recognised a gain of Rs. 635 Mn on revaluation of land and buildings held under property, plant and equipment.

Investment Property

Investment property includes land and buildings held by the Company for investment purposes. Such property generates rental income for the Company and gains from capital appreciation. Ceylinco Life's investment property grew by 42.3% from Rs. 2.5 Bn in 2019 to Rs. 3.5 Bn in 2020.

This growth was due to the transfer of assets worth of Rs. 579 Mn from property, plant and equipment, Rs. 218 Mn additions to investment properties and the fair value gain of Rs. 247 Mn recognised from valuation of the properties in 2020.

Additional details on investment property are given on page 208.

Investments in Subsidiaries

Investments in subsidiaries were Rs. 1,136 Mn as at end 2020. This includes the investments in the Ceylinco Healthcare Centre and Serene Resorts Limited worth Rs. 771 Mn and Rs. 365 Mn respectively.

During the year, the Company has made an additional investment worth of Rs. 50 Mn in Serene Resorts Limited.

Investment in Associate

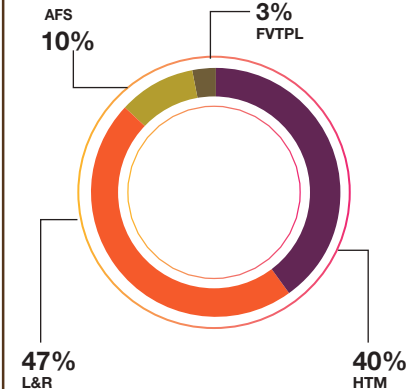
Investment in our associate company, Citizens Development Business Finance PLC, remained unchanged from 2019 to 2020, amounting to Rs. 808 Mn.

Financial Instruments

Investments by the Company in financial instruments grew by 13.9% over 2019 figures to reach Rs. 128 Bn in 2020. Financial instruments account for 85% of the total assets of the Company. A larger %age of the life insurance fund is invested in government debt securities and other fixed income securities such as quoted debentures and term deposits, according to the guidelines issued by the Insurance Regulatory Commission of Sri Lanka.

In compliance with the Sri Lanka Accounting Standards (SLFRS/LKAS), we have categorised financial instruments into four categories: Held to Maturity (HTM), Loans and Receivables (L&R), Available for Sale (AFS) and Fair Value through Profit or Loss (FVTPL).

Financial Assets Composition

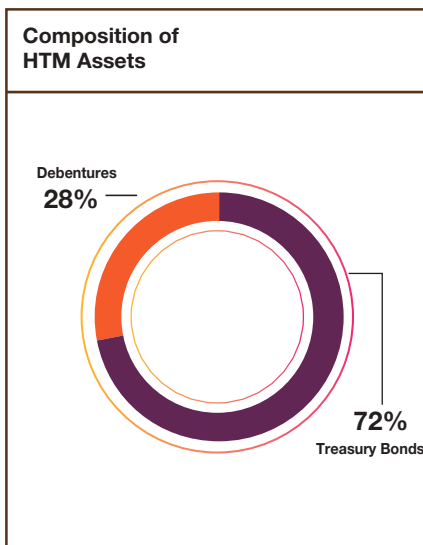


Since we are a life insurance company, with the exemption granted under SLFRS 17: Insurance Contracts, we have deferred adoption of the latest standard on financial instruments, SLFRS 9, until the effective date of SLFRS 17 which is on 1 January 2023.

Held-to-Maturity Financial Assets

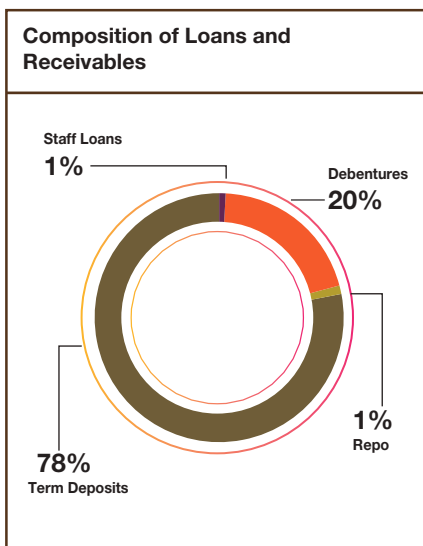
Held-to-Maturity (HTM) financial assets are those with fixed or determinable payments and fixed maturities. Our smart, prudent investing philosophy and strong financial position enables us to hold longer term investments until maturity to match our long-term insurance liabilities. As such, 40% of financial instruments we hold are in the HTM category.

The majority (72%) of our HTM assets are in "risk-free" Treasury Bonds. The rest are held as quoted debentures. We mainly invest in corporate debentures of issuers bearing credit ratings between AAA to A-. Our objective is to earn relatively lower-risk, steady returns from investments, while adhering to the stringent regulatory and internal investment guidelines.



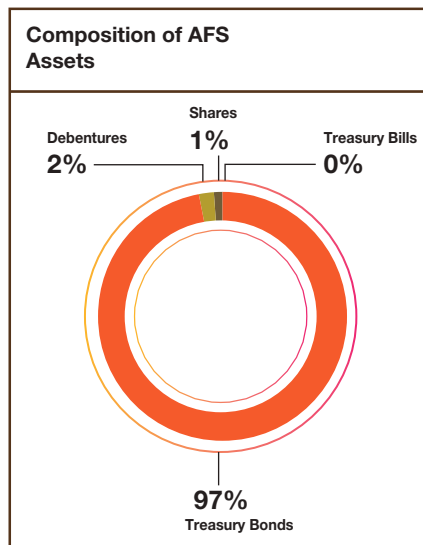
Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The Company holds 47% of its financial instruments in the Loans and Receivables category. The majority of Loans and Receivables (78%) are held as term deposits. The majority of term deposits (95%) are held with Licensed Commercial Banks. The rest are with Licensed Finance Companies. Debentures account for 20% of Loans and receivables.



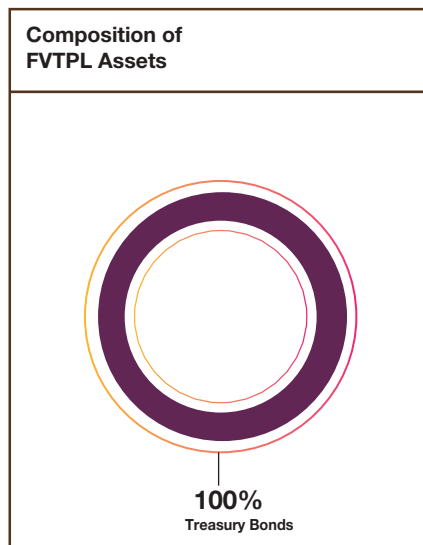
Available-for-Sale Financial Assets

Available-for-Sale (AFS) financial assets are financial assets available for sale, but are not classified in any of the other categories. AFS financial assets account for 10% of our investments in financial instruments. Treasury Bonds comprise 97% of AFS financial assets while quoted debentures, quoted shares and Treasury Bills make up the rest of our AFS financial assets.



Financial Assets at Fair Value

Financial Assets at Fair Value through Profit or Loss (FVTPL) are financial assets held for trading. The proportion of the FVTPL assets in our portfolio is insignificant, accounting for only 3%. Government securities account for 99.97% of the FVTPL financial assets.



Shareholders' Equity

The shareholders' equity increased from Rs. 31,492 Mn in 2019 to Rs. 38,145 Mn in 2020, which indicates a 21.1% growth from 2019.

The stated capital of the Company remained unchanged at Rs. 500 Mn. The impressive financial performance in 2020 added Rs. 6,414 Mn to retained earnings. Retained earnings as at end 2020 stood at Rs. 26,408 Mn.

The revaluation reserve increased to Rs. 366 Mn in 2020 from Rs 229 Mn in 2019, reflecting a growth of 59.9% due to the gain recognised on revaluation of land and buildings.

The Restricted Regulatory Reserve, which was recognised in 2017 in compliance with Direction 16 issued by the Insurance Regulatory Commission of Sri Lanka, stood unchanged at Rs. 3,456 Mn as end of 2020. This Restricted Regulatory Reserve reflects the one-off surplus transfer made to the Shareholders' Fund from other than participating business in 2017.

Shareholders' equity also includes a Special Reserve of Rs. 731 Mn, which represents the value of net assets transferred to Ceylinco Life Insurance Limited from Ceylinco Insurance PLC on 1st June 2015 as an effect of the regulatory segregation of the life insurance business from Ceylinco Insurance PLC.

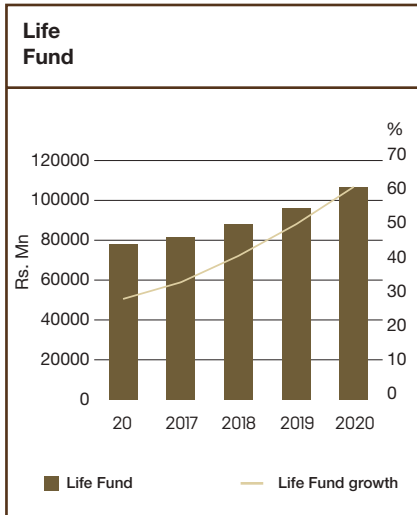
Insurance Contract Liabilities – Life Fund

Insurance Contract Liabilities or the Life Fund is the fund maintained for the long-term insurance business by Ceylinco Life in accordance with the Regulation of Insurance Industry Act, No. 43 of 2000, as amended. The size of the Life Fund indicates the financial strength and solidity of a life insurer. A bigger fund indicates that the insurance company is financially strong and sound.

Our Life Fund crossed the Rs. 100 Bn threshold and reached Rs. 106.7 Bn as at end 2020. This records a 10.9% growth over Rs. 96.2 Bn at end of 2019. This is the net growth in the Life Fund after a transfer of Rs.

4.1 Bn to the shareholders' funds in 2020.

The actuarial valuation of the Life Fund as at 31st December 2020 was carried out by the Independent Consulting Actuary, Willis Towers Watson, whose report is given on page 173.



Financial Performance of the Takaful Insurance Business

The financial records for the Ceylinco Life's Takaful Insurance business are as follows:

For the Year Ending 31 December 2020	Rs.000
Takaful Contribution	95,967
Transfer to ISF Fund	63,417
Transfer to Tabarru Fund	6,377
Operator as Wakalah Fee	26,173

For the Year Ending 31 December 2020	Rs.000
Individual Investment Fund - ISF	313,434
Insurance Contract Liability - Family Takaful Tabarru Fund	14,698
Mudharabah Investments	233,673
Government Securities	102,598
Mudharabah Savings	683

IFRS 17 – Insurance Contracts

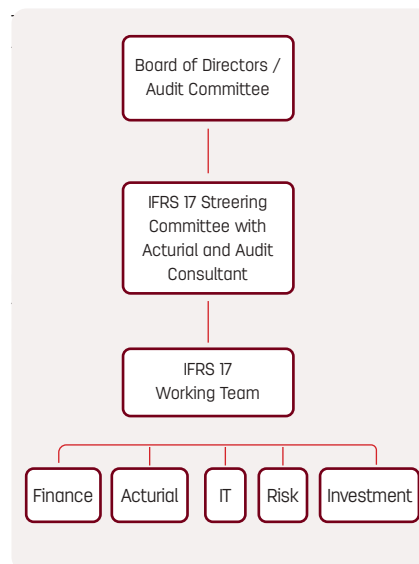
IFRS 17 supersedes IFRS 4 Insurance Contracts which was an interim standard. IFRS 4 allowed entities to use a wide variety of accounting practices, reflecting national accounting requirements. This made it difficult for users to understand and compare insurers' results. Hence a need for a common global insurance accounting standard was identified.

In May 2017, the International Accounting Standards Board (IASB) issued the standard, IFRS 17 Insurance Contracts, with a proposed effective date of 1 January 2021. Subsequently, IASB has deferred the effective date of the standard to 1 January 2023.

The crucial implication of IFRS 17 is that it will not only have an impact on the financial disclosures but also have material impact on operational aspects of data, systems and processes.

Ceylinco Life Approach to IFRS 17 Implementation

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



We have identified the following critical

aspects to focus on for the successful implementation of IFRS 17.

- Establish an adequate process to escalate critical issues and project risks to the attention of the Steering Committee and the Board.
- Ensure that adequate human resources with necessary expertise are devoted to the project.
- Understand the potential changes introduced by IFRS 17, assess their impact on company structure, product portfolio, systems and operations through a proper gap analysis.
- Ensure key decisions and judgements are made with the advice of experts such as actuaries and auditors and proper documentation of the key decisions and judgements maintained.
- Identify key milestones in the project and monitor progress, taking prompt corrective actions to align the project with the overall time plan.

Present Status of the Project

We have signed contracts with two consultants. Ernst and Young (EY) will advise us on the financial aspects while Willis Towers Watson will provide us actuarial support.

We have commenced the IFRS 17 implementation project and have completed phase one, which mainly focused on the operational gap and impact analysis to the financial statements.

Life Insurance Specific Ratios

Description	2020 %	2019 %	Explanation
Claims and benefit ratio	56	57	Claims and other benefits paid as a percentage of premium income
Claims ratio (without maturities, advance payments and surrenders)	6	6	Claims paid as a percentage of premium income
Reinsurance ratio	2	2	Percentage of the risk transferred to reinsurers
Acquisition ratio	10	10	Acquisition cost as a percentage of premium Income
Capital Adequacy Ratio (CAR)	424	347	Total Available Capital (TAC) as a percentage of Risk Based Capital Requirement (RCR)



Looking to the Future

Our consistent financial performance over the years has created a strong financial platform. This enables us to pursue growth opportunities and insulates us from the adverse impacts of the external environment. The exceptional financial performance in the year 2020 has redefined our baseline for future growth potential. Our future strategies will be focused on cost optimization and prudent investment. Digitalisation and automation of processes will enable us to deliver with speed and agility while driving costs further. We hope to consolidate our leadership position in the future based on these strong fundamentals.

RETAINING MARKET LEADERSHIP

Leading with Trust



Market leadership is as much about responsibility as it is about scale and size. For over three decades, Ceylinco Life has been recognised as the most trusted life insurer in Sri Lanka’s insurance sector. We have built our business on strong pillars of customer-centricity and sustainable business practices anchored by our core values.



SDG’s Impacted

Capital Impacts/ Value Created



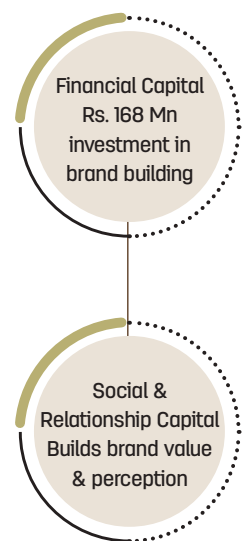
INTELLECTUAL CAPITAL



FINANCIAL CAPITAL



SOCIAL & RELATIONSHIP CAPITAL



- Most Valuable Life Insurance Brand with a brand value of Rs. 3,658 Bn by Brand Finance
- Rs. 650,000 – Online Product Development Costs
- Rs.. 12.5 Bn disbursed in claims and benefits
- Ranked #1 Most Valuable Life Insurance Brand of year 2020
- AA+ brand rating
- Social Media Reach 139,000
- e-Submission of policy proposals in Sinhala, Tamil and English 3,965 proposals
- No of Branches Owned 28 Leased 111
- Rs. 400,000 – Online Marketing and Promotion Campaigns

Our Approach

Success and market growth are the result of consistently implementing a coherent, well thought out strategic agenda over the years. Market leadership is garnered

by taking prudent, wise decisions at both strategic and operational levels and creating a learning culture within the company. Being customer -centric and swiftly responding to consumer needs and expectations taking place in our society and the business

environment, we can retain and build our market positioning. Therefore, being ahead of the curve in terms of local and global insurance trends is imperative to be recognised as a market leader.

The critical success factors that define our market leadership position are as follows:

We encourage our staff to be creative and innovative to adapt to the fast-changing market dynamics. Hence, we promote a culture which fuels new ideas and innovation across our daily operations. There have been several instances where our staff has demonstrated their potential by coming up with 'out of the box' creative ideas.

Aligning with Sustainable Development Goals (SDGs)



SDG Goal	Industry Innovation and Infrastructure
Key Focus Areas in 2020	Investment in IT infrastructure to create greater reach and connectivity. This is a source of competitive advantage and a key business enabler.

Forging Relationships for Life

Year after year we strive to achieve greater sustainability in our operations. We know that efficient, streamlined processes, wise choices in technology upgrades and digital transformation helps us minimize our carbon footprint.

Building on a Strong Foundation

Ceylinco Life’s market leadership in the life insurance sector of Sri Lanka has been an evolutionary journey over many decades. Having been incorporated as Ceylinco Life Insurance Limited on 22 April 2014 the company commenced operations on 1 June 2015. As the successor of the oldest life insurance company in Sri Lanka, the Ceylon Insurance Company (1938), and later the life insurance division of the Ceylinco Insurance PLC, Ceylinco Life brings forth a rich history and heritage in Sri Lankan life insurance sector. Since embarking on our own as the fully owned subsidiary of Ceylinco Insurance PLC in 2015 we have strived to build upon that rich history and the experience and insights into the Sri Lankan market. Since then, we have worked on combining our experience with our strategic imperatives in setting our course and maintaining our market leadership.

Our success today--and the continuous record of being the life insurance market-leader to the nation, is built on the strategic imperatives of a focus on strengthening relationships, a drive towards building a sustainable business that minimises our impact on the environment, a commitment to embrace and invest in technology development and adoption of smart, prudent investing strategies of the shareholders’ funds that have been entrusted to us. Another key driver of our market leadership is our continuing investments to recruit, train, develop and nurture the human capital--both employees and the widespread team of sales agents, that drive the engines of our business.

Extending our geographical presence is critical in spreading the message of life insurance and retirement planning to every Sri Lankan. At the same time, we are empowering our sales force with access to the latest technology and the backup support they need to serve their current policyholders and new prospects in the ways that are best suited to everyone. Digital access and online tools enable our sales agents to reach for further success and contribute towards strengthening our market leadership position.

Technical Knowledge

Being a service organisation, knowledge is one of our most important assets. In addition to the knowledge and experience of our employees and our sales teams, we rely on the specialized expertise of our underwriting team and our actuaries who provide critical support to ensure smooth functioning of our day to day operations.

Increasingly environmentally conscious consumers evaluate companies on our environmental performance. That is how market leadership is directly linked to sustainable business practices and projects. Our 'Go Green' initiatives help us to drive our business towards a greater sustainable future.

As an ethical, value driven business, we strive towards greater success only in compliance with those values. In all our endeavours we forge ahead with PRIDE - professionalism, rewarding, integrity, dedication and a commitment to excellence. The market recognition enhances our goodwill and builds the trust and loyalty among our policyholders, business partners, regulators and employees. This goodwill and the resulting corporate and employer branding inevitably contribute to our success, reinforcing our strengths and enabling us reach towards opportunities in our business horizon with confidence.

Our market leadership position enables us to attract the best business partners and sustain mutually productive ongoing relationships. Strengthening these relationships, as well as our relationships with policyholders in numerous meaningful ways that goes beyond mere cash disbursements strengthens our social and relationship capital, grows goodwill, brand equity and employer branding.

Investing in our people and enhancing their total rewards is an undeniable benefit

of continuing market leadership and the retained earnings that come from it. As we invest in training and development of our people, and the more we focus on engaging their energies and enthusiasm in product and process development as well as worthy CSR projects and the Go Green initiative, our collective intellectual capital and organisational knowledge base grows.

Nurturing Brand Equity

Our brand identity is identified with the name, logo, brand perceptions and the brand affinity. We ensure that our processes and systems adapt to the needs of the dynamic business environment. As a customer-centric brand we keep pace with our customers' evolving requirements whilst aligning our product development processes in line with needs created by demographics shifts in our country.

During the year 2020 with the pandemic impacting the lives of every Sri Lankan, the Ceylinco Life brand conveyed several messages to uplift the public. These included safety steps, tributes to the frontline workers and morale boosting communication.

We engage across many channels of print, media, digital and outdoor to reach out to our target segments. The Company has a formidable social media presence on Facebook, LinkedIn, Instagram etc. (Details are set out in page 73)

Awards and Accolades

Despite the challenging year, our efforts to sustain and nurture our brand value paid off handsomely. We were recognised in a multitude of local and global platforms as follows.

- Ceylinco Life emerged among the Top Most Admired Companies in Sri Lanka in 2020, the only insurance firm making the cut.
- Ceylinco Life emerged SLIM Nielson People's Life Insurance Brand of the Year in 2020. This is the 14th consecutive year we have won this accolade, since 2006.



- Moved up to the #33rd rank in the Brand Finance Sri Lanka 100, amongst the valued brands of Sri Lanka. We managed to retain our AA+ brand rating with a brand value of Rs. 3,658 Mn in 2020, despite a 3% drop in brand value compared to the Rs. 3,754 Mn achieved in 2019. This is a strong affirmation of our brand resilience.



CEYLINCO LIFE MOST VALUABLE LIFE INSURANCE BRAND IN SRI LANKA

- Ceylinco Life was certified as a 'Great Workplace' in Sri Lanka following an independent analysis of an assessment by Great Place to Work®, the global authority on workplace culture. We met the required ratings for this prestigious certification in its first participation in the Great Place to Work® assessment which included the Trust Index® survey, which covered 100 per cent of the Company's full-time employees.



- Ceylinco Life retained its title as World Finance's 'Best Life Insurer in Sri Lanka' in 2020, reaffirming its consistency in performance in a year made adverse for business by the COVID-19 pandemic. Bestowed on the Company for a record seventh consecutive year, the World Finance Global Insurance Award recognises Ceylinco Life as an organisation that is committed to continuously improving its overall processes, efficiency and relationships to serve customers better. The accolade is based on an assessment of multiple aspects of operational performance by the UK-based international magazine that analyses the financial industry, international business and the global economy.



- Ceylinco Life's 2019 Annual Report was ranked among the 10 Best Integrated Reports at the 6th edition of the 'CMA Excellence in Integrated Reporting Awards 2020' presented by the Institute of Certified Management Accountants (CMA) of Sri Lanka. Ceylinco Life has adopted the Integrated Reporting Framework since 2015 subsequent to the segregation of Life and General Insurance into separate business entities under Section 53 of the Regulation of Insurance Industry (Amendment) Act No 3 of 2011, which came into effect that year.



- Ceylinco Life won 'CSR Brand of the Year' Silver at SLIM Brand Excellence Awards. The philanthropic and good citizenship commitments of Ceylinco Life were recognised by the Sri Lanka Institute of Marketing (SLIM) which presented the life insurance leader with a Silver Award in the 'CSR Brand of the Year' category at the 2020 Brand Excellence Awards. Ceylinco Life won this award for the Corporate Social Responsibility initiatives the Company completed in 2019.

Investing in Digital Infrastructure

Investing in technology development is also a strategic imperative of Ceylinco Life. This is so because, an increasingly digital world, competitiveness depends on meeting our customers and prospects where they are and providing quick, easy access to insurance to satisfy their needs. This is just one area in which we are responding to global megatrends that are affecting the life insurance sector and consumers.

During 2020, faced with pandemic related business disruptions and lockdowns, we moved most of our operations online without compromising excellence in customer service, and providing exceptional customer support through online channels and social media. Our achievements across a spectrum of many parameters of success bear testimony for the success of these initiatives. We made extensive use of telephone, Whatsapp and other media to support our customers during the disruptions.

More details about the global megatrends that affect us and our responses to them are outlined in the Strategy and Resource Allocation section of this report in page 27. Extensive details of our digital transformation investments, activities and achievements are noted under the strategic imperative of Transforming Our Business with IT in page 85.



Looking to the Future

The laurels we have earned so far, and our achievements to date alone will not ensure that we would maintain our successful track record of market leadership, market growth and profitability in the future. To keep on winning in the future, as we look forward to 2030 and beyond Ceylinco Life would need to combine a robust but flexible strategic agenda that recognises global trends in insurance, changing consumer needs and behaviours and learning to leverage the latest available technologies to serve our current and potential customers accordingly. This means making forward looking, well-considered strategic choices and wise investments that help us grow the business while balancing the matrix of the Six Capitals and their impact.

Winning creates a virtuous cycle because being the market leader enables us to invest in all of our other strategic imperatives to strengthen our capacity to reach towards greater strength and success in the future.

BUILDING RELATIONSHIPS FOR LIFE

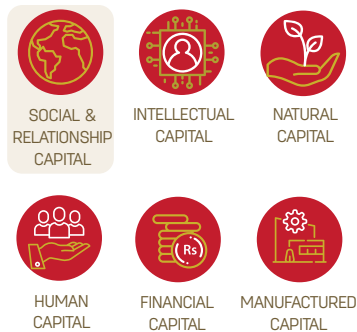
Committed to derisking the future



The relationships we build and nurture with our policyholders, agents, business partners and community at large form the core foundation of the growth and sustainability of our organisation. It plays a pivotal role in achieving business growth and maintaining our market leadership position.



SDG's Impacted Capital Impacts/ Value Created



Value Generated in 2020

Key Indicators

- New Policies in 2020 175,299
- Amount invested in engagement activities with policyholders 42 Mn
- No of Sales Agents 4,084
- Amount invested in classroom projects 1.9 Mn
- Total no of Branches Own network of branches 28
- Supplier payments 1,885 Mn

Our Approach

At Ceylinco Life, we recognise that the enduring success of our business depends on cultivating and nurturing mutually beneficial relationships. This is why strengthening relationships is a strategic imperative for us. From day-to-day operations to strategic decision making and implementation, strengthening relationships with our policyholders, sales agents, suppliers and communities, runs across every thread of organisational life and fabric at Ceylinco Life.

Aligning with UN Sustainability Development Goals (SDGs)



SDG Goal	Good Health & Wellbeing	Quality Education	Peace, Justice and Strong Institutions
Key Focus Areas and Achievements in 2020	<p>Introduction of insurance plans and services which support the financial wellbeing and safety of the nation.</p> <p>Considering the critical phase that the nation was experiencing we introduced several COVID-19 related covers.</p> <p>The Company donated Personal Protection Equipment and medical equipment.</p> <p>The Company maintains High Dependency Units (HDU's) at five state hospitals which have been donated over the years.</p> <p>(More details are set out in page 80.)</p>	<p>Invested a sum of 1.9 Mn to uplift rural schools with classroom facilities.</p> <p>Invested a sum of Rs. 11.5 Mn as "Pranama Scholarships" benefitting 154 students.</p>	<p>As a responsible corporate citizen, we are committed to uphold principles of fair pricing, timely claims settlement and ethical business practices</p>

BUILDING RELATIONSHIPS FOR LIFE

Strengthening Relationships with Policyholders

Our policyholders are an integral part of our business and we strive to engage closely with our policyholders to understand their expectations and evolve our solutions and services accordingly. That is why strengthening customer relationships is a strategic imperative for Ceylinco Life.

We have over the years through our dedicated efforts in taking the message of life insurance and retirement planning, successfully derisked approximately 1 million lives.


Our brand promises to de-risk our customers' ambitions so that they can confidently achieve their life goals and become leaders in life, protecting the relationships most important to them. We believe that the continuing loyalty and the ultimate trust they have placed on our promise has enabled us to reach and retain a leadership position in the Sri Lankan life insurance market.

The customers that we serve can be broadly classified as follows:



Security seekers

Drawn from all levels of society who are driven by a strong sense of responsibility to protect their loved ones.



Progress seekers

Professional, business and affluent segment of society who aspire to reach towards higher ideals and progressive growth.

As we strive to retain our leadership position which is another, we are committed to offering the very best products and services across the spheres of life, medical, retirement and investment plans to suit the evolving needs of our policyholders and their families. Our utmost priority is ensuring to be with our policyholders when they need us most.

We are channeling all our efforts and energies towards delivering on this promise consistently. Our aim is to be true to our promise and be a strength and remain a trusted presence throughout their lifetime and beyond. In doing so, we draw strength from the other strategic imperatives, including market leadership, technology development and our investments in human talents.

Strengthening Relationships During the Pandemic

Our customer engagement objectives during the pandemic stressed the need for meeting immediate customer needs. We sought ways to make things easier. Challenging though 2020 proved to be, Ceylinco Life persisted in maintaining and improving our relationships with existing policyholders. We also found novel ways to reach out to new policyholders and prospects.

Three Month Grace Period

We offered a 3-month grace period to customers on delayed premiums and followed guidance from the Insurance Regulatory Commission of Sri Lanka regarding the non-cancellation of policies and payment of claims during the grace period.

Free Life Cover

During the first wave of the COVID-19 we introduced a free life cover equivalent to the basic sum assured subject to a maximum of Rs. 1 Mn on deaths due to COVID-19 for a six month period.

Immediate Activation of Call Center

We activated our call center immediately upon lockdowns with our staff working from home. We also enabled our sales agents and other staff to work from home and continue business operations during the pandemic.

We kept all Ceylinco Life branches open for limited hours in the areas not affected by curfews or lockdowns.

Simplifying our Processes

We made changes to policy and procedures and sought ways to make things easier to

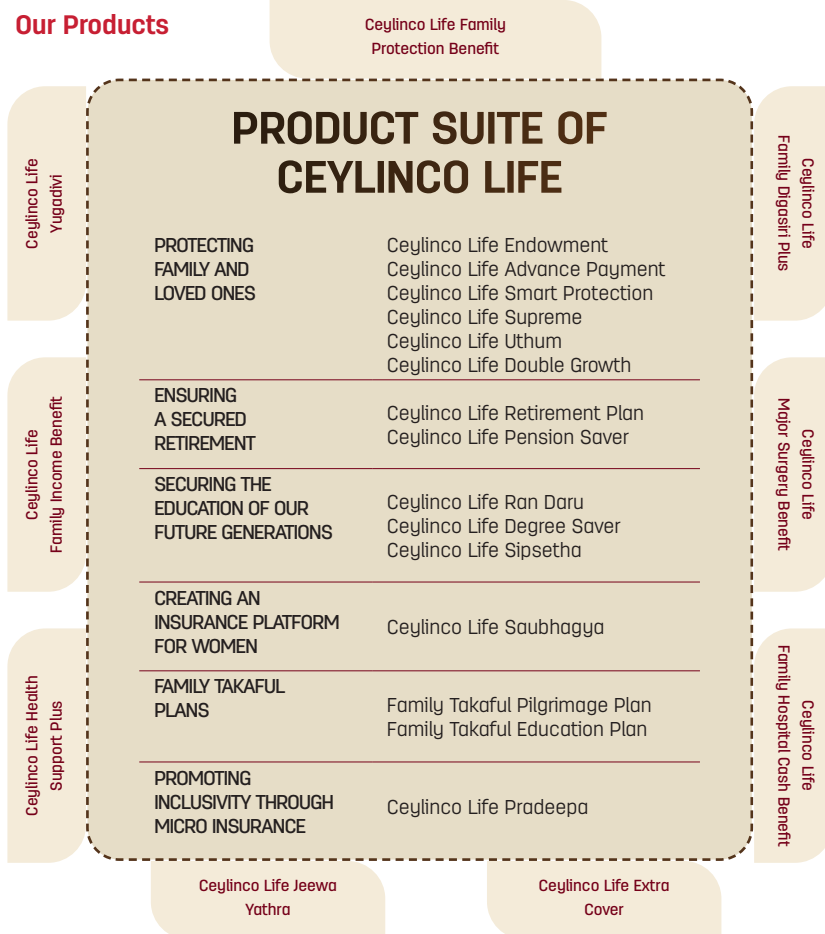
do business with us, even during a pandemic. We changed how we built new relationships. We found new ways to maintain and nurture existing ones. We introduced new products that helped meet immediate needs of our customers and prospects.

New Products – Contactless Insurance

During 2020 we introduced and relaunched a range of contactless digital products that can be purchased via our website with ease.

The strategic context and reasoning for introducing a line of digital products are described in detail in our Strategy and Resource Allocation section in page 26..

Our Products



Takaful Insurance

Recognizing the need to diversify our product range to be inclusive in catering to the varied needs of society, we offer Family Takaful products. Presently, Ceylinco Life is the second largest Takaful operator in Sri Lanka. Ceylinco Life obtains counsel from an independent Shariah Council who has vast knowledge and experience. The Council includes a Chartered Accountant, a former ACJU General Secretary and scholars.

We have developed two Takaful insurance products to date.

Ceylinco Life Family Takaful Education Plan

The plan provides financial benefits to the children of participants to continue their education uninterrupted in-case of an unpredictable event such as premature death or disability of the bread winner. It also stands as an asset that could be made use of in the future for the children's higher education.

Life Family Takaful Pilgrimage Protection Plan

This plan has been designed as an additional supplement on spiritual pilgrimages to Mecca. The plan comes with four options and additional benefits that participants can choose from.

Takaful Charity Programs

During 2020, we have successfully completed two Takaful charity programs to facilitate the educational requirement of the children from rural areas. The first project was to provide a Smart Classroom for the students of Oddamavadi Shareef Ali Vidyalaya, Valachchenai with the purpose of helping them to switch from a traditional to a modern environment. As our second project, we selected Mavadichenai Al-Iqbar Vidyalaya, Valaichenai to renovate two classrooms and upgrading them up to a suitable level for educational activities.

Bancassurance

Sri Lanka's banking sector comprises of 25 licensed commercial banks and 7 licensed special-ized banks. Ceylinco Life focusses on providing insurance solutions to customers of leading banks through Bancassurance services. At present, the Company has part nered mainly with Seylan Bank and Sampath Bank. The insurance plans which fall within the purview of Bancassurance are Advance Payment Plan, Endowment Plan, Sipsetha, Supreme and Uthum.

In addition, Decreasing Term Assurance Policies (DTAP) are extended by Ceylinco Life to provide loan protection in the event of the untimely death of a borrower prior to settlement of the full loan value.

Group Assurance

Ceylinco Life provides group insurance plans to companies and provides group assurance. Suraksha and Suratha are the two main group assurance plans which provides employees within an organisation with life insurance

cover in the event of a death, disability due to accident, sickness and critical illness benefits.

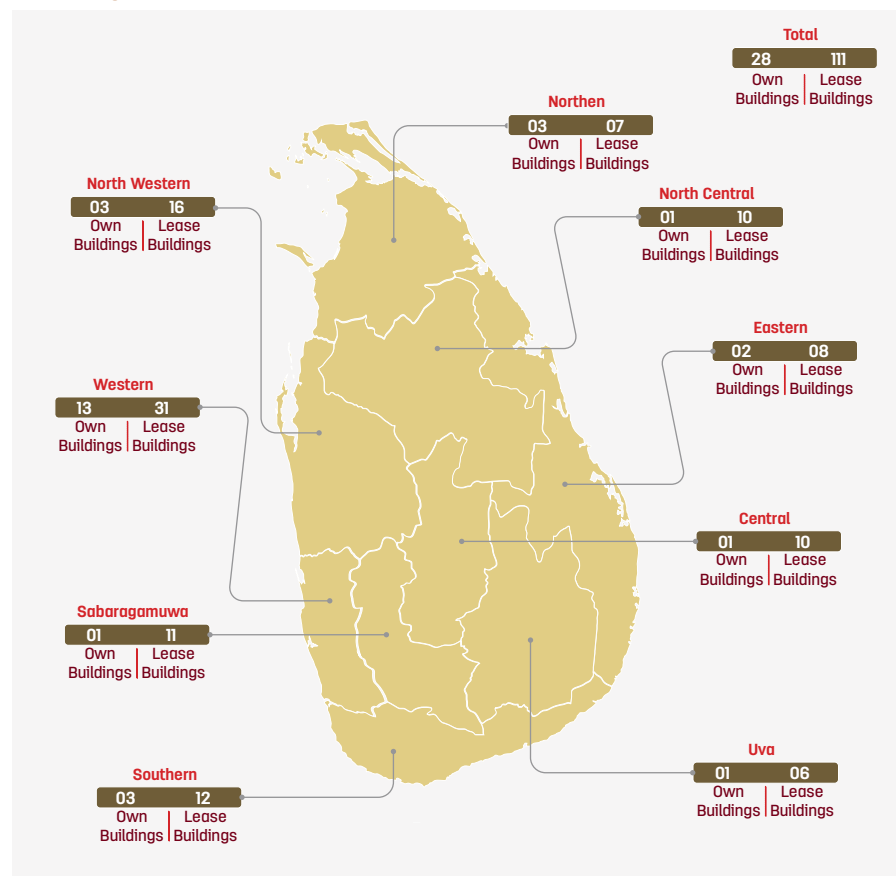
The Ceylinco Life Group Retirement Plan offers a lump sum monthly payment for a group of employees employed in an organisation.

Our Branch Network

Ceylinco Life considers its branch network of 139 branches as an integral part of its value proposition. We invest in building our branch network in a very rational manner considering a multitude of variables. The Company has focussed establishing its presence in hub cities which have the potential to generate business from the towns and villages within its environs.

Our branch expansion strategy is focused on investing in our company owned buildings which accrues two-fold benefits of cost savings and capital appreciation through the enhancement of the land value with time. Furthermore, we believe that establishing and building our brand in our own location creates a sense of stability as well as creating a tangible brand presence within that location resulting in a strong relationship with the community as well.

Our Geographical Reach



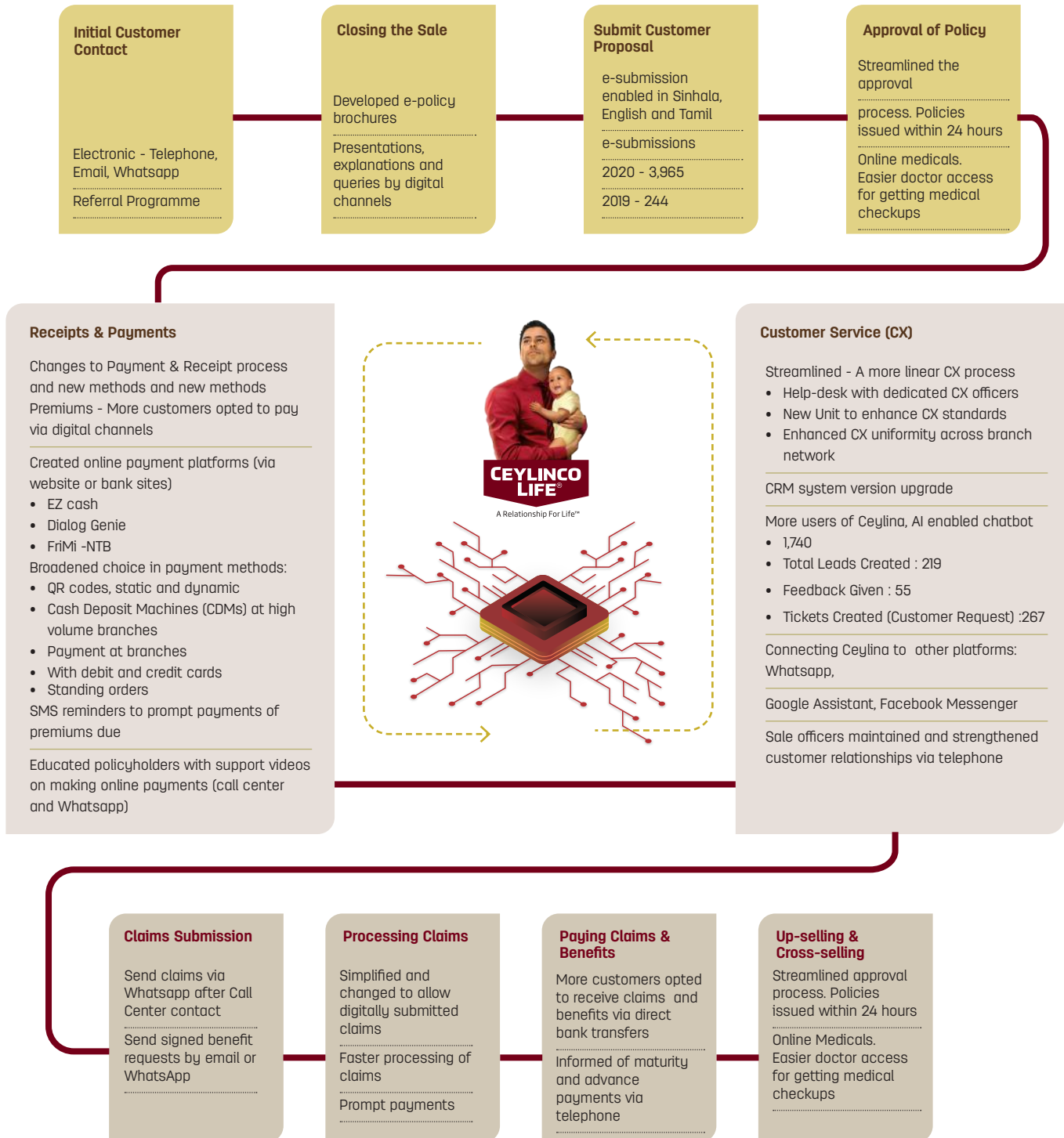
Digital Transformation

As explained in our previous annual reports, Ceylinco Life already had a plan for digital transformation that was being implemented in phases. However, all aspects of those transformation plans had to be accelerated

to enable us to continue our business operations with the advent of COVID-19 and the resulting lockdowns and business closures. We used digital channels to help us reach out to new customers, to keep in touch with existing policy holders. We used our digital transformation process to also

make things easier for everyone, including our customers.

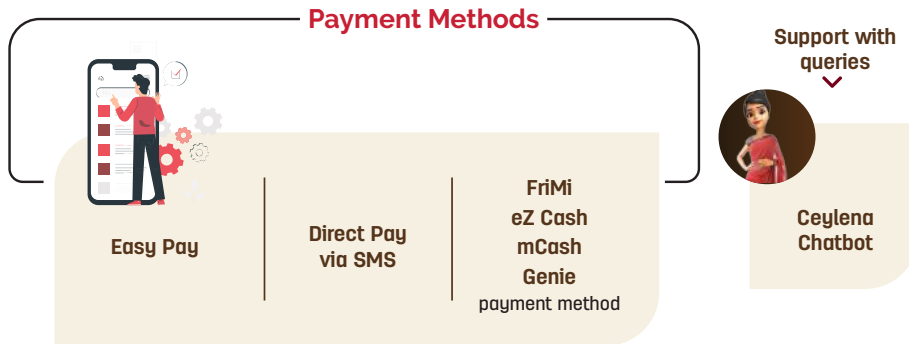
What we changed, and how we changed our business model, processes and procedures to carry on our operations with respect to customer relationships are explained below.



Digital Communications with Customers

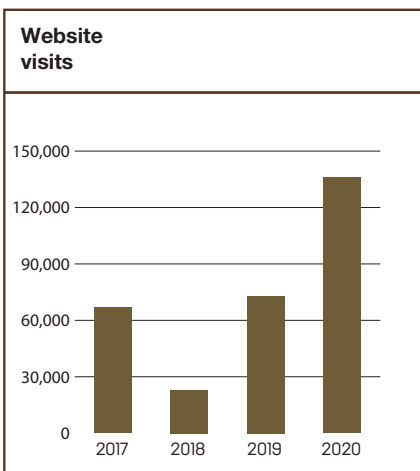
In 2020 many of our communications with customers and prospects across all stages of the sales cycle, from initiating contact to closing the sale and customer service

had to move into the digital sphere. We set up several payment methods for our policyholders to make premium payments and provide support with queries and enquiries considering the restricted mobility due to the pandemic and to ensure added convenience for our policyholders to settle their premiums online.



The most critical aspects of selling an insurance policy, making presentations, sharing and explaining of policy information and calculations and answering customer queries all had to be performed digitally, especially in areas under lockdown orders.

During 2020 the digital footfalls to our online platforms increases exponentially as follows:



Let's ask Ceylena....

- About your existing insurance policy
- Know more about life insurance
- Find the closest branch
- Payment options
- Help you connect with a Sales Agent

Chat with Ceylena

Streamlining Customer Service Structure

In 2020, we streamlined our customer service operations and introduced a new Special Projects Unit to enhance our customer service standards.

New Measures

- Setting up customer service help-desks at head office, staffed by dedicated customer service officers.
- With the help of the Special Projects Unit, monitored the branch customer service standards with a view to improving service standards and maintaining uniformity across the branch network.
- Provided training in customer service quality to all customer service officers beginning with 2019 and up to the first quarter of 2020.

In 2020 we held a 'Best Branch Ambience' competition that selects winners based on staff grooming, branch grooming, service standards on customer service. Thirteen winning branches, have received cash awards from this competition.

Winners of 'Best Branch Ambience' competition

- Alawwa
- Chavakachcheri
- Matara
- Gampaha
- Trincomalee
- Akuressa
- Nochchiyagama
- Ratnapura
- Kurunegala
- Ambalanthota
- Kandy
- Batticaloa
- Panadura

Complaint Handling

Over the years, the complaints we have received range from lapses on the part of the sales agents in collecting premium, to delayed responses to complaints made. Seeing the need to further streamline our complaint handling and management processes and improve response times, we have revamped our contact center architecture. Inbound and outbound operations were clearly segmented and new CRM software was commissioned offering contact center staff a 360-degree perspective in order to manage every stage of the customer interaction quickly and effectively. Once a complaint is received, the CRM facilitates a series of steps to ensure each complaint is reviewed and closed within the IBSL-benchmark 14-day deadline. Through the new CRM platform, customer requests can be expedited by following a set of pre-defined processes to manage the complete customer journey – from the initial request for information to continuous account maintenance and ongoing customer servicing. We are also able to leverage in the advanced functionality of the system to assign a unique tag for each complaint, which gives the customer the ability to track the progress of each of their complaints and request

Description	Total
Brought forward from 2019	120
Number of complaints received	1,146
No of complaints resolved in-house by the Company	1,242
Carried forward to 2021	24

Up-selling and Cross-selling to Existing Policyholders

The newly created Special Projects Unit which oversees customer service across our branch network is required to explore up-selling and cross-selling prospects for existing customers. Our dedicated customer service officers are there to establish cordial ongoing relationships with walk-in customers.

As part of the getting to know customer needs, we are able to offer up-selling and cross-selling ideas to current customers. But going beyond that, we are also seeking to develop relationships with the next generation, building upon the lifetime relationships we have developed with their parents. We leverage the power of data analytics to support up-selling and cross-selling efforts.

Engagement with Policyholders

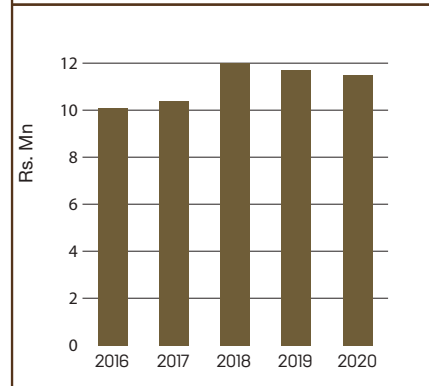
One of the most distinguishing features of Ceylinco Life is that we engage with our policyholders in a deep and impactful manner. With the fervent intent of building a relationship for life, we strive to be closely engaged with our policyholders as they pass important milestones in their life. Two key engagement initiatives that are designed for this purpose is the Ceylinco Life Pranama Scholarships and the Ceylinco Life Family Savari programme. Both of these initiatives have over the years created special bonds between our policyholders, their families and the Company creating lasting brand affinity across several generations.

Ceylinco Life Pranama Scholarships



Since the inception of this programme in 2002 a sum of Rs. 154 Mn has been invested benefitting 2,725 children of our policyholders. This has served as a source of great encouragement for children who have reached academic milestones of Grade Five, O/Level and A/ Level stages. The financial assistance has given the impetus for deserving students to reach greater heights of success. Over the years we have witnessed how this programme has enabled many a deserving student to reach academic brilliance by passing out as doctors, lawyers, engineers and above all good corporate citizens.

Scholarships Disbursed



During the year 2020 too we ventured forth with this programme by investing a sum of Rs. 11.5 Mn which was disbursed among 154 students.

Family Savari Turns to Gold



For 13 years, Ceylinco Life appreciated our policyholders with the Family Savari—fully paid vacations to various local and overseas destinations. Due to the travel restrictions across the globe during the pandemic, we redesigned the 14th edition of this very popular and much anticipated annual engagement activity by bestowing our loyal policyholders instead with gold, a universal symbol of prosperity and perennial value.

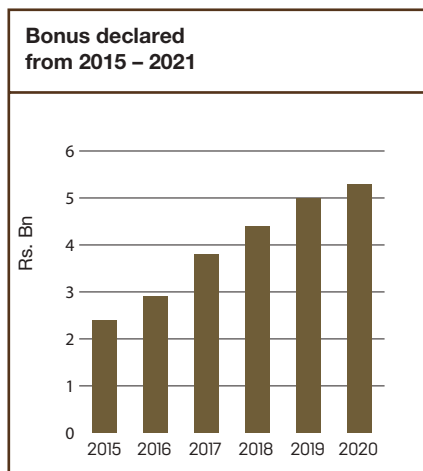
The Family Savari mega promotion for 2020 selects over 600 policyholders drawn from those with active life insurance or retirement plans between September 2020 and August 2021. The gold bonanza would be conducted as six bi-monthly draws, selecting over 100 policyholders at each draw. There will be one grand winner taking home Rs 1 Mn in gold every two months. Another 100 customers will be sharing Rs 4 Mn in gold at each draw.

Ceylinco Life has set aside Rs.30 Mn for this purpose.

Out of the six draws one was conducted in November 2020. The remaining five draws will be conducted in 2021.

Bonus Declared to Policyholders

This year too we declared bonus of Rs. 5.3 Bn. for our policyholders in April and May 2020.



Responsibility in Advertising

Being transparent and ethical in our dealings with our customers and policyholders defines our customer value proposition. Hence all our advertising and promotional material are designed clearly included with all disclosures mandated by the IRCSL.

Our policy document which is the legally binding agreement between the policyholders and the Company are also documented in a manner which can be clearly interpreted in a court of law. We continuously review these documents to make improvements to our policy disclosures by taking the feedback from our sales team and customers. Our policy documents are available in Sinhala, Tamil and English.

There were no incidents of non-compliance concerning product and service information and labelling.

Customer Privacy Management

We strongly believe in the responsible use of information we collect about policyholders and have implemented strict policies and procedures to protect the confidentiality and security of personal information in compliance with all data security laws. This includes restricted access protocols to ensure customer information is available

only to those who need it to perform their job. For instance, as per our structure, sales personnel are given access to only the respective policies handled by them, while supervisory unit heads and branch heads have access selects policy numbers and cannot access personal information. At the same time, we continue to invest in the latest physical and technical safeguards with a view to protecting the privacy of customer information. There were no incidences of breaches of customer privacy reported during the year.

Serving our policyholders with PRIDE

At Ceylinco Life we are guided by our business values – PRIDE; Professionalism, Rewarding, Integrity, Dedication and Excellence. At every 'Moment of Truth' with our policyholders and other stakeholders we strive to epitomise our values through our conduct. Considering the nature of our business we gather personal and sensitive data about the policyholders. We value the need of our policyholders for privacy and all confidential information is maintained with utmost care and confidentiality.

Anti-Corruption

It is our policy to conduct our business in an honest and ethical manner. We take a zero-tolerance approach to bribery and corruption and are committed to acting professionally, fairly and with integrity in all our business dealings and relationships, wherever we operate and implementing and enforcing effective systems to counter bribery and corruption. In 2019, Anti-Corruption and Bribery Policy was approved by the Board of Directors. There were no incidents of corruption reported in 2020.

Compliance with Rules and Regulations

There were no incidents reported of non-compliance with regulations and voluntary codes of conduct in 2020. Furthermore, there were no incidents reported of litigation filed against the Company for anti-competitive behavior, breach of trust and monopoly practices.



Looking to the Future

Expanding Use of Digital Channels

We plan to enhance the usability of Ceylena, our artificial intelligent chatbot during 2021. The goal is to seamlessly connect Ceylena to other digital platforms including Whatsapp, Google Assistant and Facebook Messenger so that our customers and prospects can access knowledge and information directly from their favourite social media channel.

We will also explore how we could enhance our customer engagement efforts through digital media. The rationale for this move which is critical for future success has been explained in the section on global megatrends in page 27.

Comprehensive Policy Review

During 2021 we are planning to conduct a comprehensive policy review of over 1 million of our customer policies. A new system will be put in place to capture the information on our customers so that we are better able to understand and proactively meet our customer needs.

Extensive Use of Data Analytics

The biggest change in enhancing customer relationships in the future will come from our ability to use data analytics to find the best ways to link with and serve our existing policyholders and the next generation, their children and grandchildren.

The planned comprehensive review of policies and policyholder information will provide us with customer data to enhance our up-selling and cross-selling prospects to existing customers. We will also explore how we can use granular data on our customer base to up-sell and cross-sell as a way to increase market penetration not just in life policies but also for medical insurance and retirement plans.

Empowering our Sales Agents

Value Generated in 2020 Key Indicators

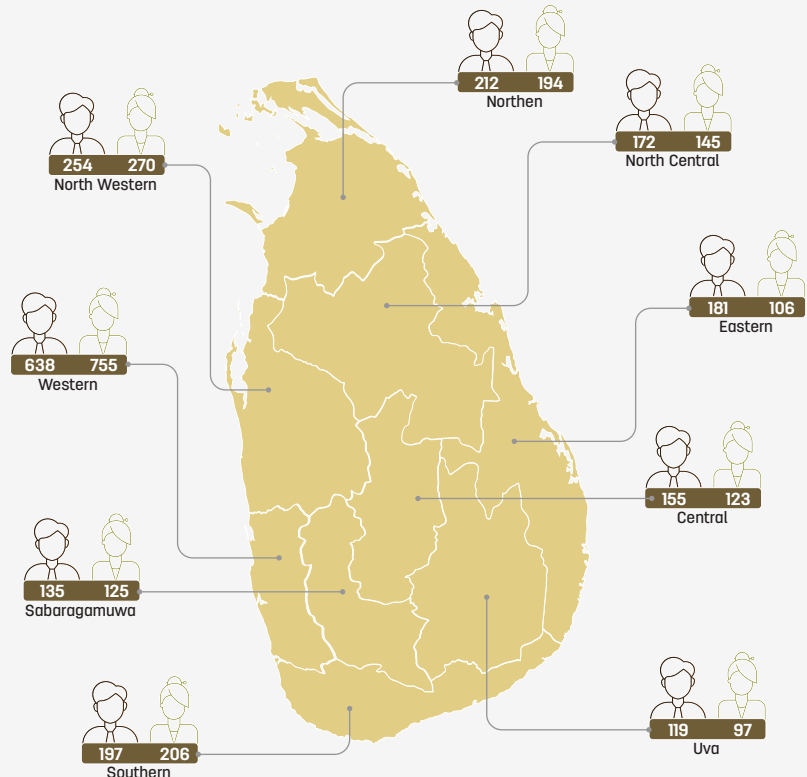
- Sales Agents 4,084 (2019 – 3,467) - Increase of 18% - Male 51% | Female 49%
- Digitally empowered sales team
500 Tab Issued during the Year | 2,469 tabs issued to date | 1018 active Sales Officers working remotely | All Heads of Branches and Unit Heads work on Tabs & laptops
- e-Submissions
all three languages (English, Sinhala and Tamil) | 900 agents enabled with e-submission facility at end of 2020

Our Network of Sales Agents

Our field sales force is our eyes and ears on the Sri Lankan soil. They promote our life insurance, investment and retirement products and enable us to serve close to one million customers across the nation. By end of 2020, Ceylinco Life's 4,084 strong sales agent network was the largest in the industry. Working through our network of 139 branches, they create a formidable presence for Ceylinco Life in every district in Sri Lanka. Their commitment and collective skills have enabled us to retain our leadership position in the life insurance sector for the past 16 years. This is how strengthening relationships with our sales agents has become a strategic imperative for Ceylinco Life. Our strong and ongoing relationships are a critical component of our success. Undoubtedly it is they, it is they, our valued sales agents, who are at the forefront of our efforts to build, nurture and strengthen our relationships with new and existing policyholders.

Sales agents by Province

(Total at 31 Dec 2020 was 4,084)



The year 2020 recorded a 178% increase in the number of sales agents compared to 2019. This was a great achievement, realized while facing the many restrictions imposed by the COVID-19 pandemic that affected several key districts intermittently throughout the year. The lockdowns were more severe in the Western Province, which brings in approximately one third (34%) of premium income.

The COVID-19 related lockdowns and social distancing requirements posed a major challenge to our insurance agents spread across the country. Being the talented team they are, they rose to the occasion, with the support of available technologies and online platforms and performed exceeding expectations during the year shadowed by the pandemic.

The pandemic changed both how we worked with our agents and how they in turn interacted with prospective and existing policyholders across the nation.

Performance Based Rewards

Ceylinco Life Agents benefit from well-structured, time-tested systems for performance-based rewards

Training & Development

At every stage of the career to empower the drive for success. Bold letters to be looked at.

Encouragement and support to participate in professional exams - Master Financial Advisor (MFA)

For Aspirants to High Flyers Club & Million Dollar Round Table (MDRT) Mentoring, special training and networking support for those aspiring for MDRT status or join the High Flyers Club

Engagement Events

Annual Family Events

- Family get together for our agents and their family members is an annual occurrence
- In 2020, this event was not held due to COVID-19 restrictions on gatherings.

Awards & Recognition

Annual Awards Ceremony
Mid-Year Awards Ceremony

We celebrate the winners of external awards at our company awards events

- Million Dollar Round Table (MDRT) achievements
- National Sales Congress (NASCO) Awards
- National Association For Life Insurance Agents (NAFLIA) Awards

Training and Development

Training and development activities continued in 2020 despite the pandemic related closures. However, we moved about 20% of these programmes online. Some sessions were only conducted online.

We invested Rs.. 53 Mn in training sales agents during 2020, adding in conducting 351 training programs.

List of Training Programs with Number of Sales Agents Participating

Name of the Training program	No of participants	No of trainings
Agent Orientation	525	22
Basic Sales Skills Course	519	26
Cross Road	164	26
Health Support	152	25
Know Your Product	145	10
Leadership Skills Course	758	42
Management	299	40
Sales Refresher	5122	116
Skill Sharpening	688	44

Takaful Sales Force Training and Development

Ceylinco Life provides a comprehensive training for the sales force of the Takaful business, enhancing their knowledge and sharpening their skills to match current business conditions. New recruits are given a three-day Induction Training Program every month. We conduct a bi-annual review as an opportunity for the members of the Takaful sales force to help them identify and correct their own weaknesses and to learn from the most successful sales agents in the Company.

We select Takaful Star in each month and display his or her photograph in our intranet to recognise their achievement and to further motivate them.

Name of the programme	% of Online Programmes	No of Programmes
Sales consultant refresher training	50%	15
Cross Road Management	50%	5
e-Submission	5%	1
Direct payment methods	20%	20
Special training programmes for H/O staff	100%	25
	100%	1

Awards and Recognition

From recruiting and beyond, Ceylinco Life has integrated well-structured, time-tested systems for performance-based rewards and recognition and for training and development. We know that our agents' success is our success.

This is also why we recognise the successes of our agents each year with annual and mid-year awards ceremonies. We empower their drive for success with training and development programmes at every stage of their career.

- 135 Ceylinco Life agents qualified for the Million Dollar Round Table (MDRT) status in 2020 (55 in 2019)

We encourage those who seek to join the Highflyers Club to achieve the Million Dollar Round Table (MDRT) status, with mentoring and networking opportunities they are able to hone their skills further. During 2020, 135 Ceylinco Life agents qualified for MDRT status compared to 55 in 2019, recording a 144% increase.

AWARD WINNERS

Ceylinco Life’s position at the helm of the industry offers many opportunities for our sales professionals to excel with the backing of our valued brand that has gained the trust and confidence of Sri Lankans for over three decades. Those with professionalism, passion and commitment use these opportunities to succeed within an intensely competitive sector.

MDRT MEMBERS of CEYLINCO LIFE

135 Ceylinco Life agents qualified for Million Dollar Round Table status in 2020



M. Priyaviraj of Ceylinco Life achieves the prestigious Top of the Table status at the 2019 Million Dollar Round Table (MDRT)

M. Priyaviraj, who has qualified for the Million Dollar Round Table (MDRT) thrice on the basis of his commission income, became the only Sri Lanka to achieve Top of the Table designation based on his 2019 commissions.

Priyaviraj, a member of team Corporate Sales, joined the Ceylinco Life Sales Force in 1989.

He has won the Bronze Award in the 'Frontliner' Category for Life Insurance at the 2017 National Sales Congress (NASCO) Awards presented by the Sri Lanka Institute of Marketing (SLIM).



A.I.P Manjula of Ceylinco Life qualifies for Honor Roll of MDRT for meeting qualification criteria for 15 years.

A. I. P. Manjula of Ceylinco Life joined MDRT top performers list for 2019, by qualifying for the association’s 'Honour Roll' by meeting MDRT qualification criteria for 15 years. He joins the 6,200 strong elite group of life insurance sales professionals in the world.

Manjula, who is attached to Ceylinco Life’s Ambalantota 2 branch, was accorded the honour of being Sri Lanka’s flag bearer at the 2014 MDRT Conference. He was inducted in to the Ceylinco Life 'Hall of Fame' in 2018, receiving a Mercedes Benz C Class car for his performances and contributions to the company.

Corporate Awards Ceremonies

We held both the mid year and the annual awards ceremonies during 2020.

The annual awards ceremony was held at the BMICH on the 15th of March 2020 before the nationwide lockdown with Bathiya and Santhush providing the entertainment acts. The Mid year awards was held at Amaya Hills Kandy.

Meeting COVID-19 Challenges with Digital Transformation

Here’s how we adapted each aspect of our interactions with our sales agents to meet the challenges posed by the pandemic. Many other aspects of digital transformation affecting customers have been outlined under the section on strengthening relationships with customers (page 72).

Recruiting & Onboarding

Introduced online training module.
All materials on company intranet

Parallel online & face to face sessions at 35 cluster centers covering 139 branches.
Typically conducted face to face only.

Online pre contract exams
Typically conducted at centers using tab or laptop

Training & Continuing Education

Shift towards online training
20% of all Agents training conducted online

Created online training versions for exams
For Unit and Branch heads & other agents
For Master Financial Advisor (MFA)

MFA Professional Exams
Conducted over Zoom
Automated Registration for MFA exams

Recruiting & Onboarding

Accelerated pace for digital transformation in the sales process
2,469 tablets issued to date

e-submission in all three languages
(Sinhala & Tamil versions in 2020.)
900 agents e-submission enabled by end of 2020

Enabled digital premium collection & bonus and claims payouts (Details under customer relationships)

Introduced Cash Deposit Machines (CDMs) at selected branches. CDMs automate collection sheets enhancing agent productivity



Looking to the Future

Plans for the future include:

- Empowering sales agents with tablets with access to sales apps, intranet and e-submissions.
- Expansion of online training prospects.
- Total number of training hours per sales agent
- Investment in training and development (training budget spent on training and development activities)
- Increased of technology for training – self-paced learning using digital devices

BUILDING RELATIONSHIPS FOR LIFE

Contributing to Our Community

Our Approach

Ceylinco Life believes in being an ethical, socially and environmentally responsible corporate citizen. Beyond sharing the fruits of our success by contributing a significant portion of our value added to the national coffers, we strive to cultivate and nurture relationships with the Sri Lankan community at large. As such, Ceylinco Life will continue our endeavours to forge stronger relationships with the Sri Lankan community at large.

In striving to strengthen our relationships with the community, we have chosen the Sustainable Development Goals of Good Health and Wellbeing and Quality Education as our focus areas for corporate social responsibility (CSR) activities.

In 2020 too, despite the disruptions and challenges posed by the pandemic, we engaged in our scheduled annual initiatives of building classrooms. Free medical clinics (Ceylinco Waidya Hamuwa) were suspended

for the time being due to the pandemic conditions and the restrictions on gathering people in large numbers.

Due to the overarching role COVID-19 pandemic played in the areas of health and wellbeing of Sri Lankans, we also contributed towards the efforts of the Government in pandemic control by donating two non-invasive ventilators and a variety of personal protective equipment (PPE) to medical workers and the police.

Value Generated in 2020

Key Indicators

- Donation of two Non-invasive Ventilators to the COVID-19 Presidential Task Force worth Rs. 1,94 Mn in April 2020
- Donations of PPE
Surgical boots to the Infectious Diseases Hospital – March 2020 | Surgical Masks to the Medical Staff at the Jaffna Teaching Hospital PPE to 111 police stations in the Western Province – November 2020 | Surgical masks for the use of the Police Officers in the Ampara District - December 2020.
- Lifesaving medical equipment to two hospitals in Jaffna's Vadamarachchi region (Rs. 2.5 Mn)
- Renovation and re-equipping the Day Chemotherapy Unit for the treatment of cancer patients at District General Hospital Trincomalee (Rs. 1.6 Mn)
- Maintenance of High Dependency Units (HDUs) at five national hospitals. A special three-member Ceylinco Life team follows up and coordinates the upkeep of these previously donated HDUs.

Construction of Classrooms

During 2020, we completed the construction of two classrooms, our 82nd and 83rd classrooms, in a long-standing project. The total investment amounted to over Rs. 1.9 Mn.

Before the construction of these classrooms, the children of these schools studied in the garden area or in improvised classrooms. With the donation of well-equipped classrooms, Year 5 students who are preparing for the government scholarship exam can focus on learning activities without disturbances. Hence this donation had a far-reaching impact on uplifting the education levels of rural students.



82ND CLASSROOM

Sri Dammajothi Primary School, Helamada, Kegalle District

Coordinated by Warakapola Branch. for use by Grade 5 students in 2021

No of students benefited: **169**

Opening Date: **17 Dec 2020**





83RD CLASSROOM

G/Thanabaddegama Anagarika Dharmapala School, Elpitya, Galle District.

Coordinated by Elpitya Branch for use of Grade 5 students in 2021

No of students benefited: **280**

Opening Date: **15 Dec 2020**



Takaful Charity Programs

During 2020, we successfully completed two Takaful charity programs in rural areas to improve the education needs of children.

Smart Classroom - Oddamavadi Shareef Ali Vidyalaya, Valachchenai

The smart classroom would help the students of Oddamavadi Shareef Ali Vidyalaya in Valachchenai switch from a traditional to a modern learning environment.

Classroom Renovation - Mavadichenai Al-Iqbal Vidyalaya, Valaichenai

We renovated two classrooms in Mavadichenai Al-Iqbal Vidyalaya in Valaichenai, improving their facilities to establish a suitable learning environment.

Good Health and Wellbeing

Day Chemotherapy Unit

During 2020, we donated a fully renovated and re-equipped Day Chemotherapy Unit to the District General Hospital Trincomalee for the treatment of cancer patients at a cost of Rs. 1.6 Mn.

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



Life Support Medical Equipment

In September 2020, we donated lifesaving medical equipment to the value of Rs. 2.5 Mn to two hospitals in Jaffna's Vadamarachchi region to coincide with the opening of our new branch building in Nelliady.

Infant incubators - Base Hospital in Point Pedro

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

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

Equipment for treating dengue patients - Valvettithurai Divisional Hospital

We donated a pulse oximeter with SpO2 sensor, pulse rate monitor, perfusion index, displays for continuous end-tidal carbon dioxide values, and an M20 patient cable. These are all essential for the treatment of dengue patients. Established in 1947, the Valvettithurai Divisional Hospital is ranked fifth among all hospitals in the Jaffna peninsula and treats approximately 6,750 patients a month.



Before receiving these items, the hospital had to transfer approximately 15 patients a month to other hospitals due to the lack of equipment in its Emergency Treatment Unit (ETU). Our donation will help remedy this situation and offer more comprehensive treatment to dengue and emergency cases. On average, 25 patients are admitted to its ETU monthly.

Maintenance of the High Dependency Units

Before 2020, Ceylinco Life had donated High Dependency Units (HDUs) to five government hospitals — Lady Ridgeway Hospital (LRH), National Hospital of Sri Lanka, Jaffna Teaching Hospital, Colombo South Teaching Hospital, Kalubowila and the Kandy Teaching Hospital. The Company reinforced its commitment to maintain these HDUs in 2020 as well.

A special team is responsible for monitoring maintenance needs and coordinating maintenance and upkeep of equipment according to contracts with suppliers. Our regional managers make an annual visit and provide feedback. The cost of the maintenance varies depending on necessity.

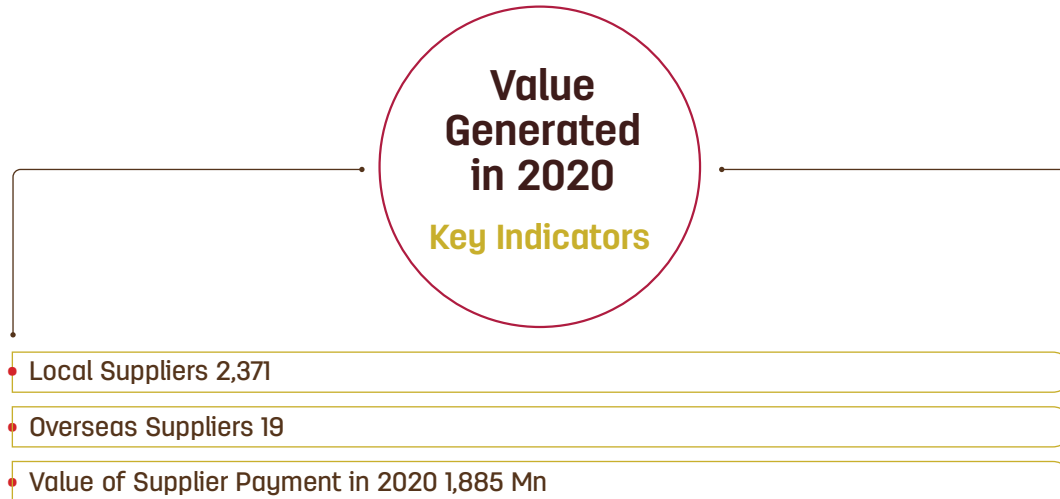


Looking to the Future

In 2021 we are planning to organise 9 CSR projects in the themes aligned to UNSDG covering nine provinces.

Collaborating with Our Suppliers and Business Partners

We work together with a host of business partners, as we strive for success to retain industry leadership. The Company is committed to nurturing win-win relationships with its business partners, with the objective of generating long-term shared value.



Our Business Partners are as follows:

- Suppliers
- Banks and financial institutions
- Reinsurers
- Bancassurance partners

Strong partnerships with business partners create a sustainable competitive advantage. Recognising this, we have over the years committed to building a strong supplier management process which is collaborative and competitive. During the year under review there were a few changes to the supply chain activities / suppliers of the Company mainly in response to the pandemic situation as follows:

Cleaning Services

The workload of our cleaning suppliers increased in view of the sanitizing measures adopted to conform with COVID-19 safety guidelines. Furniture, fittings, carpets as well as laptops and telephones were sanitized on a regular basis. Additional fumigation and sanitizing activities were outsourced and conducted frequently.

Printers and Stationery Suppliers

Our stationery suppliers may have seen a drastic reduction in amounts of paper used, and consequently the size of orders, from February 2020 onwards till the end of the year contracted because company wide, many operations moved online and went digital.

We maintained buffer stock of one month of essential stationery supplies during the first wave of COVID-19. These buffer stocks were reduced later on as our suppliers resumed their operations as usual.

Payments to local suppliers

Rs. 1,442 Mn

Payments to Foreign

Rs. 443 Mn

New business partners registered

1,137

Premiums Credited, to reinsurers

Rs. 505 Mn

Evaluation Process of Business Partners

Ceylinco Life follows comprehensive process whereby all business partners go through a comprehensive screening process prior to registering them as a supplier. We strive to build long-term collaborative partnerships with suppliers who share our values.

The key factors that drive our relationships with suppliers are as follows:

- Deal with suppliers in good faith, in an ethical and responsible manner making payments in accordance with agreed terms.
- When all other requirements remain equal, give preference to suppliers that demonstrate a commitment to sustainably manage their business performance, with complementary values.
- Set clear expectations for our suppliers regarding their sustainability, performance and embed minimum requirements within supplier contracts.
- Employ appropriate methods for assessing the performance of our key strategic suppliers and monitoring their progress over time.
- Encourage our key suppliers to invest in environmentally and socially responsible systems to improve the sustainability performance of their businesses.
- Actively engage with key suppliers and provide data and other relevant information to enable innovation and the development of products that meet our aspirations. We believe that this approach results in mutual benefit and enables us to make best use of the knowledge and expertise of our

suppliers.

While price, quality and service levels continue to be key evaluation criteria in our supplier selection process, more recently we have begun focusing on screening suppliers to ensure that they meet the requirements of safety, and environmental standards as well. We conduct site visits of our suppliers which enable us to verify information provided by the supplier and further support our assessment programme.

Key Suppliers Evaluation Criteria

- Environment regulation compliance
- Management capability
- Financial stability
- Employees capabilities
- Production scheduling and control systems
- Cost structure and e-commerce capability
- Total quality performance, systems and philosophy
- Supplier's sourcing strategies, policies and techniques
- Process and technological capability
- Potential to build long-term relationships

Supplier assessments are carried out by the Central Procurement Unit, with all suppliers who qualify under the above criteria being registered in our supplier database. The database is updated annually.

A markedly different process is followed for the selection of contractors for construction of buildings. These are handled on a case-by-case basis through a tender process. All tenders are reviewed by a specialized cost consultant, while a special advisory panel further reviews the credentials of each contractor for compliance with the Construction Industry Development Authority (CIDA) guidelines. These recommendations are submitted to the Board for final approval. Three successful tenders were awarded in 2019.

Local Sourcing

While our procurement process is mostly centralized, there are instances when we do engage the services of small-scale local suppliers with the intention of supporting local communities in and around our branch network. Local sourcing activities are limited to various maintenance and upkeep activities such as janitorial services, tea services, electrical maintenance etc.

Monitoring of Suppliers

We constantly monitor our procurement process by reviewing the contractual documents such as procurement contracts at regular review meetings and by carrying out site visits on a regular basis.

In accordance with our company policy of sustainability we make sure that our suppliers also adhere to acceptable environmental standards. There were no incidents of our suppliers engaging child or forced labour. During the year under review there were no negative incidents reported pertaining to the supply chain.

Building relationships of trust with our suppliers

A significant number of our suppliers have been dealing with us for a considerable period and hence over time we have developed time - tested partnerships built on trust. This is in line with our corporate philosophy wherein we strive to build relationships of mutual trust with our suppliers in the long term.

COVID-19 Related Changes

In 2020, our relationships with suppliers of goods and services had to be reset and changed in a number of ways this year in view of the COVID-19 related lockdowns and other changes.

- Many face-to-face interactions had to be limited. Meetings and discussions shifted online or were conducted over the telephone.
- The usual periodic visits, workshops and training, including overseas training sessions by our reinsurers were replaced by online sessions in 2020.
- All third parties including suppliers were prevented from entering office premises and essential services were restricted only to floors providing indispensable services.
- All were encouraged to use surgical gloves when working, cleaning up as well as in handling documents and correspondence.

- Masks were mandatory as was handwashing at the entrance. We provided hand washing facilities and sanitizers at head office and at branches. Personal protective equipment were provided as necessary to those facing higher levels of exposure.
- Visitors, just like employees, were requested to register to the "Stay Safe Mobile App" introduced by the Government. QR stickers were placed at the entrance to the head office to enable faster entrance.
- All were required to be subjected to temperature checks and their details were recorded manually on a register.

Reinsurers

The relationship between Ceylinco Life and its reinsurance partners is pivotal as it provides additional safeguards to absorb potentially high value risks and in doing so creates a platform to scale up operations and drive our growth objectives.

Although there was no special cover for COVID-19 related claims, our reinsurers supported us by covering the claims. They provided us guidelines on developing business resilience and adoption of best practices.

Given the crucial role played by the reinsurer, we maintain relationships with three of the worlds' leading reinsurers; Munich Re of Germany, Swiss Re of Switzerland and Reinsurance Group of America (RGA). Munich Re and Swiss Re are top ranked reinsurance companies. Munich Re in Germany, founded in 1880, is the world's leading reinsurer, employing over 40,000 people worldwide. Swiss Re, based in Zurich, Switzerland is the world's second-largest reinsurer. In business since 1863, Swiss Re operates through offices in more than 25 countries. RGA is one of the largest global life and health reinsurance companies. RGA supports clients around the world through innovative and customised solutions.

Our long-standing relationship with our reinsurance partners spanning 20+ years has benefitted Ceylinco Life in numerous other ways as well, most notably the knowledge sharing sessions that have enabled us to stay updated with the latest

global trends, while their training programs on disciplined underwriting, prudent portfolio management, innovative product development continue to enhance our capacity and increase our leverage in Sri Lanka's highly competitive life insurance market

The ceded gross premium represents the portion of risk of insurance policies that are transferred from the primary insurer to the reinsurer. This is exchanged for a predefined premium. The gross premium ceded to reinsurers during the year under review is Rs. 505 Mn.

Reinsurer	2020 Rs. Mn	2019 Rs. Mn	2018 Rs. Mn
Swiss Re	269	320	316
Munich Re	197	195	139
RGA	39	35	2
Total	505	550	457

Reinsurance Ratio

Reinsurer	2020 Rs. Mn	2019 Rs. Mn
Premium income excluding retirement and endowment products (Rs. Mn)	17,357	15,330
Reinsurance gross premium ceded including catastrophe cover (Rs. Mn)	505	550
Reinsurance ratio (%)	2.9%	3.6

Actuaries

Our inhouse actuarial team works with our long-term consulting actuaries, Willis Towers Watson India Private Ltd, a leading global consulting firms that we have been working with for the past 30 years. Most of the actuarial work, including validations, running of liability models and surplus calculations are done inhouse.

Our year end valuations are based on figures provided by the finance division and audited by our external auditors. Results of the internal calculations are sent to Willis Towers Watson India for review. Our appointed actuary, Vivek Jalan, based in India signs off the year end valuations. Once this is done, the Chairman and the Board signs off on the surplus that can be transferred to profits. Quarterly valuations are signed off by our inhouse actuaries.

Membership of Associations

Insurance Association of Sri Lanka (IASL)

The Insurance Association of Sri Lanka (IASL) is the apex organisation of the insurance industry in Sri Lanka which formulates and takes up joint industry initiatives. The Association coordinates and corresponds with the Insurance Regulatory Commission of Sri Lanka (IRCSL). There are seven sub-committees which function under the stewardship of the Executive Committee. These seven subcommittees are represented by officials of Ceylinco Life Insurance Limited.

Sri Lanka Insurance Institute (SLII)

The Sri Lanka Insurance Institute is the only educational body for those in the local insurance field. It was established in 1981 to enhance professionalism in the practice of insurance in Sri Lanka and develops the necessary human resources in insurance and other related financial services. The Institute was established to fulfill the need to create and autonomous educational body devoted to enhancing the standards of the insurance field in Sri Lanka.



Looking to the Future

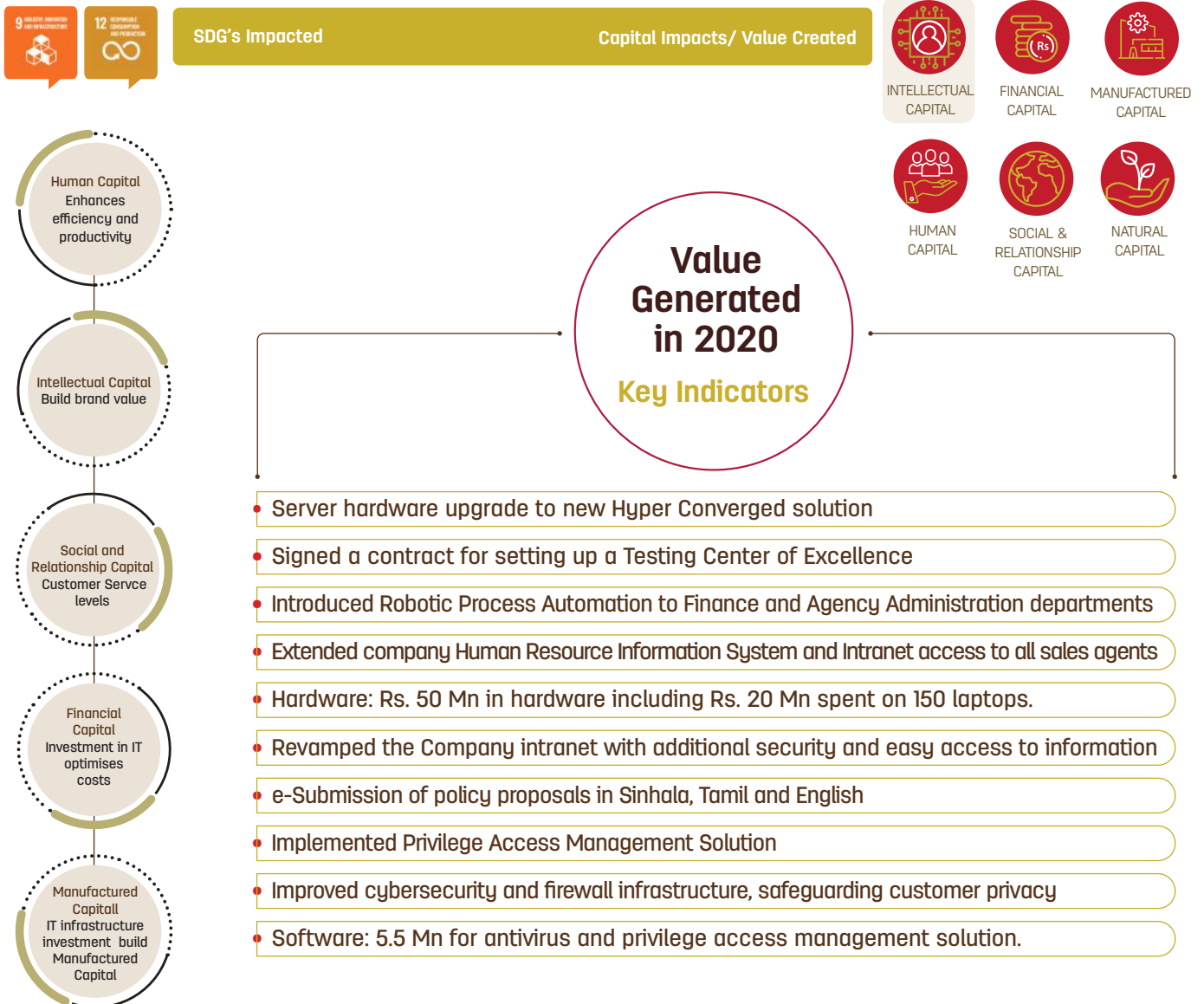
We will continue to work with our current business partners going forward and bring our relationships to a more natural stance once the pandemic is behind us. Until then, we will strive to work closely with our valued suppliers and count on their high-quality products and excellent levels of service. The Company will continue to invest in developing and nurturing strong relationships with the policyholders, sales agents, the community and business partners. Venturing forth by harnessing the power of IT the Company will move ahead to deliver fast and superior customer service levels. This will be a unique differentiator and would enable the Company to maintain its market leadership position.

TRANSFORMING OUR BUSINESS WITH IT

Leveraging Information Technology



Digitization is a strategic focus area for Ceylinco Life. We have been in the forefront of digital transformation in the insurance sector and continue to invest in technology to improve customer experience and enhance efficiencies. We aim to accelerate our digitalization initiatives enabling our customers to seamlessly transact with us.



Our Approach

Adoption of new technology and innovation is a strategic imperative. Market competitiveness increasingly depends upon the level of technology sophistication. Hence Ceylinco Life must keep a laser focus on digital innovation and explore emerging technologies along with the competitive use of data for delivering customer service excellence. With technology and innovation as a strategic imperative, we are positioning ourselves as a progressive and technologically driven insurance provider in

the highly competitive life insurance sector in Sri Lanka.

Acceleration of Technology Adoption

During the year 2020 most of our operations moved online. We were at the forefront in embracing digital transformation into our operational processes including making our products and services available online. As a result, amid the lockdowns and disruptions, we were well placed to swiftly transition our operations online.

During 2020, our progress along the digital transformation process proved vital in helping us shift to remote work. Our existing online and digital platforms ensured that many of our employees were well placed in carrying out their job duties in these platforms while our sales force remained connected with existing and prospective policyholders. Hence, our strategic focus was on accelerating the pace of pre-planned transformation and moving forward timelines.

HOW WE LEVERAGED TECHNOLOGY IN 2020

The benefits that Ceylinco Life gained from each type of new technology adoption can be divided into ten categories.

1. To change how we **COMMUNICATE**
2. To be **ORGANIZED** and improve employee and agent **EFFICIENCIES**
3. To improve **PRODUCTIVITY & EFFICIENCY** of operations
4. To **COLLABORATE** & enable **REMOTE WORK**
5. To help **MANAGE COSTS**
6. For smart, prudent **INVESTING & STRATEGIC MANAGEMENT**
7. Offer **CUSTOMIZING** options to customers
8. To offer **MORE CHOICES** to customers, agents and employees
9. To **REDUCE RISK** of security breaches
10. For environmental & business **SUSTAINABILITY**

The following table includes technologies adopted in both 2019 and 2020 and demonstrates which of the (ten) benefits we derived from each technology investment. This shows that we were already on a good footing to meet the challenges that came with COVID-19 and WFH needs.

IT investments that benefited us during 2020	1 COMMUNICATE	2 BE ORGANIZED	3 PRODUCTIVITY & EFFICIENCY	4 COLLABORATE & REMOTE WORK	5 MANAGE COSTS	6 INVESTING & STRATEGIC MGT.	7 CUSTOMIZING	8 OFFER MORE CHOICES	9 REDUCE RISK	10 SUSTAINABILITY
eCeyLife e-Submission system empowering sales agents.		•	•	•	•	•				•
Enhancement of branch network with higher bandwidth	•	•	•	•	•			•		
Rollout of SAP using robotic technology										
Upgrade of Lotus Note mail system	•		•	•			•			•
2020 IT investments										
Upgraded server infrastructure to replace aging servers with hyper converged solutions			•		•	•			•	•
Replaced desktops with laptops on a staggered basis to enable working from home.	•		•	•		•	•		•	•
Invested on a Complete Firewall security solution in line with Industry standards.			•	•		•	•		•	•

IT investments that benefited us during 2020	1 COMMUNICATE	2 BE ORGANIZED	3 PRODUCTIVITY & EFFICIENCY	4 COLLABORATE & REMOTE WORK	5 MANAGE COSTS	6 INVESTING & STRATEGIC MGT.	7 CUSTOMIZING	8 OFFER MORE CHOICES	9 REDUCE RISK	10 SUSTAINABILITY
Upgraded anti-virus solutions from reactive to a preventive solution to effectively respond to a single agent solution to stop breaches, data theft, and cyber attacks—powered by world-class security expertise and deep industry experience.				•					•	
Privilege Access Management (PAM) system to ensure safe access to associates and restrict outside party access to systems.			•	•		•			•	
Data leakage prevention solution for safeguarding corporate information and customer privacy.			•	•		•			•	•
Work Flow Automation of CRM on Life 360		•	•	•	•		•			•
Automating the testing of the company insurance system with RPA (ongoing at 31 Dec 2020)		•	•	•	•					•
Human Resource Information System (HRIS) for all sales	•	•	•	•						
Lotus Notes collaborative software	•	•	•	•	•					•
Investment management and operations migrated to on-line	•	•	•	•	•	•			•	•
Adoption of e-documents for previously only paper-based areas.	•	•	•		•			•		
Customer premium collections and bonus and policy claims were conducted via digital platforms.	•	•	•	•	•	•	•	•	•	•
Micro Life Insurance through FAGXA Platform enabling offering to Simple Life Civers	•	•	•	•	•	•	•	•	•	•
Meetings moved online using video conferencing. Board, management, committee and weekly and monthly sales meetings and other interactions with sales staff.	•	•	•	•	•	•			•	•
Digital transformation of the Sales Agents network (More details are given under the section Empowering Our Sales Agents for Life on page 76.	•	•	•	•	•	•	•			•

Review of IT policies

During 2020 we carried out a review of all our IT policies and revised them to align with ISO 2700 requirements. ISO/IEC 27001 on Information Security Management provides requirements for an Information Security Management System (ISMS). Alignment with the standard enables us to manage the security of assets including financial information, intellectual property, employee details as well as information entrusted to us by third parties.

Revision of IT Plan

We continuously review and revise our IT plans to ensure better alignment with

corporate goals and to adapt to the changes in the business environment. Before the pandemic, the focus of the IT plan for 2020 was on uplifting all technological platforms software, hardware and processes to be ready for future growth.

Creation of automated tools to enhance capabilities and efficiencies of the field sales team was one area of focus. We had to accelerate the implementation on this area due to the pandemic. Introduction of new platforms to manage performance during the pandemic became a key focus area. Improving the system for field agents to submit policy proposals online and integration with banks for electronic fund

transfers, maturity settlements, advance payments and bonuses became critical focus areas.

Supporting our teams to work from home by providing the equipment, connectivity and workflow systems was a priority during 2020. Our existing systems had to be upgraded to support remote workers.

Data Leakage Prevention and Cybersecurity


The cybersecurity threat levels around the world heightened significantly during the pandemic. There was an overall increase in ransomware and malware attacks. The

use of teleconferencing and other cloud collaboration tools during the work from home phase necessitated the Company to focus on cybersecurity safeguards. At the outset of the pandemic, these networks and devices were deployed for office work. Recognising these threats the Company took additional precautions and security measures including data leakage prevention, safety of video conferencing and new ICT safety protocols for employees. We also needed to provide guidance on safety and security to remote workers and dispersed teams.

The data leakage prevention solution safeguards corporate information and customer privacy. Implementation required the classification of all data into 6 categories: public confidential/external; strictly confidential/external; internal use only; confidential/internal and strictly confidential/internal. The solution automatically blocks any attempt to transmit data in violation of the defined hierarchy. Logs are created automatically for monitoring by the IT security team.

Adoption of e-documents

We adopted e-documents for several areas during 2020. During the year we initiated e – documents across a wide spectrum of our business from insurance sales, operations to HR. Some of these e-forms are listed below.



Customer On-boarding	Customer Servicing	Employee Relations
<ul style="list-style-type: none"> Know Your Customer and anti-money laundering forms 	<ul style="list-style-type: none"> Online medical claims 	<ul style="list-style-type: none"> Employee life cycle (transfers, promotions etc.)
<ul style="list-style-type: none"> Policy schedules 		
<ul style="list-style-type: none"> Bonus certificates 		

Robotic Process Automation

We used the power of robotic process automation (RPA) to enhance process efficiencies in a number of areas:

RPA was implemented for registration of Ceylinco Life insurance sales agents for the Sri Lanka Insurance Institute examinations including the Insurance Foundation Certificate for freshers and those sitting for the Diploma in Insurance and the Certificate in Insurance "Cert-CII (UK)". Going with RPA instead of the manual registration results in faster registration and enables our company to register all our candidates before available slots fill in.

We also used RPA to capture Group Policy Information including premiums. This enables us to get a more granular view of the group policies and the insured.

Automating the testing of the company insurance system using RPA is an ongoing project at end of 2020. This enables us to build a framework for best practice and excellence using automated testing tools. Automation enables us test processes and user requirements with speed, compared to manual testing. The success of these system testing would not eliminate manual user testing entirely. However, it would ideally lead to certification of systems for quality assurance.

Human Resource Information System

During the year we expanded our Human Resource Information System (HRIS) to include all sales staff. We also revamped the Company intranet with additional security and with easy access to information.

Collaborative Software

This is a cost efficient and effective solution that enables dispersed teams to work together. This was immensely useful during the COVID-19 shutdowns when most staff members were working from home.

Upgraded Server Hardware Infrastructure

We upgraded our server hardware upgrade to new hyper converged solution at a cost of Rs. 33 Mn. This replaces our old server environment, achieving higher performance, bigger storage capacity, and a lesser footprint. The hyper converged servers will reduce maintenance costs and power consumption including lower cooling costs, leading to significant savings. The resulting savings would amount to approximately Rs. 10 Mn per annum. The new servers enable us to scale up for growth up to five years ahead.

Testing Center for Excellence

During the year Ceylinco Life signed a contract with QualityKiosk Technologies of India, an independent quality assurance provider, for setting up a Testing Center of Excellence. This enables us to improve our system testing capabilities, making them more robust and achieve faster product development.

'Ceylena' Chat Bot

The 'Ceylena' Chat bot which was launched in 2019 gained attraction in 2020 with an increased number of visitors to the website using this chat bot for online enquiries relating to new and existing policies.

Revision of the Business Continuity Plan



The Company is moving towards improving its Business Continuity Plan and as such is keen on improving the effectiveness of its BCP to address low frequency high impact disruptions to its operations and while doing so as a part of the exercise is interested in performing a Risk Assessment to identify vulnerabilities within its systems and to develop resilience measures.

Customer Privacy Enhancements

IT solutions implemented to protect customer data privacy includes implementation of a customer Data Access Authorisation matrix which prevents unauthorized access of customer data,

masking of customer sensitive information and implementation of data Classification and leakage prevention Platform to secure customer data.

Aligning with UN Sustainable Development Goals (SDGs)

Sustainable Development Goals	 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE	 12 RESPONSIBLE CONSUMPTION AND PRODUCTION
SDG Goal	Industry Innovation and Infrastructure	Responsible Consumption & Production
Key Focus Areas in 2020		<ul style="list-style-type: none"> • e- submission of proposal form and other documents is efficient and sustainable. It reduces need for paper documentation or travel (by sales agents).
		<ul style="list-style-type: none"> • Making us more responsible consumers. • Replacing desktops with laptops cut down on power consumption. Empowering sales agents to use digital documents in all key processes also cuts down on use of paper and other resources. • Upgrading firewall infrastructure and data leak prevention solutions makes our business more resilient to cybersecurity threats. • Robotic Process Automation (RPA) of testing company systems and customer relationship management processes leads to process efficiencies and make our systems more robust and sustainable over the long term. • Moving our treasury activities online makes it more efficient, cut down on traditional correspondence and saves resources, making our company more sustainable.



Looking to the Future

Serving digital native customers, requires a commitment to adopting emerging technologies and an innovation culture. It requires embracing continuous change. It requires a willingness to disrupt our own products, services and business models.

Our future customers are digital natives. An increasing number of citizens are moving online and expect to be served online. By 2024, the Baby Boom generation (born between 1946-1964) ages out of the new life policy insurance market upon reaching the age of 60. The largest potential customer segments for life insurance growth becomes the Gen Xers (born between 1965 and 1980), Millennials (born between 1981 and 1996) and Gen Z (born between 1997 and 2015).

Gen X were digital pioneers. Millennials grew up in an increasingly digital world. Gen Z never knew a pre-internet world. Doing business with all three groups requires a higher level of sophistication and technology development. This is a global phenomenon which has been accelerated by the pandemic thereby increasing digital adoption levels even

in our traditional consumers.

Being at the forefront of technology and utilizing all technological means and innovations available to us is vital to conquer the growing, online and increasingly digital market for insurance. This makes IT an essential platform for business operations of the future to secure fast, secure, fast options supporting remote work, marketing and customer service. Ceylinco Life had long recognised the need to invest in technology development, and that is why it is a strategic imperative for the company.

Before the pandemic, we were prepared to gently usher in a whole new digital existence, phase by phase and manage the transformation sensitively. The pandemic showed us that it is eminently doable, considering all that we achieved during 2020. It has given us the confidence that even technology holdouts among agents and consumers could be persuaded to come online—literally and metaphorically. Now it is a matter of further innovating and speeding up our digital transformation of the functions that remain in the manual-only world of work. The COVID-19 pandemic, in that sense, proved to be a boon to technology adoption and digital transformation within our business.

We hope to leverage big data analytics and machine learning to enable us to refine our processes in acquiring, serving and retaining customers. We are leveraging

these technologies to make our digital campaigns more intelligent and cost-efficient. This helps us in driving reach and relevance of our communication. Further this will enable us to understand our customer preferences deeply and develop new products and services. This is not only taking insurance closer to customers but is also enabling us to significantly increase the speed and convenience of service while reducing operating costs.

NURTURING OUR ENVIRONMENT

For a Sustainable Tomorrow



We are driven by a relentless commitment to nurture and protect our environment. Through our strategic efforts to 'Reduce, Reuse and Recycle', we continue to optimize our natural resources by integrating environmental sustainability as a core focus area in our strategy and operations to augur well for a better tomorrow.



SDG's Impacted Capital Impacts/ Value Created



Value Generated in 2020

Key Indicators

- Investment in Green Branches Rs. 212 Mn
- Green branches opened in 2020 - 3
- Reduction of fuel consumption 9,055
- Paper recycled 5678 kg
- 2816 trees saved through solar electricity
- E-waste recycled 3745 kg
- Rainwater Harvested 1,848,000 liters
- Water recycled from sewerage 1,003,200 liters

Our Approach

Our approach to sustainability is focused on minimising the direct environmental impacts of our operations and contributing towards the sustainable use of natural resources.

Environmental sustainability of business operations is an integral part of our sustainability strategy. Our approach is focused on minimising the direct

environmental impacts of our operations and contributing towards the sustainable use of natural resources.

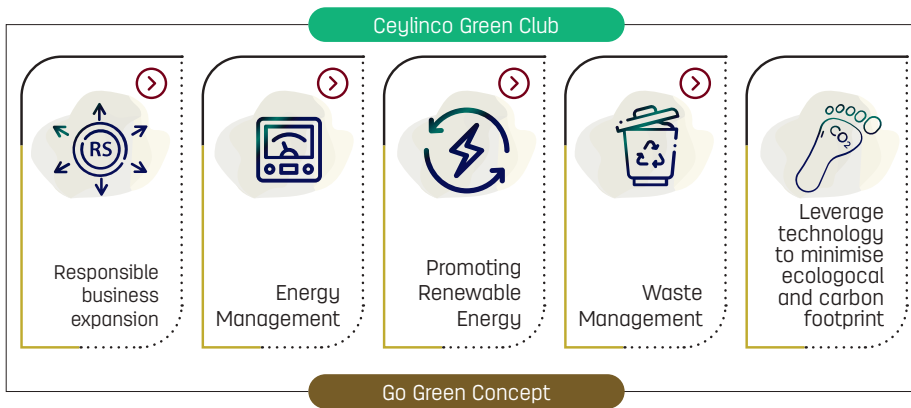
We believe that businesses are accountable for their impact on the environment. Hence, we constantly strive to measure, monitor and minimise our impact on our world and its resources. Our environmental impact management framework integrates environmental sustainability into our

strategies, decision making and day-to-day operations. It helps us find and adopt more environmentally sustainable ways of doing business. The aim is to minimize our carbon footprint and our environmental impact.

Our 'Go Green' concept launched in 2016 lies at the heart of all our actions. Based on the three pillars of 'Reduce' Reuse' and 'Recycle' we continue to create a greater impact on our environmental footprint and environmental stewardship amongst our stakeholders. Our digital strategy and the resultant thrust of sales agents towards digital modes contributes significantly to reduce our environmental footprint.

Our staff are a strong pillar when implementing our 'Go Green' initiatives as they support and drive these initiatives at office whilst inculcating these environmentally friendly practices and lifestyles to their personal lives as well

Building a responsible future








Aligning with Sustainable Development Goals (SDGs)



SDG Goal	Affordable and Clean Energy	Responsible Consumption & Production	Life on Land
	Ensure access to affordable, reliable, sustainable and modern energy for all. Our Green Branches sustainability offers hidden paths to profit.	Ensure sustainable consumption and production patterns.	Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss.
Key Focus Areas and Achievements in 2020	Increasing the number of solar powered Green branches that rely minimally on grid power Opened 3 green branches during the year in Malabe, Nelliady and Divulapitiya. Total investment Rs. 211.8 mil Our buildings feature natural lighting, fly ash bricks. Limit to 42 kva electricity consumption, energy efficient light and A/C, solar power, STP, Rainwater harvest. 42 KVA	Green branches that embody green principles in building design, construction	Reforestation We hope to initiate a new project to plant trees in a forest reserve of 125 Hectares in the Puttalam district
		Digital transformation of business operations at all levels Our sales team who have been enabled with tabs are able to complete the sales process through e-submission of Proposal Forms. This has greatly reduced the usage of paper as well as reducing the travelling of sales agents.	

Conservation of Natural Capital during 2020

The closure of our network of offices with the lockdown in 2020 and the initiation of Work from Home (WFH) during the COVID-19 pandemic had a direct impact to reduce the cost of electricity, water and fuel. This generated and contributed to savings as follows: -

 Reduction in water, electricity and fuel Closure/ limited working arrangements / use of online platforms for meetings reducing travelling etc.	 Reduction in paper usage Use of e - submission / e bills	 Conversion of extra space to multi-functional areas Work from home arrangements led to extra space being used to create socially distanced office spaces.	 The need to carry extra stocks of certain documents Extra stocks of all important printed material were stocked to cater to the branch needs as many suppliers had difficulties in operating their business in lock down areas.	 Restructuring courier arrangements The Company selected and appointed courier companies who could operate during the curfew & lockdown period to ensure prompt delivery of documents, stationary items and safety items for branches.
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Responsible Business Expansion

As we expand our geographical reach through our branch network, we strive to incorporate environmentally friendly elements to all our branches constructed by us.

strategy does not create an additional cost to the country's environment. We ensure that our branches are designed in line with the topography of the earth to reduce the usage of soil for filling the earth. Further, we strive to maximise the utilisation of space in an optimum manner by using natural light. All our branches are thus designed in a style

that reflects smart common areas and well-appointed workspaces.

During 2020, in line with our eco-friendly 'Go Green' concept, we opened three green branches in Malabe, in the Colombo district, Divulapitiya in Gampaha district and Nelliady in the Jaffna district at a cost of Rs. 211.8 Mn.






OUR NETWORK OF GREEN BRANCHES

- Anuradhapura
- Batticaloa
- Bandarawela
- Chilaw
- Gampaha
- Horana
- Jaffna
- Kurunegala
- Kalutara
- Kotahena
- Panadura
- Ratnapura
- Trincomalee
- Wennapuwa
- Kadawatha
- Malaba
- Nelliadi
- Divulapitiya



We are guided by our 'Go Green' concept in all new constructions. We are committed to ensure that our Company's expansion

Green features of our buildings

	Use of optimum natural light to minimise power usage. Implemented across the branch network, even in lease-hold buildings.
	Use of energy efficient inverter type air conditioners.
	Use of LED electric lights.
	Darker areas of buildings painted white to reduce the need for artificial lighting.
	Buildings are 100% powered by solar power with zero electricity drawn from the national grid, reducing at least some of the pressure off of the national grid. However, since it was necessary to be able to utilize grid power in certain instances when there is insufficient solar power, our systems were designed to operate on 42 kVA the lowest possible consumption range for commercial buildings.

Eco-friendly Features of New Buildings

Branch	Eco-friendly features
Malabe	Built on natural landscape Use of Fly ash cement blocks Dispensed with the need for soil excavation
Nelliady	Crushed limestone was used as back filling material Porous interlocking blocks were used and grass was grown in between to create a green patch. Use of dry bricks, made out of ash from the Norochcolai power plant.
Divulapitiya	Natural Water stream across the building area was not blocked. Instead special diversions were done and water flow was reconnected.

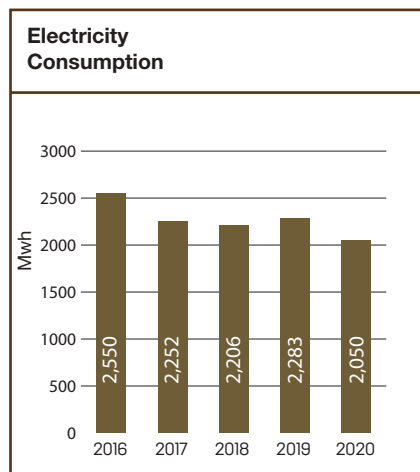


Ceylinco Life complies with all environmental laws and regulations in the construction and building of our branches, in waste management and in managing our carbon footprint. In extending our branch network we do not infringe on protected areas, reservations or create an adverse impact on the biodiversity of our country. Each of the three new green branches are equipped with sewerage water treatment plant. The treated grey water is recycled and reused for watering plants, landscaping and for toilet flushing. The total investment for three plants was approximately Rs. 1.2 Mn.

Energy Management

Our energy sources are purchased electricity, fuel and renewable energy generated through solar power. Our long-term objective is to reduce the dependence on fossil – fuel based energy sources through increasing reliance on renewable sources and driving energy efficiency by instilling environmental conscious behaviour in our employees.

Ceylinco Life continued its initiatives of reducing electricity across the Head Office and branch network with its established guidelines.



Some of the initiatives were as follows:

-
- Air conditioners are switched off at 4.45 p.m. in the Head office and branch network. All air conditioners are set within the range of 25-27 degrees to minimise power usage.
-
- Use of LED bulbs instead of fluorescent bulbs and using natural light whenever possible.
-
- Conventional lights have been replaced by LED lights at existing and new branches.
-
- In rented branches customer areas are powered by LED lights.
-
- Low usage spaces such as corridors, lobbies are not air conditioned.
-
- The electricity connection of each branch is limited to 42 KVA .
-
- Each branch is provided with a backup generator with sufficient capacity to provide power for only the customer areas and the training room.



Promoting Green Energy

The Company uses energy efficient designing methods in the pre-contract and post-building phases. The Company places emphasis in site planning, building form, building plan and appropriate space using renewable energy resources. All our branches constructed recently embody these green design principles. Our Head Office is powered by a solar installation which has a capacity of 63.2 Kw contributing to a reduction of 28.5 tonnes of Co2 emissions annually. This translates to a saving of 80,390 units of electricity per year.

We have net accounting with CEB, where we supply our excess Solar energy to CEB for pre agreed rates. Through this initiative, we have saved Rs. 3 Mn per branch and a total of Rs 8.3 Mn in 2020.

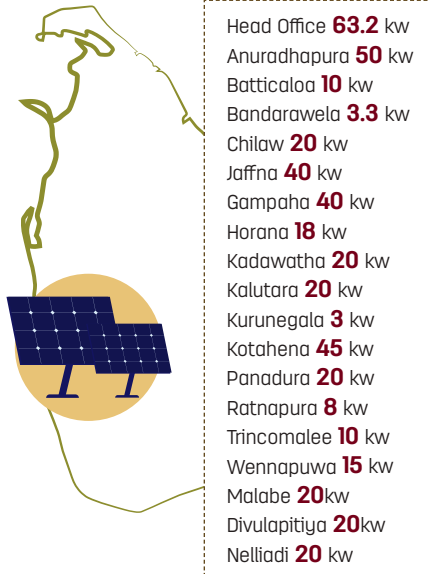
We use electrical capacitors within our buildings to reduce the energy usage for dedicated bulk supply from the national grid, either from CEB or LECO. We design our buildings to run with low energy, therefore we eliminate the installation of electrical transformers which costs nearly Rs. 3-4 Mn per location.

Solar-Powered Branches

As we expand our geographical footprint, we are committed to ensuring that all our new branches are powered by solar energy.

Currently we generate 445 Kw of power from the following solar powered branches:

Branches Powered by Solar

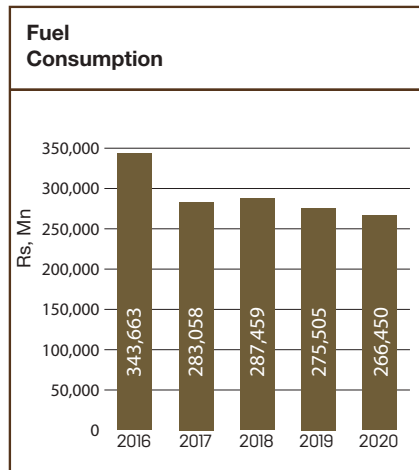


Fuel Consumption

During the year we consumed 266,450 litres of fuel for our fleet of vehicles and generators. In 2020 we converted the fleet of vehicles of senior management to hybrid vehicles, which contributes to a 3.3% drop in our monthly fuel consumption. The e-Proposal system will enable sales agents to transmit the proposal forms and other documents electronically. This will reduce the number of visits by the agent to a branch office to hand over documents. The pandemic period in 2020 was an opportunity for the Company to test the use of virtual sales agent – client meetings, wherein most sales presentations were done virtually and upon closing the sale the proposal form was filled by the client electronically. This reduced the need for our sales agents to visit the clients and branches for administration purposes which had a tangible impact on the carbon footprint created and a reduction in emissions.

With our 4,084 sales force that is needed to be mobile in order to serve our customers, we are aware that vehicle usage and its emissions will significantly impact our environmental footprint. This is a key area that we continue to monitor and have encouraged our sales force to convert to plug-in hybrids that have a lower carbon emissions rate. The requirement we

enforced was that a vehicle should be used for a maximum of six years or up to 250,000 km, is still in force.



Waste Management

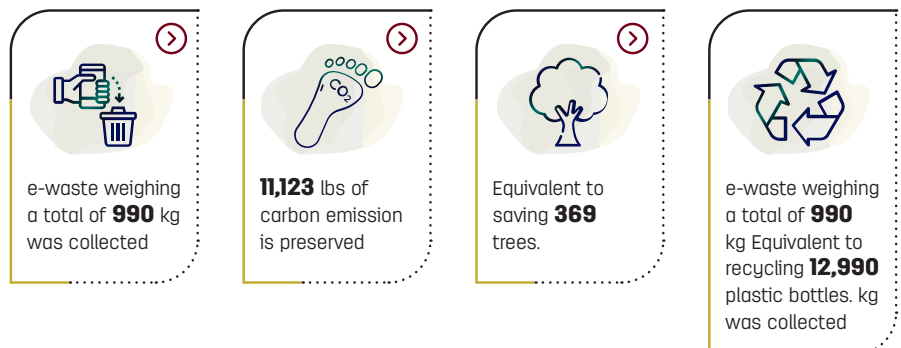
Our waste management efforts are structured around the three R's of 'Reduce-Reuse-Recycle'. We deal with three types of non-hazardous waste, namely, e-waste, dry waste (paper waste) and wet waste (cafeteria, sewerage), of which e-waste is disposed through authorised recyclers. Hazardous waste within scope arising from diesel/fuel oil used in generator sets, is negligible. Further, e-waste generated such as electronic items and related equipment is disposed of as per the Company's established procedures. Some of our branches have sewerage water treatment plants installed within the premises to treat waste-water and use for productive purposes.

Impact from Waste Management Initiatives

	2020	2019
Paper (Kg)	5,678 kg	17,086
Trees (Nos)	97	1,217
Oil (Litres)	9,965	29,986
Electricity (kWh)	22,712	68,344
Water (litres)	180,447	542,993
Landfill(m3)	17	51
GHC Emission savings (carbon equivalent per KG)	5,678	17,086

E- Waste Campaign

During the year the Company initiated an e-waste campaign which generated the following positive effects:



Water Management

Our Head Office and all our branches except for the Bandarawela branch use pipe-borne water and drinking water is sourced through third party suppliers. Utilisation of water is another aspect well managed with a sewerage water recycling plant in existence at Bandarawela, Panadura and Negombo branches, for gardening purposes. Rainwater harvesting saves about 1,800,000 litres of pipe borne water consumption that not only reduces the cost to the company but also saves a scarce resource for the nation. As a further initiative, we have fitted the washrooms with sensor controlled and flow-controlled water fittings.

Year	Units
2019	31,332 Units
2020	26,292 Units

Digital Waste Initiatives

Previously the the digital waste initiatives of the Company were confined to only office equipment and official devices. In 2020 our employees were allowed to provide the digital waste from their homes also to the digital waste collection drive.

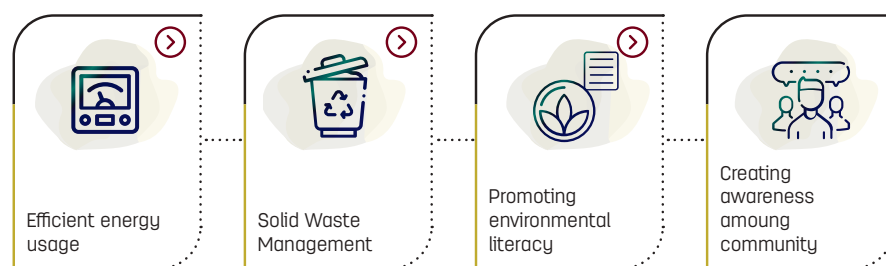
Towards a Paperless Future

The following initiatives have reduced the usage of paper considerably:

- Routine customer communications are carried out on electronic platforms i.e. premium reminders, renewal notices and payment receipts.
- Centrally controlled stationery issuance to branches ensures usage monitoring and where excess is seen, branch managers are required to investigate the root cause.
- Ongoing developments to the intranet to further reduce courier delivered documents.
- Internal document transfers are done in a re-useable envelope.
- e-Proposal has significantly reduced the requirement for hard copy proposal forms.
- Monitoring use of printers to reduce use of toners
- Increasing usage of online payment methods resulted in the issuance of e-bills instead of printed documents.
- Customer awareness and marketing materials went digital, reducing the need for paper-based promotional material.
- Internal communications, and communications between the head office and branch network were conducted through digital platforms.

Leverage Technology to Minimise Ecological and Carbon Footprint

The e-Proposal system will enable sales agents to transmit the proposal forms and other documents electronically. This will reduce the number of visits the agent will make to a branch office to hand over documents. This was tested successfully during 2020 largely necessitated by the pandemic and generated significant cost savings and operational efficiencies.



Measuring Our Carbon Footprint

Carbon footprint reporting enables us to analyse, assess and manage all resulting greenhouse gas (GHG) emissions as a result of our business operations. It also helps us to track the progress of schemes designed to reduce our energy use and emissions and optimise our energy consumption. In our efforts to become a "carbon-neutral company", we embarked on the carbon footprint calculation journey in the year 2020 by engaging with the Carbon Consulting Company.

In calculating our carbon footprint, the most widely accepted protocol of Greenhouse Gas Protocol - Corporate Accounting and Reporting Standard (GHG Protocol), developed in partnership with the World Business Council for Sustainable Development (WBCSD) and the World Resources Institute (WRI) was adopted. This assessment has been done in accordance with the GHG Protocol and is also compliant with the Carbon Disclosure Project (CDP). Both these standards provide guidelines regarding organisational and operational boundaries, quantification and standard reporting practices. For this study, supplied data was analysed and the GHG emissions were quantified using the most current emission factors in line with the GHG Protocol. The findings of this study covering our Head Office and branch network are detailed below.

Assessment type: Green House Gas

Assessment Standard applied: ISO 14064-1: 2018 Greenhouse gases – Part 1:

Specification with Reporting period: 01.01.2020 – 31.12.2020

Ceylinco Green Club

Ceylinco Life Green Club was formed in February 2020 to spearhead green initiatives across the Company. The club was formed with one representative drawn from each department. The Club mainly focuses on environmental sustainability.

The Club leads the environmental sustainability initiatives of the Company in the following areas:

Ceylinco Life Head Office & Branch Network Green House Gas Emissions

Scope 1	Direct GHG Emissions and Removals	931.28	tCO2e	25.33%
	Stationary Combustion	9.85		0.27%
	Mobile Combustion	534.19		14.53%
	Fugitive Emissions from Anthropogenic Systems	387.24		10.53%
Scope 2	Indirect GHG Emissions from Imported Electricity	960.93	tCO2e	26.13%
	Purchased Electricity	960.93		26.13%
Scope 3	Indirect GHG Emissions from Transportation	1,660.23	tCO2e	45.15%
	Upstream Transportation and Distribution of Goods	26.03		0.71%
	Downstream Transportation and Distribution of Goods	0.77		0.02%
	Employee Commuting	1,251.28		34.03%
	Business Travel	382.17		10.39%
Scope 4	Indirect GHG Emissions from Products Used by the Organisation	124.60	tCO2e	3.39%
	Disposal of Solid and Liquid Waste	41.95		1.14%
	Electricity - Transmission & Distribution Losses	82.65		2.25%
TOTAL EMISSIONS		3,677.05	tCO2e	100.0%

Our environmental sustainability agenda focuses on four specific UN SDGs. We are in the process of developing measurable targets to contribute towards these SDGs as a part of our value creation journey. We hope to create an impactful change by focusing on the following parameters:

1. Decrease our environmental impact through energy conservation and renewable energy.
Measurement criteria: Energy Intensity Ratio (energy consumed per function or per service)
2. Reduce carbon emissions through energy efficiency projects.
Measurement criteria: Carbon Footprint in in base year and reduction thereafter in each year.
3. Implement measures that ensure efficient use of water within the Company.
Measurement criteria: Water consumption ratio (Withdrawal - Discharge)
4. Minimizing overall waste generated in our operations by responsible consumption.
Measurement criteria : Daily food waster per person

Company was able to reduce Carbon Footprint by 236 tCO2e in 2020 with our portfolio Soalr Powered Branches.

tCO2e	3,677.05
tCO2e / Head	0.76
tCO2e / ft2	0.007



Looking to the Future

We are committed to taking initiatives to reduce our environmental footprint by adopting the best environmental practices. Sustainability is thus ingrained in the corporate strategy of the Company in a formidable manner. We believe that conservation and preservation of our planet creates the greatest impact on our stakeholders by delivering solutions on climate change, waste, water, and energy management.

Environment, Social and Economic Compliance

We place a high degree of priority in managing the Natural Capital in compliance with environmental laws and regulations in construction, waste management and managing our carbon footprint. Further, our branch network does not infringe on the protected areas, reservations or disturb the biodiversity of our country.

There have been no operations with significant actual and potential negative impacts on local communities.

INVESTING IN HUMAN CAPITAL

To be an Employer of Choice



We believe that our Ceylinco Team spread across the country is the cornerstone of our success. Their engagement and commitment make us who we are. It is our constant endeavour to create great employee experiences that distinguish us. As an outcome of this we aspire to be an employer of choice in the insurance sector.



SDG's Impacted Capital Impacts/ Value Created



Natural Capital
Promoting sustainability culture with 'Go Green' initiatives

Intellectual Capital
Investment in training and development enhances intellectual capital

Manufactured Capital
Investment in digital infrastructure builds manufactured capital

Financial Capital
Investing in people generates long term financial benefits by increasing efficiency and customer service

Social and Relationship Capital
Employment opportunities generates social and relationship capital

Value Generated in 2020 Key Indicators

- 50% - female representation among new recruits
- 40% employees with over 15 years of service
- Certified as a Great Place to Work' in 2020 at first attempt
- Investment in training – Rs. 8.5 Mn
- 42 New recruits
- 6.5 Hours of online development activities employee per year
- 85% - Employee retention rate
- 99 employee promotions | 12% of total cadre
- 45% - Enabled to work from home online (associates in supportive services excluding branch operations)

Vision for Human Capital:

Creating a sustainable competitive advantage through rewarding talent.

Our Approach




Our Human Capital approach integrates people strategies which are based on the current and future business requirements. Our policies, processes and systems flow

from these strategies which encompass our employee lifecycle. Our strategies, processes and policies reflect an unflinching commitment to the Spirit of Ceylinco Life values. While our company has transformed over the years, our unique spirit derived from our core values – has been the only constant. It is our 'true north' that connects us with the past and guides us into the future on a journey of transformation. We employ an integrated process in our strategic human resource

management so that we may support corporate strategy and its implementation.

The challenges that came forth with the pandemic and the consequent new normal phase redefined the entire focus of the Human Resources Development. Development of a performance and sustainability driven culture, strengthening our second layer with succession planning, facilitating diversity and up-skilling our work force to keep up with technology advancements will be our key future strategic priorities.

Aligning with UN Sustainable Development Goals (SDGs)

Sustainable Development Goals			
SDG Goals	Good Health and Wellbeing	Gender Equality	Decent Work and Economic Growth
Key Focus Areas and Achievements in 2020	<p>During 2020 employee health was a central focus with the pandemic. We strived to provide a healthy workplace and ensured the safety and wellbeing of our employees.</p> <p>A medical cover for our employees was introduced which covers all our employees up to the age of 70 years even after retirement.</p>	<p>Ceylinco Life does not discriminate on the basis of gender. Equal opportunities are provided for career progression. It does not place discriminative advertisements.</p> <p>During the year more female employees were recruited. This will help the Company to move towards a greater gender balance.</p> <p>We also foster a safe and inclusive workplace where gender related grievances are addressed through our 'Liya Saviya' helpline.</p>	<p>Our progressive remuneration and benefits package along with opportunities for career progression distinguishes us as a preferred employer in the industry.</p> <p>Our commitment to ensure all salaries and remuneration to be paid during the pandemic period further reinforces our efforts towards maintaining employee financial growth.</p>

Human Capital Focus in 2020

Ceylinco Life recognised the special responsibility it bore to support its employees through the COVID-19 crisis. The evolving situation around the pandemic and lockdown in 2020 was monitored closely and the resulting safety, social, and economic risks posed by the crisis were evaluated on an ongoing basis. We ensured extensive safety protocols and mandatory practices across all our offices to keep Ceylinco Life COVID-free. Significant adaptations had to be made to the way we worked, including flexible work arrangements and embracing technology to meet the challenges of the new normal and ensure seamless service and customer care.

Employee Health & Safety

- Following all health and safety guidelines on COVID-19 prevention in line with Government rules and regulations.
- Enabled Work From Home (WFH) arrangements for all employees with the announcement of the first and second lockdowns in 2020. The Company swiftly arranged laptops and connectivity to facilitate WFH.
- Personal Protective Equipment (PPE) and transparent covers for counter staff
- Special Health Committee was appointed to represent a cross section of employees.
- Carrying out risk mitigation plans and Business Continuity Planning.
- COVID-19 death Cover – This benefit was granted employees in the permanent cadre at free of charge with an additional death benefit of one million.

Employee Financial Stability & Wellbeing

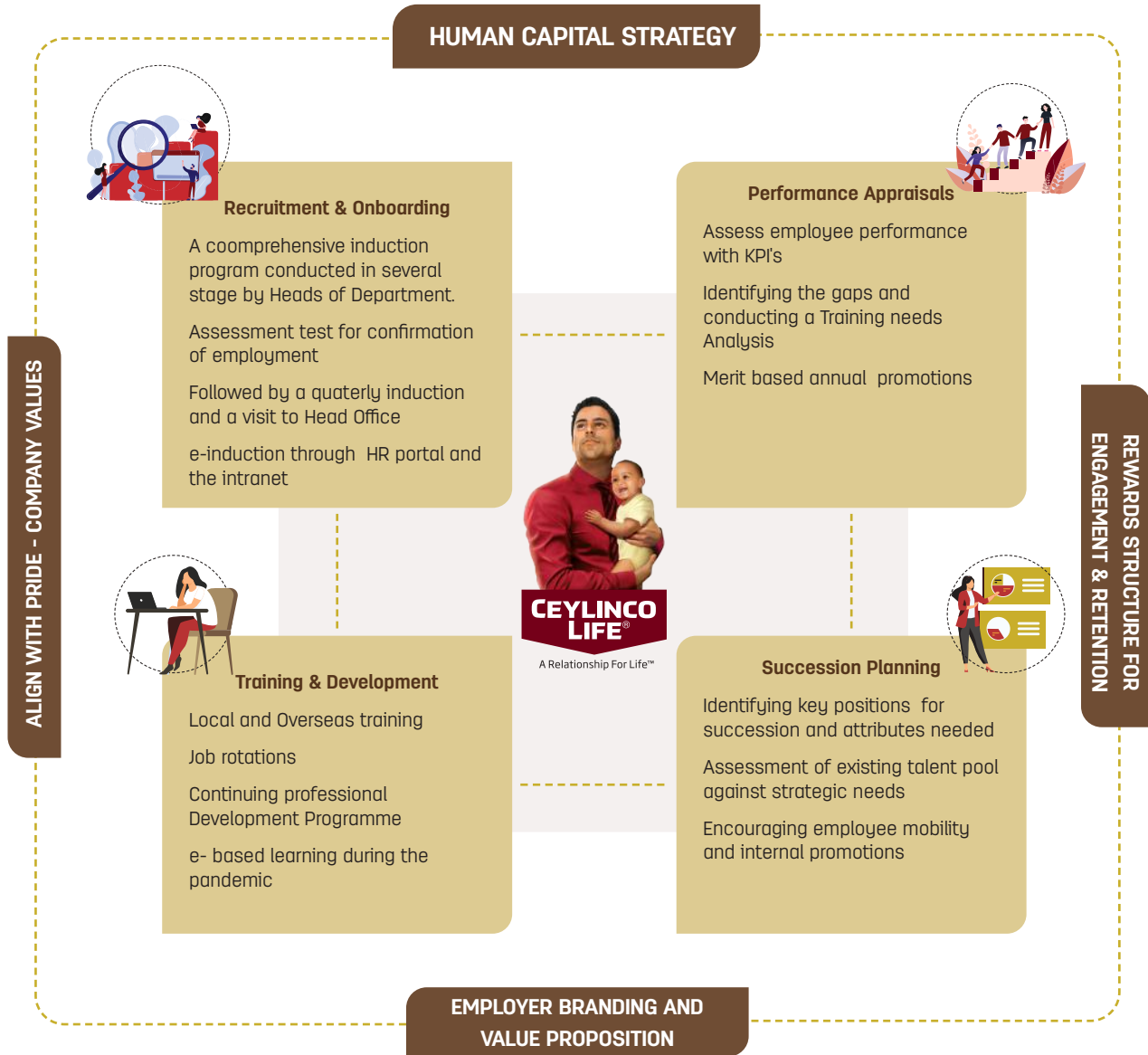
- We placed great emphasis on providing remuneration and ensuring job security to our employees without any reductions. This year, all appraisals were conducted, and all profit incentives and bonuses paid. This ensured that our employees were protected both financially. This has boosted employee morale. We also provided special leave for self-quarantining employees.
- Special transport allowances and arrangements was also made on a need basis.
- Constant communication with our staff helped avert any uncertainty given the disruptive nature of the crisis. This provided a sense of security to move forward with an optimistic spirit.

Strategic Management of Human Capital

We continue to deliver value to our employees through training, development, benefits and experiences that make each individual more productive and helps each of them to contribute to the Company's

profitability. Our Human Resources (HR) Department, oversees recruitment, assists with workforce planning and strategy, drives the employee engagement strategy, facilitates learning and development along with succession planning, looks after the employee welfare and contributes to management decision-making through reporting and analytics.

The steps and stages of the strategic human resource management process act as a constant feedback loop for supporting corporate strategy, bringing it into alignment with strategic goals.



Our People



At the end of the year the Ceylinco Life Team included

814 employees

Male **661** | Female **153**

Employees by Category & Gender

Ceylinco Life has a employee cadre of 814 employees with a gender composition of 19% females and 81% males. The majority of our staff are engaged on a permanent employment basis whilst 4% are on a contract or special contract basis. The Company does not engage employees on a part-time basis. The composition of our team by gender and type of engagement is as follows:

Category	Gender		
	Female	Male	Grand Total
DIRECTOR	0	5	5
SENIOR MANAGER	2	46	48
MANAGER	1	20	21
ASSISTANT MANAGER	14	33	47
BRANCH HEAD	2	75	77
CAREER SALES	3	46	49
EXECUTIVE	130	400	530
STAFF	1	36	37
Total	153	661	814
Percentage	19%	81%	100%

Employees by Type of Engagement & Gender

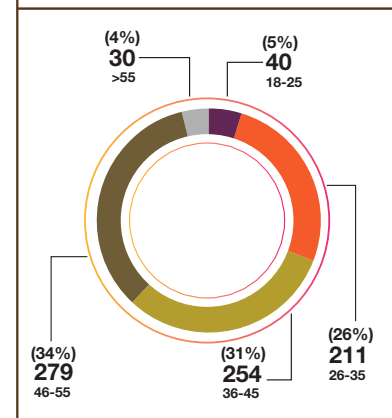
Females made up approximately 19% of the Ceylinco Life workforce, the same as in 2019. We recognise that persistent and concerted efforts are necessary to reduce the gender gap over time. .

	Female	Male	Total
Contract	3	5	8
Permanent	143	641	784
Special Contract	7	15	22
Total	153	661	814
	19%	81%	

Employees by Type of Contract and Province

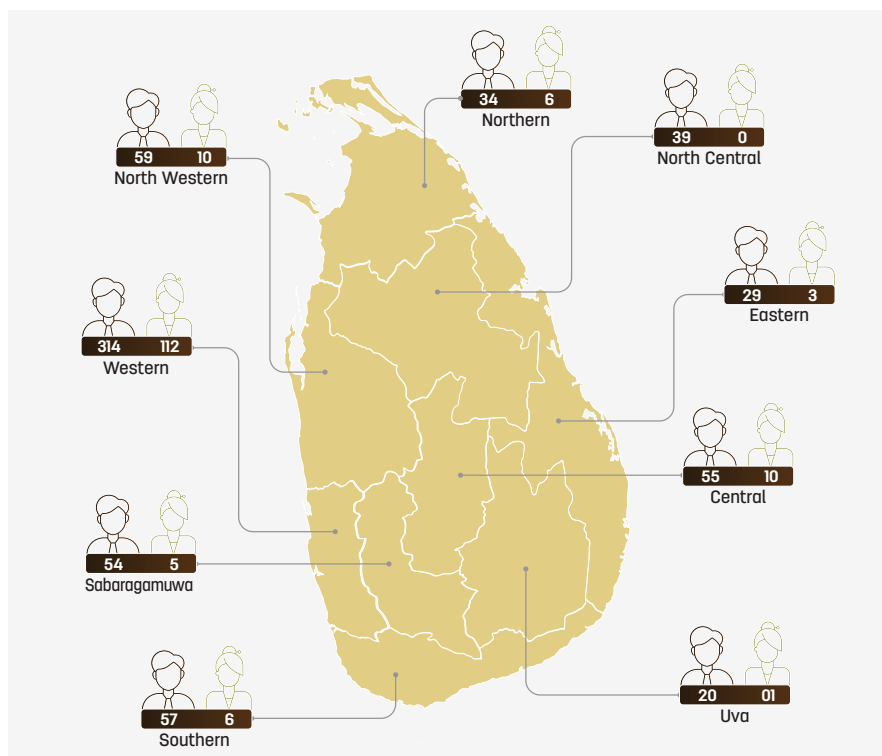
Province	Contract	Permanent	Special Contract	Grand Total
Central		64	1	65
Eastern	1	30		31
North		40		40
North Central		39		39
North Western	1	66	2	69
Northern		1		1
Sabaragamuwa		54	5	59
Southern		62	1	63
Uva		21		21
Western	6	407	13	426
Total	8	784	22	814

Number of Employees by Age Group



Ceylinco Life has a multi-generational workforce from baby boomers to GenZ. Based on the above age composition of of the workforce, 65% of the workforce falls into the category of 36-55 years.

Employees by Region & Gender



The Western Province has the highest number of employees as the Head Office and key branches are located. We strive to provide opportunities of employment to the other provinces by sourcing employees locally within the locality of the branches.

The Company hires all senior managers in sales category from local communities.

Employees by Designation and Province

Western province accounts for the most significant percentage of employees.

Category	Province									Total
	North	Central	Eastern	North Central	North Western	Sabaragamuwa	Southern	Uva	Western	
DIRECTOR	0	0	0	0	0	0	0	0	5	5
SENIOR MANAGER	0	2	1	2	2	1	1	0	39	48
MANAGER	1	0	1	1	2	2	1	1	12	21
ASSISTANT MANAGER	3	2	0	0	1	1	1	0	39	47
BRANCH HEAD	5	5	3	5	8	9	8	3	31	77
CAREER SALES	4	6	2	2	4	5	7	1	18	49
EXECUTIVE	28	47	24	29	46	38	42	16	260	530
STAFF	0	3	0	0	6	3	3	0	22	37
Total	41	65	31	39	69	59	63	21	426	814
Percentage	5%	8%	4%	5%	8%	7%	8%	3%	52%	100%

Employees by Designation, Gender and Length of Service

38% of our employees have been with Ceylinco Life for more than 16 years.

Service Category	2>		3-5		6-10		11-15		16-20		21-25		25<		Total
	Male	FM	Male	FM	Male	FM	Male	FM	Male	FM	Male	FM	Male	FM	
Directors	0	0	0	0	0	0	0	0	0	0	1	0	4	0	5
Senior Managers	6	1	2	0	8	1	4	0	7	0	5	0	14	0	48
Manager	2	0	0	0	3	1	3	0	7	0	4	0	1	0	21
Asst. Manager	3	1	6	2	5	5	5	3	4	2	6	0	4	1	47
Branch Head	4	0	1	0	11	1	33	1	16	0	6	0	4	0	77
Career Sales	0	0	0	0	2	2	15	1	13	0	6	0	10	0	49
Executive	43	45	31	24	79	32	95	8	71	1	50	3	31	17	530
Staff	2	0	1	0	3	0	5	0	4	0	11	0	10	1	37
Total	60	47	41	26	111	42	160	13	122	3	89	3	78	19	814
Percentage	7%	6%	5%	3%	14%	5%	20%	2%	15%	0%	11%	0%	10%	2%	100.0%

New Recruits

Recruitments by Gender, Designation and Age Group

During the year, 42 new employees were recruited across Asst. Manager, Executive and Staff categories. Of these new recruits half were females. We believe that this would pave the way to improve our gender balance in the long term.

Age Category	18-25		26-35		36-45		46-55		55<		Total	
	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female		
Asst. Manager	0	0	1	0	0	0	0	0	0	0	1	2.4%
Executive	8	15	7	6	2	0	0	0	0	0	38	90.5%
Staff	0	0	1	0	0	0	2	0	0	0	3	7%
Total	8	15	9	6	2	0	2	0	0	0	42	
Percentage	19%	19%	19%	19%	19%		19%					

Recruitments by Province and Gender

Province	Gender			Percentage
	Female	Male	Total	
Central	0	3	3	7%
Eastern	1	1	2	5%
North Central	0	3	3	7%
North Western	1	2	3	7%
Sabaragamuwa	0	2	2	5%
Southern	2	2	4	10%
Uva	0	2	2	5%
Western	17	6	23	55%
Total	21	21	42	100%
Percentage	50%	50%	100%	

Gender Parity

Ceylinco Life is an equal opportunity employer and has over the years provided equal opportunities for female representation across all layers of the Management and the Board of Directors. Females are not discriminated against, and there are no salary discriminations based on gender as the Company has a standard entry level salary scale on par with industry standards.

Work-life balance is encouraged. The Company grants maternity leave as per the labour laws of Sri Lanka. It is encouraging to note that the Company has a retention rate of 75%.

No of employees entitled for maternity leave	No of employees on maternity leave	Returned to work	Not Returned to work	Due to Return in 2021
153	6	1	3	2
Return to work rate				25%
Retention Rate				75%

The 'Liya Saviya' helpline was introduced in 2019 for female employees to escalate any grievances to an independent committee. In the year 2020 three such grievances were resolved by the 'Liya Saviya' helpline. We also organised a poster and e mail campaign during the year creating awareness of this helpline in order to encourage female employees to engage on this platform.

Performance Based Evaluations

Employee rewards are directly aligned to the performance which is evaluated at the mid - year and annual review through set Key Performance Indicators (KPIs). The year end review and the performance appraisal sets a final rating for every employee. All confirmed employees are appraised through this process. Hence 100% of confirmed employees are appraised.

The performance of each key performance indicator (KPI) was measured through well-defined objective measurements with appropriate weightages.

Developing Skills and Competencies

A busy calendar of training and development is the norm at Ceylinco Life. During 2020, despite the pandemic situation which constrained public gatherings due to health concerns we still managed to conduct many training and development online while approximately 80% of our training moved online.

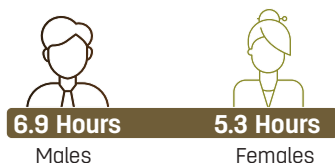
Training Type wise summary

During the year, despite the challenges caused by the pandemic a structured training calendar was implemented.

Training Type	Training hours	Hours as a %
Soft Skill Training	1737	39%
Functional Training	1688	37%
General	850	19%
Conference	226	5%

Category	Total Hours	Average Hours
Staff	31	0.82
Executive	2556	4.8
Assistant Manager	732	15.6
Manager	528	25
Senior Manager	654	14

Training Hours



Investment in Training and Development

The total investment in training and development, career development and further learning activities in 2020 amounted to Rs. 5.3 Mn as opposed to Rs. 25.26 Mn in 2019.

Online Training During the Pandemic

Achieving on average 6.5 hours of online training per employee bears witness to our commitment to developing human capital even under pandemic conditions. Each employee was given a minimum 02 hours of online training despite the unusual and challenging work assignments. Most training programmes focused on helping participants develop a positive mindset and ensure their safety, health and wellbeing during the COVID - 19 pandemic.

Improving Employee Value Proposition

Total Rewards

Our employee value proposition showcases our total rewards package that combines intrinsic and extrinsic rewards. Financial

and material rewards and opportunities for training, both locally and overseas are key factors in our rewards system. However, the intrinsic rewards, including training and development opportunities, prospects for promotion, our work culture, emphasis on work-life balance, peace and harmony in the workplace and general ambience—are key components of what makes Ceylinco Life an attractive employer.



The employee benefits and eligibility criteria are as follows:

Benefit	Eligibility and Conditions
Company Life Insurance Cover for all the Associates	Free of charge
Additional comprehensive Life Cover	On a concessionary rate
Ceylinco Life Health Insurance cover	Free for Associates and discounted rate for family
Contributory Medical Fund	To claim OPD bills
Critical Illness Retirement Cover	For Associates age above 30 years on a concessionary rate
Profit Incentive	Based on the Performance Evaluation Rating
Bonus	Based on the overall performance of the Company in April and December
Employee Distress Loan Scheme	One month gross salary for any emergency
Motorcycle Loan Scheme for Employees	Interest free loan to repay in three years
Car Hire Scheme	Interest free loan to repay in seven years
Employee Wedding Gift	One month salary with an upper ceiling
Death Donations	For family members and immediate family members
Reimbursement of Fuel Expenses	For official traveling
Transport allowance for those below Manager category	A special allowance for reporting to work using personal transport modes
Paid leave for exams	Only for professional exams
07 days of Sick Leave	All the Associates
24 hours of short leave per annum	Subject to maximum 02 hours per day
Work on 05 days per week and 08 hours per day rosters	Employees are encourage to vacate office by 5.30pm
Yoga Session for all	Once a week
Annual Health Camp	Free health checkups and consultations
Fully equipped Gymnasium	Open daily for all the Associates
Healthy working environment with standard safety measures	Working places and work stations complied with all the COVID -19 preventive measures and Personal Protective Equipment
Work from home facilities and flexibility in working hours introduced in 2020	Mainly for Associates in locked down/quarantined areas

Employer Branding

Ceylinco Life truly differentiates itself as an attractive employer because of the total rewards package that is at the heart of our employee value proposition. We are competitive in attracting employees because of our total employee value proposition that goes beyond financial and material rewards. People join Ceylinco Life for the attractive total rewards.

Certification as a 'Great Place to Work'

We obtained certification as a 'Great Place to Work' in our first attempt in 2020. The Great Place To Work surveys indicated that the existing cultural alignments are in favour of realizing our long term strategy to become the most sought after employer in the industry within the next three years.



Employee Health and Safety

As a life insurer, we place a significant emphasis on the health and wellbeing of our employees.

Conducting a health camp and a number of other health-related awareness programmes amidst the current challenges enabled us to boost the morale of our workforce and support them both physically and mentally.



Employee Retention

Our employee retention level remains high at 85%. Most employees [give stat] left the company for personal reasons and due to retirement.

Resignations by Designation and Province

Category	Province										
	North	Central	Eastern	North Central	North Western	Sabaragamuwa	Southern	Uva	Western	Total	
Senior Manager		0	0	0	0	0	0	0	1	1	1%
Manager	0	0	0	0	0	0	0	0	1	1	1%
Assistant Manager	0	0	1	0	0	0	1	0	1	3	4%
Branch Head	1	0	1	0	1	1	0	0	1	5	7%
Career Sales	0	0	0	1	1	0	0	0	3	5	7%
Executive	3	1	1	1	4	1	0	4	39	54	75%
Staff	0	0	0	0	0	0	0	0	3	3	4%
Total	4	1	3	2	6	2	1	4	49	72	100%
	6%	1%	4%	3%	8%	3%	1%	6%	68%	100%	

Resignations by Designation, Age Group and Gender

Age Category	18-25		26-35		36-45		46-55		55<		Total
	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female	
Senior Managers	0	0	0	0	0	0	0	1	0	0	1 1%
Manager	0	0	0	0	0	0	0	0	1	0	1 1%
Asst. Manager	0	0	2	0	0	1	0	0	0	0	3 4%
Branch Head	0	0	0	0	3	0	1	0	1	0	5 7%
Career Sales	0	0	0	0	0	0	4	0	1	0	5 7%
Executive	3	4	16	17	3	0	0	2	5	4	54 75%
Staff	0	0	0	0	0	0	2	0	1	0	3 4%
Total	3	4	18	17	6	1	7	3	9	4	72 100%
	4%	6%	25%	24%	8%	1%	10%	4%	13%	6%	100%

Resignations and Retirements of Female Employees

	Female
For career advancement	3
Contract expired	1
Personal reasons	17
Retirement	8
Total	29

There were no incidents of post-resignation labour issues which demonstrate the conducive employee environment.

The low average time of 3 weeks to fill a vacancy and the turnover rate of 8.7 percent indicate that our employees are satisfied with the current employee value proposition. New prospects find our employer branding attractive.



Digital Transformation in Human Resource Development

During 2020 we digitalized many processes in the human resource development function, by treating problems as challenges. Many of these transformations contribute to improving business sustainability by optimizing the use of resources.

Even though 72 employees left the company during 2020, we managed to perform to a level beyond the normal expectations with just 41 replacements. This indicates the increased levels of effectiveness and efficiencies achieved by blending human talent with the investments in new technology.

Contribution Towards Sustainability

The operations of Ceylinco Life are firmly entrenched on the principles of business and environmental sustainability. Business sustainability ensures that the Company is able to deliver continuing value to its employees in the long term while environmental sustainability ensures that the Company practices environmentally friendly business practices. Herein the HR function of Ceylinco Life plays a pivotal role in ensuring business and environmental sustainability.

We contribute towards business and environmental sustainability in a wide variety of ways including:

- Improving HR process efficiencies ranging from advertising through to retention, training, development, promotion and exit with a view to optimizing costs, time and effort expended.
- Conducting ongoing macro-environmental analyses and using insights gained to improve the effectiveness of the human resource development function.
- Contributing towards the overall strategic direction, business growth and sustainability projects by leveraging same insights through our

representation in the sustainability committees.

- Engaging and educating the workforce on sustainability concepts, behaviours and implementation.
- Providing training support to other divisions that are seeking to leverage new technology and process innovations.
- Encouraging and promoting Green Clubs and their activities.

Representation of HR in Decision Making

HR representation at the main Sustainability Committee, Health and Safety Committee and many other business-driven projects offered opportunities for HR to play a role in decision making going beyond being a mere supportive service.

Developing Skills and Competencies

Developing competencies of the existing workforce while attracting the best talent is a key objective within the new normal. Introducing creative means to innovate in people development is actively explored.

We will review and adjust most human capital related approaches in accordance with the changes that take place in our local economy, our industry and the overall business environment. To do so, we will constantly scan for Political, Economic, Sociological, Technological, Legal and Environmental (PESTLE) factors that influence our company and its operations, especially during the pandemic.

Our workforce is a key distinctive competency in our success. Looking after their health and wellbeing in this current challenging environment is a prime objective in 2021.

Developing Communication and Leadership Skills

Ceylinco Life Toastmasters Club held its seventh installation in 2020. The Club has

over the years grown in membership and has been conferred the 'Distinguished' status consecutively since inception. Two members of the club were honored at the Toastmaster International's District Hall of Fame awards 2020 for their contributions to the District. This recognition was conferred upon Mr Chulaka Kumarasinghe, Immediate Past Area Director and a Past President of the club, with three awards and the honorary award for displaying exemplary dedication of achieving the Mission of the District. Mr Mathanraj Sivalingam was presented an appreciation award for his outstanding support of Toastmaster International's communication and leadership programmes.



Employee Value Proposition

The 'Great Place to Work' in Sri Lanka survey of 2021 will guide by highlighting the areas for development along this journey. The 2021 survey will again measure the strength of our employee value proposition and the effectiveness of the actions we have taken based on 2020 survey feedback.

Collective Bargaining and Freedom of Association

Recognizing the Freedom of Association as a Fundamental Right protected by the Constitution of Sri Lanka, Ceylinco Life encourages constant, open and cordial dialogue between thManagement and Ceylinco Life Employees Union. All permanent members of the Company are covered by the terms and conditions of Ceylinco Insurance Employees Union and the Company has maintained good relations with the Union and addresses any concerns the Union may have, directly at Board level. Therefore, there is no requirement for a

collective bargaining agreement at Ceylinco Life.

Engagement with the Union for their considerations and feedback at critical junctures of introducing or reforming various processes of the Company or on any other relevant issue, has further cemented the good relations, cultivated over a long period of time between the Company and the Union.

Whistle Blower Policy

During the year the Company worked towards enhancing the trust and acceptance of the Whistleblower Policy. New employees were educated on this policy at the orientation programme. Further, the Company stepped forward to immediately act on valid complaints highlighted. We also took additional measures not to penalise whistleblowers who came forward with valid concerns.

Diversity and Inclusion

In compliance with the 'zero harm to people' emergency control and protocols, the Company places significant emphasis on the safety of its employees. The Health and Safety Committee has ensured that the staff are equipped with the necessary training on first aid, evacuation procedures etc. in the event of a fire or any other accident. Considering the nature of the business the risk of work - related fatalities and injuries are minimal.

Communication of Changes in Processes

The Company provides adequate notice for its staff when operational changes and significant changes to processes and procedures are conducted.

Compliance

The Company upholds local and internationally recognised human rights practices and promotes a culture of equality of opportunities and does not tolerate any discrimination. All employees recruited are above the age of 18 years. During the year under review there were no cases of discrimination, violation of human rights.

As a responsible corporate citizen Ceylinco Life does not indulge in child labour nor forced labour. During the year there were no incidents of health and safety risks. However, the Company placed stringent safeguards and precautions to ensure employee health considering the pandemic situation.

In compliance with the 'zero harm to people' emergency control and protocols, the Company places significant emphasis on the safety of its employees. The Health and Safety Committee has ensured that the staff are equipped with the necessary training on first aid, evacuation procedures etc. in the event of a fire or any other accident. Considering the nature of the business the risk of work - related fatalities and injuries are minimal.

The Company has a formal employee grievance handling process and an open door communication policy is maintained. During the year there were no incidences of labour disputes.



Looking to the Future

The key focus and the long-term objective of the human resource development function is to contribute towards the realisation of corporate strategy through a strong employee value proposition and to be an employer of choice in the Life Insurance sector in Sri Lanka.

The employer brand survey which is scheduled to be conducted in 2021 will pave the way for determining the key areas we need to address to strengthen our employer brand within the industry.

We hope to leverage Artificial Intelligence (AI) in end processes which will equip our employees with efficient decision support mechanisms

We also hope to use Robotic Process Automation (RPA). Thereby we could divert our employees away from repetitive tasks to more engaging and customer interactive tasks. We hope to monitor the progress towards these initiatives with greater focus with adoption and transition rates.

Moving ahead with new trends in training and development we hope to adopt e-based training on mobile and digital platforms which is self-paced. This is mainly to appeal to the Next Gen workforce consisting of Millennial and Gen Z generations.

EXTERNAL ASSURANCE REPORT



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Independent Assurance Report to Ceylinco Life Insurance Limited on the Sustainability Reporting Criteria Presented in the Integrated Annual Report- 2020

Introduction and scope of the engagement

The management of Ceylinco Life Insurance Limited ("the Company") engaged us to provide an independent assurance on the following elements of the sustainability reporting criteria presented in the annual report- 2020 ("the Report").

- Reasonable assurance on the information on financial performance as specified on page 22 of the Report.
- Limited assurance on other information presented in the Report, prepared in accordance with the requirements of the Global Reporting Initiative GRI Standards: 'In accordance' – Core guidelines.

Basis of our work and level of assurance

We performed our procedures to provide limited assurance in accordance with Sri Lanka Standard on Assurance Engagements (SLSAE 3000): 'Assurance Engagements Other than Audits or Reviews of Historical Financial Information', issued by the Institute of Chartered Accountants of Sri Lanka ("CASL").

The evaluation criteria used for this limited assurance engagement are based on the Sustainability Reporting Guidelines ("GRI Guidelines") and related information in particular, the requirements to achieve GRI Standards 'In accordance' - Core guideline publication, publicly available at GRI's global website at "www.globalreporting.org".

Our engagement provides limited assurance as well as reasonable assurance. A limited assurance engagement is substantially less in scope than a reasonable assurance engagement conducted in accordance with SLSAE-3000 and consequently does not enable to obtain assurance that we would become aware of all significant matters that might be identified in a reasonable

assurance engagement. Accordingly, we do not express an opinion providing reasonable assurance.

Management of the Company's responsibility for the Report

The management of the Company is responsible for the preparation of the self-declaration, the information and statements contained within the Report and for maintaining adequate records and internal controls that are designed to support the sustainability reporting

process in line with the GRI Sustainability Reporting Guidelines.

Ernst & Young's responsibility

Our responsibility is to express a conclusion as to whether we have become aware of any matter that causes us to believe that the Report is not prepared in accordance with the requirements of the Global Reporting Initiative, GRI Standards: 'In accordance' - Core guidelines. This report is made solely to the Company in accordance with our engagement letter dated 19th February 2021. We disclaim any assumption of responsibility for any reliance on this report to any person other than the Company or for any purpose other than that for which it was prepared. In conducting our engagement, we have complied with the independence requirements of the Code for Ethics for Professional Accountants issued by the CASL.

Key assurance procedures

We planned and performed our procedures to obtain the information and explanations considered necessary to provide sufficient evidence to support our limited assurance conclusions. Key assurance procedures included:

- Interviewing relevant the company's personnel to understand the process for collection, analysis, aggregation and presentation of data.
- Reviewing and validation of the information contained in the Report.

- Checking the calculations performed by the Company on a sample basis through recalculation.
- Reconciling and agreeing the data on financial performance are properly derived from the Company's audited financial statements for the year ended 31 December 2020.
- Comparison of the content of the Report against the criteria for a Global Reporting Initiative, GRI Standards: 'In accordance' – Core guidelines.

Our procedures did not include testing electronic systems used to collect and aggregate the information.

Limitations and considerations

Environmental and social performance data are subject to inherent limitations given their nature and the methods used for determining, calculating and estimating such data.

Conclusion

Based on the procedures performed, as described above, we conclude that;

- The information on financial performance as specified on page 22 of the Report are properly derived from the audited financial statements of the Company for the year ended 31 December 2020.
- Nothing has come to our attention that causes us to believe that other information presented in the Report are not fairly presented, in all material respects, in accordance with the Company's sustainability practices and policies some of which are derived from Sustainability Reporting Guideline, GRI Standards- 'In accordance' Core.

Ernst & Young
19th February 2021

Colombo

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

Principals: G B Goudian ACMA A A J R Perera ACA ACMA T P M Ruberu FCMA FCCA

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De risk ing

The Future

Protecting you to realise
your aspirations and
ambitions.



BOARD OF DIRECTORS

Leading the way





01 R RENGANATHAN
EXECUTIVE CHAIRMAN

02 E T L RANASINGHE
MANAGING DIRECTOR/
CHIEF EXECUTIVE
OFFICER

03 P D M COORAY
EXECUTIVE DIRECTOR /
HEAD OF HR AND
TRAINING

04 P A JAYAWARDENA
EXECUTIVE DIRECTOR / CFO

05 S R ABEYNAYAKE
EXECUTIVE DIRECTOR /
DEPUTY CFO

06 D H J GUNAWARDENA
NON-EXECUTIVE
DIRECTOR

**07 GEN. C S
WEERASOORIYA (Retired)**
NON-EXECUTIVE
DIRECTOR

08 R S W SENANAYAKE
NON-EXECUTIVE DIRECTOR

09 J A SETUKAVALAR
INDEPENDENT
NON-EXECUTIVE
DIRECTOR

**10 PROF. EMERITUS W M
M DE SILVA**
INDEPENDENT
NON-EXECUTIVE DIRECTOR

11 DR. B G S DE SILVA
INDEPENDENT
NON-EXECUTIVE
DIRECTOR

**12 W M P J K
WICKRAMASINGHE**
SENIOR INDEPENDENT
DIRECTOR

13 H S B CALDERA
INDEPENDENT
NON-EXECUTIVE
DIRECTOR

14 MS. A K SENEVIRATNE
INDEPENDENT
NON-EXECUTIVE
DIRECTOR

15 J DURAIRATNAM
INDEPENDENT
NON-EXECUTIVE
DIRECTOR



R Renganathan

Executive Chairman

Appointed as a Director in April 2014 and became the Chairman of the Board in November 2018. He has been with the Company for a tenure of 6 years & 8 months.

*Chairman of the Board Investment Committee,
Member of the Nomination Committee*

Skills and experience

He joined Ceylinco Limited in 1983 and has had a long career in the Group's insurance business. He was responsible for setting up the Life Division of Ceylinco Insurance after the Government of Sri Lanka permitted private insurers to enter the Insurance Industry in 1987.

He functioned as the MD/ CEO of Ceylinco Insurance PLC (Life Division) until the segregation became fully operational in 2015.

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.

Other current appointments

Deputy Chairman (Non-Executive Director) - Ceylinco Insurance PLC, Chairman - Ceylinco Healthcare Services Limited, Chairman - Serene Resorts Limited.

Previous appointments

Chairman – Ceylinco Seraka Limited



E T L Ranasinghe

Managing Director/Chief Executive Officer

Appointed as a Director in April 2014 and became the Managing Director and Chief Executive Officer of the Board in November 2018. He has been with the Company for a tenure of 6 years & 8 months.

Member of the Board Investment Committee

Skills and experience

He joined Ceylinco Limited as a Product Manager in 1986, counting over 41 years in sales, marketing and strategic planning and is one of the pioneer members who set up Ceylinco Insurance PLC (Life Division).

He holds an MBA from the Postgraduate Institute of Management (PIM), University of Sri Jayewardenepura, and is a Fellow of the Chartered Institute of Marketing, UK.

Other current appointments

Executive Director - Ceylinco Insurance PLC, Executive Director - Ceylinco Healthcare Services Limited, Executive Director – Serene Resorts Limited

Previous appointments

Founder Member - Chartered Institute of Marketing, Sri Lanka, Executive Committee memberships including the post of Senior Vice Chairman of CIM.



P D M Cooray

Executive Director / Head of Human Resources and Training

Appointed as the Executive Director – Head of Human Resources and Training in April 2014. He has been with the Company for a tenure of 6 years & 8 months.

Skills and experience

Having joined Ceylinco Insurance as an Assistant Manager - Training in 1987, Mr. Cooray played a key role in setting up the sales force for Ceylinco life insurance.

He is an internationally reputed speaker on life insurance and the first South Asian non-member to address the Mn Dollar Round Table (MDRT), a prestigious international life insurance convention.

He is a Fellow of the Life Underwriters Training Council, USA (LUTCF) and a Chartered Insurance Agency Manager (CIAM), Certified Manager of Financial Advisors (CMFA), Executive Diploma in Business Administration, University of Colombo, CII (Award) on Financial Planning from the Chartered Insurance Institute, London.

Other current appointments

Executive Director - Ceylinco Insurance PLC, Director – Serene Resorts Limited



P A Jayawardena

Executive Director / CFO

Appointed as the Executive Director/CFO in April 2014. He has been with the Company for a tenure of 6 years & 8 months.

Member - Board Investment Committee

Skills and experience

He joined the Life Division of Ceylinco Insurance PLC in 1990 as Chief Accountant (Branches) and counts over 30 years' experience in the insurance industry.

He is a Fellow of the Institute of Chartered Accountants of Sri Lanka and a Fellow of the Institute of Certified Management Accountants, Sri Lanka.

Other current appointments

Non-Executive Director - Ceylinco Insurance PLC, Executive Director - Serene Resorts Limited, Executive Director - Ceylinco Healthcare Services Limited



S R Abeynayake

Executive Director / Deputy CFO

Appointed as the Executive Director/Deputy CFO in April 2014. He has been with the Company for a tenure of 6 years & 8 months.

Member - Board Investment Committee

Skills and experience

Having joined the Life Division of Ceylinco Insurance PLC as the Financial Accountant in 1998, he counts over 21 years' experience in finance.

He holds an MBA from the Postgraduate Institute of Management (PIM), University of the Sri Jayewardenepura and a Fellow of the Institute of Chartered Accountants, Sri Lanka and the Institute of Certified Management Accountants, Sri Lanka.

Other current appointments

Non-Executive Director - Ceylinco Insurance PLC, Executive Director – Serene Resorts Limited

Previous appointments

Chairman/Non-Executive Director - Citizens Development Business Finance PLC (w.e.f 31st December 2020.)



D H J Gunawardena

Non-Executive Director

Appointed as the Non-Executive Director in April 2014. He was last re-elected in March 2019 and has been with the Company for a tenure of 6 years & 8 months.

Chairman – RPTR Committee, Member - Audit Committee & Remuneration Committee

Skills and experience

He counts over 46 years of experience in shipping, airline, finance, mining, export and import trade.

He was a Fellow of the Chartered Institute of Management Accountants, UK, and is a Chartered Global Management Accountant.

Other current appointments

Director - Hunter & Company PLC, Director

-Lanka Canneries (Pvt) Limited, Director -Heath & Co. (Ceylon) Limited, Director -Pelwatte Dairy Industries Limited, Chairman/Non-Executive Director - Techinc Global Advisory (Pvt) Ltd and Non - Executive Independent Director -Ceylinco Insurance PLC

Previous appointments

Chairman - Citizens Development Business Finance PLC



Gen. C S Weerasooriya (Retired)

Non-Executive Director

Appointed as the Non-Executive Director in April 2014. He was last re-elected in March 2019 and has been with the Company for a tenure of 6 years & 8 months.

Skills and experience

Following a 38-year career in the military, Gen. Weerasooriya was appointed Commander of the Sri Lanka Army in 1998. He was conferred the prestigious Civil Award Sitar-e-Pakistan by the President of Pakistan in 2014.

Gen. Weerasooriya is a Graduate of the Pakistan Military Academy, Kakul and the National Defence College in India and has a master's degree in Defence Studies.

Previous appointments

On retirement, Gen. Weerasooriya was appointed as the High Commissioner to Pakistan and simultaneously served as the Ambassador Extraordinary and Plenipotentiary for Sri Lanka to Tajikistan and Kyrgyzstan. Director – Ceylinco Insurance PLC



R S W Senanayake

Non-Executive Director

Appointed as the Non-Executive Director in April 2014. He was last re-elected in March 2017 and has been with the Company for a tenure of 6 years & 8 months.

Member of the Risk and Board Investment Committees

Skills and experience

He serves as a member of the Board Investment Committee of the Company having previously served in Ceylinco Insurance PLC from 1995 to 2009 in the field of investments and counts over 25 years' experience in financial markets including insurance, stock broking, fund management and corporate finance.

Associate of the Chartered Institute of Management Accountants, UK and a Fellow of the Certified Management Accountants, Sri Lanka

Other current appointments

Director - AKLAW Consultancy Services (Pvt) Ltd, Chairman- Corporate Capital Market Ltd., Director - Kenanga Investment Corporation Limited, Director – Kenanga Capital Holdings Ltd, Director - SMB Securities (Pvt) Limited, Director - SMB Real Estate Limited, Director - SMB Money Brokers (Pvt) Limited, Director - K Seeds Investments (Pvt) Limited, Director – The Magnum Fund Ltd, Director – Ceyline Holdings (Pvt) Ltd., Director – Ceyline Engineering Services (Pvt) Ltd, Director – Ceyline Shipping Ltd.



J A Setukavalar

Independent Non-Executive Director

Appointed as an Independent Non-Executive Director in April 2014. He was last re-elected in March 2017 and has been with the Company for a tenure of 6 years & 8 months.

Chairman of the RPTR and Audit Committees

Skills and experience

Mr Setukavalar has over 40 years of experience in auditing, accounting and finance.

A recipient of scholarships awarded by the British Foreign and Commonwealth Office, UK and the Colombo Plan Bureau, he has been trained at INSEAD – France, IBM – Rochester, USA and JICA – Japan.

He also had worked for KPMG Colombo and Price Waterhouse Coopers in Dubai.

He is a Fellow of the Institute of Chartered Accountants of Sri Lanka, Chartered Institute of Management Accountants, UK, and Certified Management Accountants, Sri Lanka, a Certified

Global Management Accountant and a Fellow of the Institute of Certified Professional Managers.

Other current appointments

Member of the Board of Governors of the CMS schools in Sri Lanka and is the current Chairman of its Finance Committee, Member of the Board of Trustees of the Ceylon School for the Deaf and Blind.

Previous appointments

Director - A. Baur & Co. (Pvt) Limited, Director - Bours Air Services Limited, Director - A. Baur & Company (Travel) Limited, Director - A. Baur Trading (Pvt) Limited, Director - Bours Agri Exports (Pvt) Limited, Swiss Trading Group (Pvt) Limited, Director - Singer Finance (Lanka) PLC.



Prof. Emeritus W M M de Silva

Independent Non-Executive Director

Appointed as an Independent Non-Executive Director in April 2014. He was last re-elected in March 2018 and has been with the Company for a tenure of 6 years & 8 months.

Chairman of the Remuneration Committee

Skills and experience

Prof. de Silva has served as a Civil Volunteer Surgeon for the Sri Lanka Armed Forces and has received several accolades in recognition of his outstanding contributions. He is also the temporary advisor to WHO-SEARO on Patient Safety.

He holds a Master's Degree in Surgery from the University of Colombo, a Fellow of the Royal College of Surgeons, Edinburgh, an Honorary Fellow of the Asia Pacific Society of Digestive

Endoscopy and an Honorary Consultant Surgeon, Colombo South Teaching Hospital.

Previous appointments

President - College of Surgeons of Sri Lanka, Vice President - Sri Lanka Medical Association, Director Education of the College of Surgeons of Sri Lanka, the Former Dean of the Faculty of Medical Sciences, University of Sri Jayewardenepura, Chairman - University Grants Commission of Sri Lanka and Senior Professor and Chair in Surgery.



Dr. B G S de Silva

Independent Non-Executive Director

Appointed as an Independent Non-Executive Director in April 2014. He was last re-elected in March 2018 and has been with the Company for a tenure of 6 years & 8 months.

Chairman of the Nomination Committee and Member of the Remuneration Committee

Skills and experience

Dr. de Silva is a Consultant Dental Surgeon with nearly 40 years' experience.

He has a BDS (Sri Lanka), Degree from the University of Peradeniya and an FDRCS (Ireland) in Oral Surgery.

Other current appointments

Director - Intercom (Pvt) Limited, Trustee of Ceylinco Insurance Employee Gratuity Trust Fund.

Previous appointments

President - Sri Lanka Dental Association and Chairman - Commission on Oral Diseases, Asia Pacific Dental Federation.



J Wickramasinghe

Senior Independent Director (SID)

Appointed as an Independent Non-Executive Director/Senior Independent Director in April 2014. He was last re-elected in March 2018 and has been with the Company for a tenure of 6 years & 8 months.

Member - Risk, Nomination, RPTR and Audit Committees.

Skills and experience

He counts over 36 years' experience in engineering and IT. He is a member of the Chartered Institute of Logistics and Transport.

Other current appointments

Director - LINTA Enterprises (Private) Ltd, Chairman - Coconut Cultivation Board, Coconut Development Authority, Coconut Research Institute, Kapruka Trust Fund.

Previous appointments

Chief Executive Officer of state-owned Lanka Logistics & Technologies Limited and a member of the Board of Management of the Urban Development Authority.



H S B Caldera

Independent Non-Executive Director

Appointed as an Independent Non-Executive Director in April 2014. He was last re-elected in March 2019 and has been with the Company for a tenure of 6 years & 8 months.

Insert "Member of the Remuneration Committee"

Skills and experience

He is a practitioner in the Civil Courts in the areas of civil, corporate and commercial litigation together with commercial arbitrations, fundamental rights, administrative law and constitutional law.

He is an active member of the Bar Association of Sri Lanka, Attorney-at-Law and a graduate of the Faculty of Law, University of Colombo.

Other current appointments

Member - Board of Management of the Superior Courts Complex.



Ms. A K Seneviratne

Independent Non-Executive Director

Appointed as an Independent Non-Executive Director in April 2014. She was last re-elected in March 2019 and has been with the Company for a tenure of 6 years & 8 months.

Chairperson - Risk Committee

Skills and experience

Ms. Seneviratne is an actuary with over 20 years of experience, including 16 years in the life insurance industry in Sri Lanka. She had previously served as the in-house actuary of the Life Division of Ceylinco Insurance PLC.

She holds a BSc Degree with specialisation in Actuarial Mathematics from Concordia University (Canada) and the Canadian Risk Management (CRM) designation awarded by the Global Risk Management Institute (GRMI).

She is an Associate of the Society of Actuaries (USA) and Canadian Institute of Actuaries.

Other current appointments

Director- Technical Activities of the International Actuarial Association



J Durairatnam

Independent Non-Executive Director

Appointed as an Independent Non-Executive Director in November 2018. He was last re-elected in March 2019 and has been with the Company for a tenure of 2 years & one month.

Skills and experience

He has substantial professional, experience in Banking, covering all aspects of International Trade, Off-shore Banking, Credit, Operations and Information Technology, covering a period of 36 years.

He holds a Bachelor's Degree from the University of Peradeniya and an Executive Dip. from University of Colombo.

Other current appointments

Director- DFCC Bank PLC, Director – Assetline Leasing Co. Ltd, Director – Asian Hotel and Properties PLC.

Previous appointments

MD/CEO- Commercial Bank of Ceylon PLC, Director- Commercial Development Company PLC, Director – Lanka Financial Services Bureau Ltd, Director – Sri Lanka Banks Association (Guarantee) Ltd, Director- Lanka Clear Ltd.

STRATEGIC MANAGEMENT

Steering towards success



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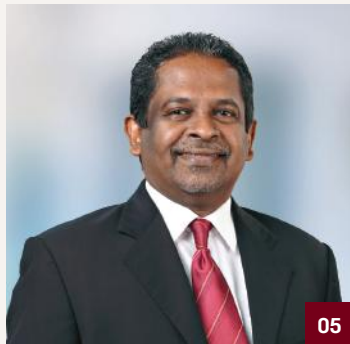
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01. P A J Jayawardena General Manager - Business Development, **02. R M U K Ratnayake** General Manager / Chief Digital Officer, **03. A H R Udayasiri** General Manager - Business Development, **04. E R S G S Hemachandra** General Manager - Marketing, **05. J P Abhayaratne** General Manager - Operations, **06. M Thenuwara** Senior Deputy General Manager - Bancassurance, **07. W A W C Wijesinghe** Senior Deputy General Manager - Business Development, **08. H G A Sirisena** Senior Deputy General Manager - Technical, **09. S Kumarapperuma** Senior Deputy General Manager - Risk Management / Chief Risk Officer,

CORPORATE MANAGEMENT

Setting the right path



01. **T N Y Morseth** Senior Deputy General Manager - Takaful / Business Development, 02. **T VIJAYANANTH** Deputy General Manager - Business Development, 03. **T D De Silva** Senior Assistant General Manager - Projects, 04. **R M P Bandara** Senior Assistant General Manager - Bancassurance, 05. **L V Keragala** Senior Assistant General Manager - Alternative Channels, 06. **D S Thilakarathne** Senior Assistant General Manager - Business Development, 07. **H A Suraweera** Senior Assistant General Manager - Agency Administration, 08. **P P D V Hemakumara** Assistant General Manager - IT Security/ Chief Information Security Officer, 09. **J L N Jayawardena** Senior Assistant General Manager - Customer Service, 10. **F H Li** Senior Assistant General Manager - ICT/ Chief Information Officer 11. **R D Vipulatheja** Assistant General Manager - Training, 12. **P A C D Wijayasekara** Assistant General Manager - Internal Audit, 13. **D M G L Alwis** Assistant General Manager - Portfolio, 14. **G A H Chandana** Assistant General Manager - Finance, 15. **L G H A S Kumara** Assistant General Manager - Technical, 16. **P U C Pathinagoda** Assistant General Manager - Information Systems Audit.



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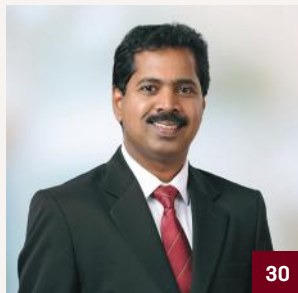
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17. C R P Liyanage Assistant General Manager - Group Assurance, **18. M J N S A Jayatilake** Assistant General Manager - Human Resources, **19. M H Y A Silva** Assistant General Manager - Business Development, **20. B S E M Perera** Senior Manager - Customer Services, **21. R M S Wijeyesekera** Senior Manager - Systems, **22. B A Nandalal** Senior Manager - Business Development, **23. V M G Kariyawasam** Senior Manager - Database Administration, **24. K I Weththasinghe** Senior Manager - Legal, **25. P Vincent** Senior Manager - Projects, **26. W S Dabarera** Senior Manager - Finance, **27. D H Canagasabey** Senior Manager - Brand Development, **28. S K N De Silva** Senior Manager - Financial Services, **29. J S K Ratnayaka** Senior Manager - Business Development, **30. K Sumanthiran** Senior Manager - Business Development, **31. N K Subapanditha** Senior Manager - Business Development, **32. P P S Kalyaniwansa** Senior Manager - Business Development.



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33. M R N L Fonseka Senior Manager - Operations, **34. G K S Sriyananda** Senior Manager - Operations, **35. K M S N Karunanayake** Senior Manager - Claims, **36. K L U Priyantha** Senior Manager - Business Development, **37. N T Senaviratne** Senior Manager - Business Development, **38. P H Samarasinghe** Senior Manager - Brand Development

MANAGERS

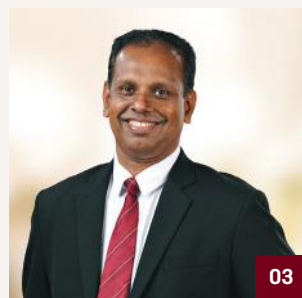
Focussed on execution



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01. S P K Senadeera Manager Projects, **02. S P Mamaduwa** Training Manager, **03. M A C P Wijeratne** Manager - IT Projects, **04. D A Wijewardena** Manager - IT Projects, **05. D R M T N D Bandara** Manager - Business Development, **06. A K D D C Perera** Manager - Business Development, **07. T Nirojan** Manager - Business Development, **08. I B L Wijesinghe** Business Development,



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09. **M N Abdeen** Zonal Manager, 10. **D S Hettiarachchi** Zonal Manager, 11. **L P K Rupasiri** Manager - Operations, 12. **B A K S M Dharmasena** Manager - ICT, 13. **M C Jayasinghe** Manager - Information Systems Audit, 14. **V Thanusath** Manager - Internal Audit, 15. **W A C R Alwis** Category Manager, 16. **S A T M Wijesinghe** Manager - IT Projects, 17. **H H U S C Fernando** Zonal Manager, 18. **S E S M Fernando** Manager - Administration, 19. **T D M P C Pulle** Manager - Training, 20. **S D Arulanandam** Manager Customer Relations, 21. **R P L Dammika** Acting Zonal Manager

SALES MANAGERS

Regional Sales Managers

Mr. H M J Banda

Regional Sales Manager (Branch Head)

Mr. E B J I Kumara

Regional Sales Manager (Branch Head)

Mr. M A S N Peter

Regional Sales Manager (Branch Head)

Mr. S S Wettasinghe

Regional Sales Manager (Branch Head)

Mr. A R P S Amarakoon

Regional Sales Manager (Branch Head)

Mr. S A S Chandralal

Regional Sales Manager (Branch Head)

Mr. S Dharshan

Regional Sales Manager (Branch Head)

Mr. P D H Rasanga

Regional Sales Manager

Mr. S A A S Kumara

Regional Sales Manager

Assistant Regional Sales Manager

Mr. N Kiriwandeniya

Assistant Regional Sales Manager (Branch Head)

Mr. K M P D Chandradasa

Assistant Regional Sales Manager (Branch Head)

Mr. T V M Lakmal

Assistant Regional Sales Manager (Branch Head)

Mr. W S R Fernando

Assistant Regional Sales Manager (Branch Head)

Mr. M P W Cooray

Assistant Regional Sales Manager (Branch Head)

Mr. M M R L Perera

Assistant Regional Sales Manager (Branch Head)

Acting Assistant Regional Sales Managers

Mr. D R J Silva

Acting Assistant Regional Sales Manager

Mr. T J R Perera

Acting Assistant Regional Sales Manager

Mr. W S Perera

Acting Assistant Regional Sales Manager

Mr. T Rajakopal

Acting Assistant Regional Sales Manager

Mr. B B P Wickramasinghe

Acting Assistant Regional Sales Manager

Senior Branch Sales Managers

Mr. S N Hettiarachchi

Senior Branch Sales Manager

Mr. H L Munasinghe

Senior Branch Sales Manager (Branch Head)

Mr. A P Perera

Senior Branch Sales Manager (Branch Head)

Mr. S A S R Senanayaka

Senior Branch Sales Manager (Branch Head)

Mr. R Maguran

Senior Branch Sales Manager (Branch Head)

Mr. J Piratheev

Senior Branch Sales Manager (Branch Head)

Mr. J A R S Jayasinghe

Senior Branch Sales Manager (Branch Head)

Mr. B A Priyantha

Senior Branch Sales Manager (Branch Head)

Mr. K D M Nishantha

Senior Branch Sales Manager (Branch Head)

Mr. J M S Jayasundara

Senior Branch Sales Manager (Branch Head)

Corporate Sales Team

Senior Business Promotion Manager - Corporate Sales

Business Promotion Team

Mr. A I P Manjula

Senior Business Promotion Manager

Ms. W G T K Danapala

Senior Business Promotion Manager

Mr. K B A Thushara

Senior Business Promotion Manager

Mr. N Pushpaharan

Senior Business Promotion Manager

Mr. W K M C Wickramasinghe

Senior Business Promotion Manager

Mr. W S Fernando

Business Promotion Manager

Mr. S M C Bandara

Business Promotion Manager

Mr. N A J Fernando

Business Promotion Manager

Mr. A P S Wijayakumar

Business Promotion Manager

CORPORATE GOVERNANCE

Chairman's Message



At Ceylinco Life Insurance Limited the creation of sustainable value is underpinned by robust corporate governance practices which ensure that operations are conducted with the highest level of integrity, transparency and accountability. Our governance framework is structured around our firm belief that high standards of corporate governance are vital for shareholder value creation. This belief resonates throughout our corporate culture. The framework and policies are reviewed at regular intervals to maintain alignment with the Company's strategy, regulatory requirements, dynamic business environment, technological advancements and international best practices. This approach to corporate governance has reinforced the Company's success and recognition and has succeeded in maintaining the trust and confidence placed by the stakeholders on the Company over the years.

To fulfill the strategic objectives and aspirations, the Company ensures that ethical, accountable leadership drives the value creation, ensuring a culture of continuous improvement and good governance practices. The changes in the regulatory, industry and the internal environment are continuously monitored to stay up to date, while maintaining a prudent governance approach, adhering to the corporate governance standards outlined in governance charters and policies.

This report presents the Company's level of compliance of the Code of Best Practice on Corporate Governance 2017 (The Code) issued by The Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) and Direction # 17 issued by the Insurance Regulatory Commission of Sri Lanka (IRCSL). As required by the aforesaid regulations, I hereby wish to confirm that, to the best of my knowledge and belief, I am not aware of any material violations of the provisions of the aforesaid Code by any Director or any member of the Corporate Management team as of the date of the Annual Report and that the Company has satisfied all statutory payment obligations to the Government and the statutory/regulatory bodies.

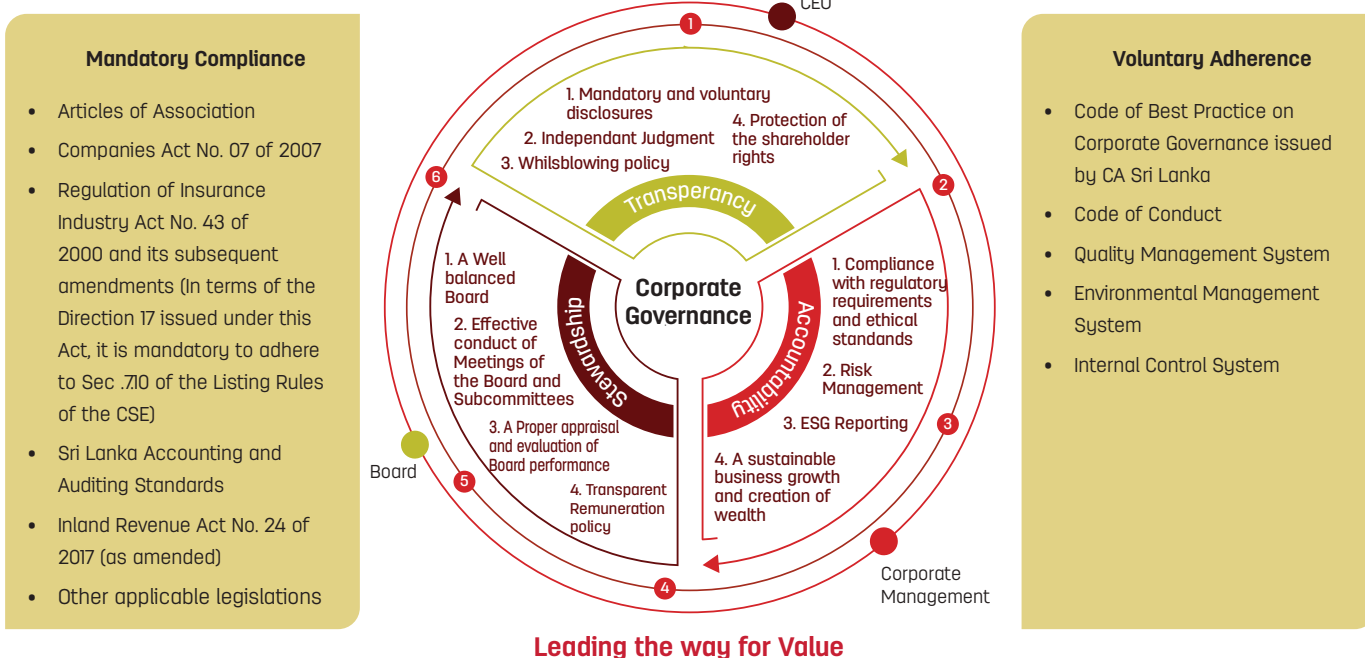
A handwritten signature in black ink, appearing to read 'R Renganathan'.

R Renganathan
Executive Chairman

19th February 2021
Colombo

The Governance Framework

Conforming with relevant laws and regulations and industry standards creates a robust foundation for the Board to ensure transparency in corporate practices and ethical operations. The Management holds responsibility for building the required values and culture promoting accountability and transparency. Built on the pillars of Stewardship, Transparency and Accountability, the framework allows the Group to venture beyond its mandatory compliance, to expand conformance practices to different areas of the business, promoting responsible corporate behaviour, strengthening operations, addressing expectations of various stakeholder groups and eventually it's supporting sustained performance.



- ① Remuneration Committee | ② RPTR Committee | ③ Audit Committee | ④ Board Risk Committee
 ⑤ Board Investment Committee | ⑥ Nomination Committee

Key Governance related Highlights of the year

Stewardship

- The disclosures related to Directors' interests/ related party transactions/ independence for 2020.
- An annual evaluation of the skills and expertise of the Board members was conducted to ensure their capabilities to carryout the future strategic goals of the Company.
- The annual Board performance evaluation was carried out for the year 2020 and findings were notified to the Board by the Secretary.
- Several training and workshops were conducted for the enhancement of technical knowledge of the Directors during the year.

- Separate meetings with the Senior Independent Director and the Executive and Non-Executive Directors were held during the year, as required by the Code.
- Annual Review of the Board Sub-Committee Charters and their relevant policies were conducted for the year.

Accountability

- Impact of Covid -19 on the business continuity risk was discussed at Board and Sub-Committee level and reviewed the Business Continuity Plan (Refer "Impact of Covid -19" on pages 8 to 9.)
- Submission of the Annual Report of the Company for 2019 to the shareholder and other regulatory authorities within the stipulated time frame as required by their regulatory requirements.
- Reviewed the progress made on implementation of IFRS 17 standard.

- Reviewed and revised the IT policy and IT plan of the Company in order to align them with the required ISO standards to ensure the safe custody of assets and confidential data of the Company.
- Rolled -out major IT Projects during the year in order to reduce the risk of cyber security breaches and to ensure that the business is conducted in a sustainable way. (Refer "Transforming our Business with IT on pages 85 to 90).
- Discussions were held to implement the Acceptable Usage Policy (Refer "Transforming our Business with IT on pages 85 to 90).
- Implementation of the Sustainable Policy and the appointment of a Sustainability Committee to review and monitor on the ESG reporting of the Company. (Refer "Sustainability Policy" on pages 23 to 25.)

- Policies and procedures relating to employees of the Company were reviewed in order to fit the challenging profile of the workforce. (Refer "Investing in Human Capital" on pages 98 to 107)
- Implementation of the Internal Capital Adequacy Ratio (CAR) Policy.
- A code of conduct was implemented for the usage of social media by the sales staff.
- Discussions were conducted to implement the Document Retention Policy.

Transparency

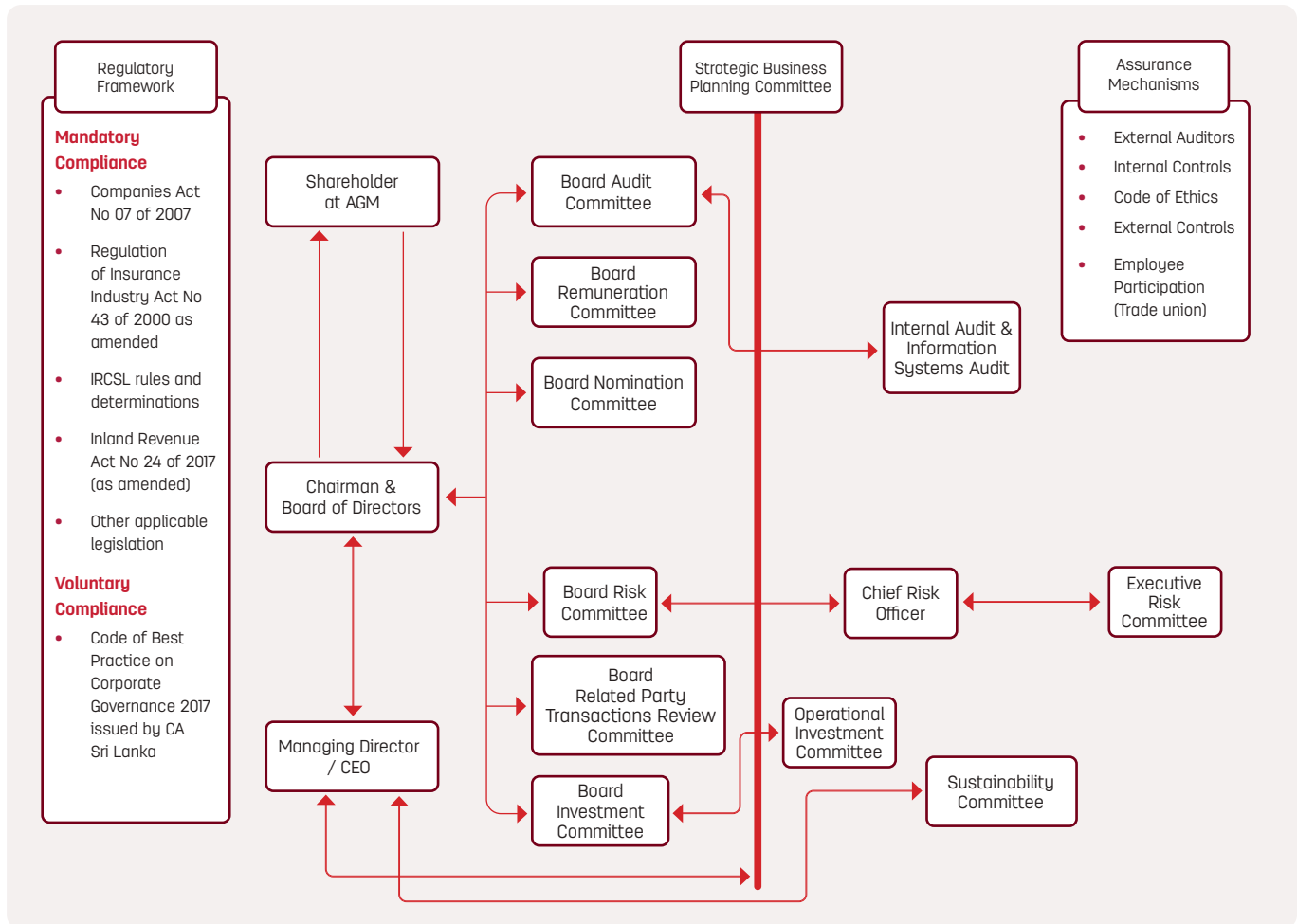
- Voluntary disclosure of quarterly/ audited Financial Statements and information which can have an impact on the share price of the Parent Company, Ceylinco Insurance PLC.
- Reviewed the findings of examinations/ audits carried out by the Regulator/ internal & external auditor's especially on areas/ functions, concerning SAP system migration, functions of the Investment Division, Audit on

Compliance with the relevant regulatory requirements on Anti-Money Laundering (AML)/ Conter Terrorist Financiag (CTF) etc.

- Conducted an employee survey for "Great Place to Work" and developed the action plans on focus groups, using the survey feedback.
- During the year, several initiatives were carried out in order to enhance the effectiveness of the Whistle Blowing Policy of the Company. (Refer "Investing in Human Capital" on pages 98 to 107)

Our Governance Structure

The Board's governance responsibilities are driven by the Company's Corporate Governance Model, the mechanism that facilitates responsible management and oversight of the business to sufficiently protect the interest of all stakeholders. This Corporate Governance framework assists the Board of Directors in executing its leadership obligations with judicious and effective controls, while successfully assessing and managing the risk of the Company.



CLIL's governance practices stand to ensure that:

- The business is conducted with integrity, in a transparent, ethical and sustainable manner.
- A stable foundation for business is created in order to overcome numerous challenges that emerge in economic, social and environmental aspects.
- A well-balanced and judicious empowerment is maintained within the Company between authority and responsibility.
- Authority is delegated by the Board amongst its Sub-Committees and Executive committees within the defined terms in the respective Mandates, whilst maintaining its accountability.
- A correct balance of multiple interests of all the stakeholders is considered when developing the corporate strategies of the Company and for this purpose the input of stakeholders is obtained via an interactive stakeholder engagement mechanism.
- The managerial skills and capacities of the employees are boosted to drive the corporate strategy in order to achieve growth and return.
- The expectations of the regulators are met with the internal governance practices of the Company.

Internal Governance Structure

The Company's internal governance structure concentrates on the responsibilities of the Board of Directors, Board Sub-Committees and the senior management. These controls monitor the progress and activities of the Company and take corrective action when necessary. They formulate, execute and monitor business objectives, define the risk appetite, allocate levels of responsibilities, define reporting lines and organize internal controls including risk controls, compliance, and internal audit.

A summary of the elements of the internal governance structure and assurance are highlighted in the Company's corporate governance model.

External Governance Structure

The Company's external governance structure refers to the relevant laws, contracts, regulatory guidelines or best practices that are imposed by the external stakeholders. The Company is governed

by mandatory rules and regulations and voluntary adoption of Code of Best Practice on Corporate Governance as depicted in the Governance Structure.

Group Structure and Shareholding Structure of CLIL.

CLIL's Group Structure is given on page 3 of this report.

Shareholding Structure

The total stated capital of the Company as at 31st December 2020 was Rs. 500,000,500/-.

Ceylinco Insurance PLC held 100% of the total shareholding of the Company as of 31st December 2020.

Stewardship

Creation of Stewardship

The Board of Directors, the highest governing authority of the Company, provides ethical, accountable and transparent leadership which ensures sustainable value creation and a culture of continuous improvement of good governance practices. Our governance structure provides direction for such practices with oversight, accountability, and improved decision-making, ensuring sustainable behaviour combined with effective risk management, internal controls, and compliance.

Functions of the Board

The Board bears ultimate responsibility for the performance of the Group and is accountable to the shareholders of the Company.

Their key role is providing leadership and direction within an effective control framework. The Corporate Management team is led by the Managing Director/ CEO who holds the responsibility of driving

integrated thinking and executing the corporate strategies, whereas the Board assumes a supervisory role by providing the necessary leadership to the management and monitoring its performance. As drivers of corporate governance, the Board dedicates adequate time to attend the Board and Sub-Committee meetings and provide independent judgment on matters relating to strategy, performance, risk management, governance and business conduct when discharging their duties.

Composition of the Board

A well-balanced Board is essential for the Company in order to ensure that no individual can dominate the Board's decision making and each year the size and composition of the Board, along with their skills and competencies are reviewed to ensure the right balance is maintained. The Board comprises of 15 members and all Directors must, by duty, act with independence of mind and in the best interests of the Company. This is further supported by the presence of 10 Non-Executive Directors out of which 7 are Independent Directors. All Non-Executive Directors sign and submit a written declaration to the Company Secretary annually on his/her independence. Such declarations were submitted by the Non-Executive Directors for the year 2020 at the Board Meeting held on 27th January 2021 for their review.

The Board members of CLIL display a wide range of skills, experience, expertise and knowledge in the fields of banking, accounting and finance, business acumen, industry knowledge, legal and regulatory requirements and risk management. The Board believes that the current composition provides sufficient diversity and that the Directors possess the necessary knowledge and acumen to govern and support efficient decision making.



Executive Directors**Non-Executive Directors****Independent Non-Executive Directors****Skills of the Board****Gender Diversity****14 : 1****Age Composition**

41-50 years: Male 1

51-60 years: Male / Female 5

61-70 years: Male 7

71 and above: Male 2

Roles and responsibilities**The Board**

The Board is collectively responsible for the overall stewardship of the Company and ensuring that all operations are conducted in a transparent, ethical and sustainable manner. The key responsibilities of the Board are as follows:

- Appointing the Chairman and the Senior Independent Director, if relevant.
- Ensuring that the CEO and management team possess the skills, experience, and knowledge to implement the strategy.
- Ensuring the adoption of an effective succession strategy for CEO and Key Management Personnel.
- Approving budgets and major capital expenditure.
- Determining the matters expressly reserved to the Board and those delegated to the Management including limits of authority and financial delegation.
- Ensuring effective systems to secure the integrity of information, internal controls, business continuity & risk management.
- Ensuring compliance with laws, regulations and ethical standards.
- Ensuring all stakeholder interests are considered in corporate decisions.
- Recognizing sustainable business development in Corporate Strategy, decisions and activities and considering the need for adopting Integrated Reporting.
- Ensuring that the Company's values and standards are set with an emphasis on adopting appropriate accounting policies and fostering compliance with financial regulations.
- Establish a process of monitoring and evaluation of progress on strategy implementation, budgets, plans and related risks.
- Ensuring that a process is established for corporate reporting on an annual and quarterly basis or more regularly as relevant to the Company.
- Fulfilling such other Board functions as are vital, given the scale, nature, and complexity of the business concerned.

The Chairman

The Chairman plays an executive role in the Company and thus is the highest executive position. He is accountable for facilitating the effective discharge of Board functions and ensuring that accurate, timely information is available to all Board members to make thorough and informed decisions. The key responsibilities of the Chairman are as follows:

- Fostering a culture of inclusivity by encouraging the expression of diverse views by Board members and ensuring the participation of all Directors during discussions
- Ensuring compliance to all applicable laws and regulations
- Ensuring shareholder concerns are appropriately addressed

Senior Independent Director

In order to ensure that no one individual has unfettered powers of a decision within the Board, Mr. W M P J K Wickramasinghe was appointed as the Senior Independent Director (SID) of the Board w.e.f. 24th January 2019. During the year under review, the SID separately met the Non-Executive Directors and Executive Directors twice, to discuss the governance-related matters of the Company, as required by the code.

Board Sub-Committees

The Board has delegated some of its functions to Sub-Committees comprising of members of the Board, who have been appointed upon careful evaluation on their qualifications and experience on the relevant subject matter falling under the purview of the Sub-Committees. This delegation of duties ensures that adequate time is spent on matters within the scope of each Committee and its members. The Committees' Terms of Reference are periodically reviewed in line with the developments in the regulatory and Governance Framework and each Committee is responsible for fulfilling the duties entrusted to it in accordance with its respective Mandate/Charter/ Terms of Reference, to take action, monitor, advise and make recommendations to the Board. The composition of the Committees, Terms of Reference, key responsibilities and actions taken during the year are detailed under the separate Committee reports from pages 152 to 165.

Board Sub-Committees

- Audit Committee
- Risk Committee
- Related Party Transactions Review Committee
- Remuneration Committee
- Investment Committee
- Nomination Committee

Management Committees

- Strategic Planning Committee
- Executive Risk Management Committee
- Operational Investment Committee

Company Secretary

The Board is responsible for the appointment and removal of the Company Secretary. The Company Secretary performs a major role in ensuring that good governance practices are maintained within the Company at all times. Every member of the Board has access to the advice and services of the Company Secretary for matters relating to Board procedures and any clarification on applicable rules and regulations. The Company Secretary coordinates the Board meetings, ensuring timely and accurate information is provided and prepares and maintains the minutes of the Board meetings. The Company Secretary also provides assistance on matters relating to

corporate governance and economic and social sustainability among others.

Appointments and Re-election

Directors are appointed by following a formal process as outlined in the Board Mandate and based on the recommendations made by the Nomination Committee. Recommendations are made on consideration of the combined skills, knowledge, experience and diversity of the Board and any gaps thereof. Upon completion of the formalities of the appointment of the new Board member, a brief resume of the Director will be forwarded to the sole shareholder of the Company for their information.

No appointments of casual vacancies or Alternate Directors were made during the year 2020 and therefore no election of Directors under Rule A.8.2. of the Code was performed.

The re-election of Directors is governed by the Articles of Association and performed at the Annual General Meeting (AGM) of the Company. Accordingly, one third of the Directors, excluding the Executive Directors who have been in office the longest, offer themselves for re-election. Prof. W M M De Silva, Dr. B G S De Silva and Ms. A K Seneviratne will offer themselves for re-election at the next AGM to be held on 25th March 2021.

Directors reaching the age of 70 years are recommended for re-election by way of an ordinary resolution by the sole shareholder of the Company in terms of Sec.210 of the Companies Act No. 07 of 2007. Accordingly, Gen. C S Weerasooriya, a Non-Executive Director, who will reach 78 years in

December 2021 and Mr. D H J Gunawardena, a Non-Executive Director, who will reach 72 years in December 2021, will be recommended for re-election, subject to the provisions of Direction 17 (as amended) issued by the IRCSL, at the upcoming AGM.

No Director resigned during the year before completion of the appointed term.

Meetings

The Board meets once in every 2 months to discharge their duties and responsibilities towards the Company. Meeting agendas and Board papers are circulated to all Board members at least one week prior to the meeting to ensure adequate time is allowed for preparation. The Articles of Association of the Company provides direction as to how Directors can call for a resolution to be presented to the Board. All proceedings of the Meetings, including Directors' concerns regarding matters which are not resolved unanimously, are recorded in the Board Minutes.

The required information for the Board Sub-Committees is provided by the Management as per the frequency in which meetings are held. The Board/Committee members call for additional information in case where the Directors find that the information provided to them is inadequate or not clear. Further, the members of Corporate Management are invited to the meeting whenever the Board/Committee members require to be briefed on certain papers during the meeting. Absentees are updated on proceedings of the meeting, by the Company Secretary by way of sending the Minutes to the Board/Committee members at least within two weeks after the meeting.

Key Focus Areas 2020

- To grow the total Gross Written Premium to Rs. 20.5 Bn
- To reduce the Expenses by Rs. 3.8 Bn
- To achieve a Profit After Tax of Rs. 8.0 Bn
- ESG concerns
- Awards and recognition
- To maintain the Capital Adequacy Ratio at the minimum requirement
- To grow the Life Fund by 10%

Regular items on the Board Meeting Agenda

- Review of performance of the Company and the strategic plans
- Business Continuity Plan during the prevailing pandemic situation
- Compliance and legal matters
- Discussion on key issues and the proceedings of the Board Sub-Committees (i.e. pursuant to the areas of Audit, Risk, Investments, Related Party Transactions, Remuneration)
- IT infrastructure, IT developments and data analytics related matters
- Corporate Social Responsibility matters

Attendance of the members of the Board/ Subcommittee

Name	Directorship Status	Board	Audit Committee	Risk Committee	Related Party Transactions Review Committee	Remuneration Committee	Investment Committee	Nomination Committee
Mr.R.Renganathan	ED-Chairman	6					3	1
Mr.E.T.L.Ranasinghe	MD/CEO	6					3	
Mr.PD.M.Cooray	ED-HHRT	6						
Mr.PA.Jayawardena	ED-CFO	6					4	
Mr.S.R.Abeynayake	ED-DCFO	6					4	
Mr.D.H.J.Gunawardena	NED	6	4		4			
Gen.C.S.Weerasooriya	NED	6						
Mr.R.S.W.Senanayake	NED	6		5			4	
Mr.J.A.Setukavalar	INED	6	4		4			
Prof.W.M.M.De Silva	INED	5				2		
Dr.B.G.S.De Silva	INED	6				2		1
Mr.W.M.P.J.K. Wickramasinghe	INED	5	4	5	4			1
Mr.H.S.B.Caldera	INED	6				1		
Ms.A.K.Seneviratne	INED	6		5				
Mr.J.Durairatnam	INED	6						
Total Number of Meetings		6	4	5	4	2	4	1

ED- Executive Director

NED-Non-Executive Director

INED-Independent Non-Executive Director

MD/CEO-Managing Director/Chief Executive Officer

CFO- Chief Financial Officer

DCFO-Deputy Chief Financial Officer

HHRT- Head of Human Resources and Training

Induction and Development

On appointment, Directors are provided a comprehensive understanding of their duties and responsibilities by the existing Directors. The Non-Executive Directors are provided the necessary clarifications on technical matters by the Chairman prior or at following Board Meetings and are also given a detailed briefing on the products and Company's business by the Executive Directors and the Senior Management during Board and other Sub-Committee meetings.

The Board also recognises the need to stay abreast of local and global developments affecting the business, including regulatory changes, economic movements and industry trends and undertakes various trainings and professional development programs considered necessary to assist them in carrying out their duties satisfactorily.

Training programs held during the year for the Board

- A workshop on the basic Actuarial Concepts
- A workshop on the calculation of surplus

Appraisal

The Board and the Board Sub-Committees annually appraise their own performance to ensure that they are effectively discharging their responsibilities and identify areas for improvement and development. The results of the assessments for the year 2020 were duly summarized and presented by the Company Secretary at the Board Meeting held on 27th January 2021 and the information was tabled for discussion by the Board, along with the recommendations made by the Nomination Committee. Considering the recommendations by the Nomination Committee, the Board discussed in detail the areas that require improvement

and steps to ensure the continuity and effectiveness of the Board's performance in the coming years.

At the beginning of 2021, the Board determined the goals to be met by the MD/CEO during 2021 in line with the short-term and long-term goals of the Company at their meeting held on 27th January 2021. The Board also carried out the annual performance evaluation of the MD/CEO to ascertain whether the targets set during the prior year have been achieved at the said meeting.

Remuneration

The Remuneration Policy of the Company seeks to motivate and reward performance while meeting regulatory requirements, market expectations and corporate values. The Directors' remuneration is aligned to their performance and is attractive enough to motivate and retain Executive Directors. The remuneration of the Non-Executive

Directors has been structured in a way to attract and retain prominent professionals with the required expertise in the industry to drive the business, whilst balancing the interests of the sole shareholder. The Remuneration Committee is responsible for suggesting and approving the Directors' remuneration. The Committee sets the principles, parameters and governance framework of the Company's remuneration policy and recommends the terms and conditions of employment of the Chairman of the Board, Executive Directors, and the Senior Management.

No individual Director is involved in determining his own remuneration. Independent Director's fees are determined by the Board supported by the Remuneration Committee who also seeks professional advice from HR professionals.

The remuneration package of the MD/CEO is structured to link rewards to corporate and individual performance, ensuring there is strong alignment between the short-term and long-term goals and interests of the Company.

The report of the Remuneration Committee is presented on page 152. Directors' remuneration is disclosed on Note 44 in Financial Statements on page 269.

Transparency

Transparency essentially depends on the compliance structure of the Company and the level of assurance obtained. In ensuring transparency, the Board of Directors collectively and individually act in accordance with the laws and regulations of the country and present a compliance checklist to the Audit Committee.

Mandatory compliance

The Company is compliant with the Regulation of Insurance Industry Act No.43 of 2000 and its subsequent amendments (under this direction it is mandatory to adhere to Sec.710 of the Listing Rules of the CSE), Companies Act No. 07 of 2007, Inland Revenue Act No. 24 of 2017 and the Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995, along with many other applicable legislative enactments.

Statement of Responsibility

The Statement of Directors' Responsibility for Financial Statements setting out the Directors' responsibility in preparing and presenting the financial statements as per section 150 (1), 151, 152 and 153 (1) and (2) of Companies Act No. 07 of 2007 is presented on page 166.

Voluntary adherence

The Company voluntarily adheres to several best practices to strengthen its governance standards. These practices cascade down to different areas of business, promoting responsible corporate behaviour, strengthening operations, addressing the expectations of various stakeholder groups and eventually supporting sustained performance.

Independent Judgment

Directors exercise their independent judgment on aspects relating to strategy, resource allocation, performance, key appointments as well as standards of business conduct. The Board composition and representation ensures that there is a sufficient balance of power within the Board, with limited tendency for one or few members to dominate decision making. When deemed necessary the director's seek independent professional advice on matters pertaining to CLIL at the expense of the Company.

The Board of Directors is responsible to give advance notice of any conflict of interest to the Company Secretary prior to their appointment and submit a written declaration at the beginning of each financial year. Further, they are also required to disclose their interests each quarter during the Board meetings.

Code of Conduct

The Company has in place a Code of Conduct outlining the expected conduct of all employees and addresses issues relating to conflict of interest situations, bribery and corruption, entertainment and gifts, accurate accounting and record-keeping, corporate opportunities, confidentiality, fair dealing, protection and proper use of

Company assets, compliance with laws and regulations and encouragement of reporting of any illegal or unethical behaviour. Similarly, every employee of the Company is also bound by the Anti-bribery and Corruption Policy of the Company for the same purpose.

Being a Public Limited Company, fully owned by Ceylinco Insurance PLC, material information of the Company, which may be price sensitive to the Parent Company, is disclosed to the Parent Company, which in turn reports to its relevant regulators. RPT reporting and reporting Directors' interests in transactions, helps to monitor any shares purchased by KMPs or any other employee involved in financial reporting.

Whistleblowing

The corporate culture is moulded by the Code of Conduct which articulates the standards of conduct expected by all Directors and employees. Built on principles of integrity it provides the foundation necessary in creating a responsible workplace adhering to ethical, professional and legal standards of conduct.

The whistleblowing policy aids anonymous reporting of unethical or unlawful behaviour in relation to possible inappropriate financial reporting, internal controls or other matters by employees. The aim of the policy is to enable the stakeholders of the Company to feel confident and comfortable to voice their concerns or raise questions while assuring confidentiality.

Accountability

The 3rd Pillar, Accountability is a key element of good corporate governance and relates to the Board's ability to ensure it conducts and presents a fair, balanced and understandable assessment of the Company's position and prospects.

Reporting and Disclosure

Annual Report

The Board acknowledges its responsibility towards ensuring the Annual Report provides a balanced view of the corporate governance practices which are expected to have an impact on all stakeholders. The Company presents its Financial Statements in line with Sri Lanka Accounting Standards (SLFRS/LKAS) and other applicable laws and regulations. The Company voluntarily publishes its Interim Financial Statements in a timely manner in promoting a culture of transparency.

External Audit

Messrs. Ernst and Young was re-appointed as the External Auditor of the Company for the year at the previous AGM. "The Board Audit committee" engages with the

external auditors for audit and non-audit matters relating to the professional ethical standards and regulatory requirements. The Audit Committee remains satisfied with the independence, objectivity and effectiveness of Messrs. Ernst & Young in rendering their services. Messrs. Ernst & Young have submitted their Annual Statement confirming independence in relation to the external audit as required by the Companies Act No. 07 of 2007.

Shareholder Relations

The Company maintains effective and ongoing communication with its sole shareholder Ceylinco Insurance PLC. Multiple channels of communication such as the AGM, annual report, quarterly financial statements, memos, notices published in the newspapers and Company website

are used to disseminate information. The shareholder is also encouraged to maintain direct communication with the Company via the Company Secretary. All responses towards any actions are decided by the Board are formally communicated and appropriately recorded.

Material or Major Transactions

All material/major transactions entered into, which affect the net asset base of the Company should be disclosed to the shareholder for their approval in terms of Sec.185 of the Companies Act No. 07 of 2007. During the year under review, there were no such transactions entered into by the Company as defined under the said provision.

Risk Management and Internal Controls

A continuous process is in place for identifying, assessing, managing, monitoring and reporting on the level of risks encountered by the Company and our internal control systems facilitate this process. The effectiveness of the internal control systems in place is continuously reviewed by the Board with the support of the Board Audit Committee as well as the Board Risk Committee.

Technology and Security

In the process of driving innovation, the Company recognises the critical role played by technology of staying abreast with the latest developments. Digital innovations present significant opportunities for the insurance industry and the Board is aware of its expanding role in promoting, steering and sustaining such innovations while also acknowledging the need for management of internet and cyber risks that arise with digitization.

IT devices used by employees at Head Office and branches are connected to the Corporate network via the SLT- IP/VPN. Devices and Users are authenticated via the CLIL Windows Active Directory services using user IDs and Passwords. All IT devices

Details of the AGM for the year 2019 and key matters discussed

No physical meeting was held on 29th Mar 2020 due to COVID-19 situation, eventhough notice had been sent more than 15 days prior to the AGM to the shareholders. A circular resolution of shareholders was adopted on 16th June 2020, under Sec. 144 of the Companies Act to approve the following matters:

- Adoption of the Audited Financial Statements for the financial year ended 31st December 2019 together with the Report of the Auditors.
- Adoption of the Report of the Directors for the said year.
- Re-election of Directors who were over 70yrs of age i.e. Gen. Chandrika Sirlal Weerasooriya and Mr. D H J Gunawardena.
- Rotation of Directors under Article 18B of the Articles of Association of the Company, i.e. Mr. R S W Senanayake, Mr. J A Setukavalar, Mr. W M P J K Wickramasinghe.
- Re-appointment of M/s. Ernst and Young (Chartered Accountants), as the Auditors of the Company to hold office until the conclusion of the next annual general meeting of the Company and the Directors were authorized to determine their remuneration.
- Directors were authorized to determine the donations for the year.
- It was considered by the shareholders that the interim dividend of Rs.13.40 per share constituting a total sum of Rs. 670,000,670/- as the first and final dividend for the year 2019.

Each substantially different issue was adopted separately by the shareholder via circular resolution. All the resolutions taken up for approval of the shareholder were approved unanimously. In addition, the required information was provided by the SID and other Chairmen of Board Sub-Committees to the shareholder during the adoption of the said resolution.

such as TABs, Smart Phones, and Laptops used by sales teams are first authorized to access the corporate network after complying with the minimum-security conditions. All system users are issued with a unique User ID and a password while all system connectivity requests are authorized on a need basis. The corporate network’s perimeter is also secured with multiple Cyber Security layers such as Firewalls, SPAM Control, and Anti threat Software/Anti-virus solutions.

The Board and its Sub-Committees are frequently briefed on such information which ensures that IT infrastructure is maintained at the required standards. The Chief Information Security Officer who is equipped with the relevant knowledge and expertise and appointed by the Board, maintains

the cybersecurity risk management policy of the Company. Additionally, CLIL has also appointed TechCERT as the official Independent Cybersecurity Consultant for the 10th consecutive year. The service includes 4 Internal and External vulnerability assessments per year and TechCert is acting as the authority to keep the Company informed of any external threats that might have an impact on CLIL.

Cyber-Risk Management of the Company was a general Agenda item of the Board Risk Committee Meetings during the year and the Minutes of the said Meetings were tabled and discussed in detail at the subsequent Board meeting.

ESG Reporting

ESG reporting reflects how the Company has performed and the extent to which it has achieved its long-term value creation and demonstrated corporate responsibility. We believe that good ESG attributes facilitate better performance and it boost stakeholders’ confidence on the performance of the Company. The Board is aware of their responsibility to ensure that sound ESG policies are integrated into the Company’s strategy, business model, governance and risk management and reporting processes. This report has been prepared in the form of an integrated report addressing the relevant ESG aspects required by the Code. Additional information on ESG Reporting is given in Section H in the Summary of compliance with the Code on page 131 to 133.

Compliance with the Code of Best Practice on Corporate Governance issued by the Institute of Chartered Accountants of Sri Lanka in 2017

This table summarizes the Company’s level of compliance with the Code.

Code Ref.	Requirement	Reference to the CG report	Complied	Page Ref
A	Directors			
A.1	The Board	<ul style="list-style-type: none"> Board Composition Governance Structure 	✓	Pages 125 to 126, Pages 124
A.1.1	Board Meetings	<ul style="list-style-type: none"> Meetings 	✓	Page 127 to 128
A.1.2	Role & Responsibilities of the Board	<ul style="list-style-type: none"> Roles & Responsibilities 	✓	Page 126
A.1.3	Compliance with laws of the country	<ul style="list-style-type: none"> Chairman’s message Transparency Independent Judgment 	✓	Page 122 Page 129
A.1.4	Access to advice and services of Company Secretary and Insurance Cover	<ul style="list-style-type: none"> Company Secretary Required insurance cover has been provided by the Company for key management personnel. Refer Note 44 on page 269 for the total insurance installment paid during the year. 	✓	Page 127
A.1.5	Independent Judgment of the Board	<ul style="list-style-type: none"> Independent Judgment 	✓	Page 129
A.1.6	Dedicate adequate time and effort	<ul style="list-style-type: none"> Meetings 		Page 127 to 128
A.1.7	Calls for Resolutions	<ul style="list-style-type: none"> Meetings 	✓	Page 127 to 128
A.1.8	Board Induction and Training	<ul style="list-style-type: none"> Induction and Development 	✓	Page 128
A.2	Chairman & Chief Executive Officer	<ul style="list-style-type: none"> Roles and Responsibilities- The Chairman 	✓	Page 126
A.3	Chairman’s Role in Preserving Good Corporate Governance	<ul style="list-style-type: none"> Roles and Responsibilities- The Chairman 	✓	Page 126
A.4	Financial Acumen	<ul style="list-style-type: none"> Board Composition 	✓	Page 125 to 126

Code Ref.	Requirement	Reference to the CG report	Complied	Page Ref
A.5	Board Balance	-Board Composition -Independent Judgment -Meetings -Board of Directors (profiles) -Appointments and Re-election -Roles and Responsibilities- The Chairman	✓	Pages 125 to 126 Page 129 Pages 127 to 128 Pages 112 to 115 Page 127 Page 126
A.6	Provision of Appropriate and Timely Information	-Meetings -Induction and Development	✓	Pages 127 to 128 Page 128
A.7	Appointments to the Board and Annual assessment of Board composition	-Appointment and Re-election -Report of the Nomination Committee	✓	Page 127 Page 153
A.8	Re-election of Directors	-Appointment and Re-election	✓	Page 127
A.9	Appraisal of Board Performance	-Appraisal	✓	Page 128
A.10	Disclosure of information in respect of Directors	-Profiles -Directorships in Other Companies -Meetings- Attendance	✓	Pages 112 to 115 Pages 127 to 128
A.11	Appraisal of the Chief Executive Officer	-Appraisal	✓	Page 128
B.	Directors' Remuneration			
B.1	Remuneration Procedure	-Remuneration	✓	Pages 128 to 129
B.2	Level & Make up of Remuneration	-Remuneration	✓	Pages 128 to 129
B.3	Disclosures related to Remuneration in Annual Report	-Report of the Remuneration Committee - Aggregate remuneration paid to the Directors is disclosed on page Note 44 on page 269	✓	Page 152
C.	Relations with Shareholders			
C.1	Constructive use of the AGM & Other General Meetings	Details of the AGM and key matters discussed.	✓	Page 130
C.2	Communication with shareholders	Reporting and Disclosure- Shareholder Relations	✓	Page 130
C.3	Disclosure of Major and Material Transactions	Reporting and Disclosure- Material or Major Transactions	✓	Page 130
D.	Accountability and Audit			
D.1	Present a balanced and understandable assessment of the Company's financial position, performance and prospects	- Chief Executive Officer's and Chief Financial Officer's Responsibility Statement - Statement of Directors' Responsibilities on Financial Reporting - Directors' Statement on Internal Control - Independent Auditors' Report - Strategic and Resource Allocation - Report of the Board of Directors - Chairman's Message - Report of the Related Party Transactions Review Committee In case of the net assets of the Company fall below 50% of the value of the Company's Shareholders Funds, the Board will summon an Extraordinary General Meeting (EGM) to notify the serious loss of capital of the Company to its shareholder under Sec.220 of the Companies Act and to explain the remedial action being taken.	✓	Page 167 Page 166 Page 168 Pages 174 to 175 Pages 26 to 34 Pages 146 to 151 Pages 10 to 13 Page 156
D.2	Process of Risk Management and a sound system of internal control to safeguard shareholders' investments and the Company's assets	- Risk Management - Enterprise Risk Management Report - Audit Committee report - Directors' Statement on Internal Control - CEO's and CFO's Responsibility Statement	✓	Pages 164 to 165 Pages 137 to 145 Pages 154 to 155 Page 168 Page 167

Code Ref.	Requirement	Reference to the CG report	Complied	Page Ref
D.3	Audit Committee	Board Audit Committee Report	✓	Pages 154 to 155
D.4	Related Party Transactions Review Committee	Board Related Party Transactions Review Committee report	✓	Page 156
D.5	Code of Conduct and Ethics	-Chairman's Message -Code of Conduct -Investing in Human Capital	✓	Pages 10 to 13 Page 129 Pages 98 to 107
D.6	Corporate Governance Disclosures	Corporate Governance Report	✓	Pages 122 to 136
E.	Institutional Investors			
E.1	Shareholder Voting	Reporting and Disclosure- Shareholder Relations	✓	Page 130
E.2	Evaluation of Governance Disclosures	The Company's Corporate Governance Framework and practices are discussed in detail from pages 122 to 136, giving due attention to the interests of the Sole Shareholder.		
F.	Other Investors-			
F1 & F.2	Investing and Shareholder Voting	Since the Company is a fully owned subsidiary of Ceylinco Insurance PLC, this provision does not apply to the Company.	N/A	
G.	Internet of Things & Cybersecurity			
G.1	Identify connectivity and related cyber risks	Technology and Security	✓	Page 130
G.2	Appoint a CISO and allocate budget to implement a cybersecurity policy	Technology and Security	✓	Page 130
G.3	Include cyber security on Board agenda	Technology and Security	✓	Page 130
G.4	Obtain periodic assurance to review effectiveness of cybersecurity risk management	Technology and Security	✓	Page 130
G.5	Disclosures in Annual Report	-Technology and Security -Risk Management	✓	Page 130 Pages 164 to 165
H.	Environment, Society & Governance			
H.1	ESG Reporting	ESG principles are rooted in our operations and included in developing our business strategies. Integrated reporting and Global Reporting Initiative Guidelines are followed in reporting and disclosure of ESG factors within this report. Information required by the Code is given in the following sections of the Annual Report: - Strategy & Value Creation (Pages 26 to 34 and Pages 49 to 50) - Risks Management (Pages 164 to 165) - Operational Environment (Pages 51 to 53) - Corporate Governance (Pages 122 to 136)	✓	

IRCSL Direction 17 on Framework for Corporate Governance for Insurers

The Insurance Regulatory Commission of Sri Lanka (IRCSL) by their Direction No.17 issued on 17th December 2018 (as amended), has recommended all insurers to comply with Corporate Governance under the Regulation of Insurance Industry Act No.43 of 2000 with effect from 01st July 2019, with a view to facilitate effective, entrepreneurial and prudent management that can deliver the long-term success of the Company. CLIL has complied with the said Directive, as set out in the below-mentioned table;

Requirement under Direction No. 17	Description	Status of Compliance
Code of Best Practice on Corporate Governance -2017	Please refer the Corporate Governance Report on pages 122 to 136	✓
Board Composition	<ul style="list-style-type: none"> At least two members of the Board should be citizens of Sri Lanka and also resident in Sri Lanka The total period of service of a Non-Executive Director should not be more than 9 years as at 01st July 2019 	✓
Age	A Director who is over 70 years of age shall cease to be a Director. Subject to be exemptions given in the Direction.	✓
CSE Listing Rule 710	To adhere to the CSE Corporate Governance Rules	✓
Appointments in other Boards	A Director of an Insurer cannot hold more than 20 Directorships in other companies/entities/ institution including subsidiaries of the Insurer. In addition, out of the said Directorships such director cannot serve on more than 10 Specified Business Entities as classified under the Sri Lanka Accounting and Auditing Standard Act No. 15 of 1995.	✓
Demonstration of the level of compliance with the Direction in the Annual Report.	The level of compliance with the Direction is given in the table & the Annual Report will be available in the official website of CLIL within 5 months after the Balance Sheet date.	✓

Performance Governance

The Board of Directors is responsible for the operational, strategic and financial performance of the Company, as well as it exercises its responsibility by clearly setting out the guiding principles within, which they expect and the management to function. The Strategic Planning Management Committee appointed acts in accordance with the directions set by the Board taking into consideration the short and long -term objectives of the Company and ensures that the performance objectives are meticulously monitored and achieved.

The performance governance mechanisms applicable to each operational area are demonstrated below;

Area of Operation	Strategic Plan and Budget	Underwriting and Reinsurance	Claims Management	Investment operations and Reporting	Sales Administration	Product Development
Governing Policies	<ul style="list-style-type: none"> Vision and Mission Strategic Plan 	<ul style="list-style-type: none"> Standard underwriting procedure manual Guidelines in the online medical underwriting manuals of Munich-Re, Swiss-Re, underwriting for rating medical complications 	<ul style="list-style-type: none"> Intranet based procedure manuals Claims assessment - based on policy conditions 	<ul style="list-style-type: none"> Board Investment Committee Charter Investment Policy Statement IRCSL guidelines on best practices of investment management Strategic and Tactical Asset Allocation Procedure manuals and guidelines Custodian Bank Agreement 	<ul style="list-style-type: none"> Company Budget Annual Targets Individual Sales Targets 	<ul style="list-style-type: none"> Product development policy
Governance Structure	<ul style="list-style-type: none"> Corporate management team Strategic Planning Committee Board of Directors 	<ul style="list-style-type: none"> Procedure manuals Rules built in to the AUSYS system for better control 	<ul style="list-style-type: none"> Risk Committee 	<ul style="list-style-type: none"> Board Investment Committee Operational Investment Committee Financial Risk Management Committee Segregation of investment function in to Front Office, Mid Office and Back Office External Custodian Bank to hold all investment positions and securities Risk management oversight by Investment Middle Office Internal control and process oversight by Internal Audit Independent external macro-economic advisor/research provider 	<ul style="list-style-type: none"> Business Development Management Team Enterprise Risk Management Committee Agency Management Team 	<ul style="list-style-type: none"> Product Development Committee including Executive Directors Risk Committee

Area of Operation	Strategic Plan and Budget	Underwriting and Reinsurance	Claims Management	Investment operations and Reporting	Sales Administration	Product Development
Performance Monitoring	<ul style="list-style-type: none"> Review of performance against agreed budgets by the Board once a month Review of the Strategic Plan by members of the Strategic Planning Committee once a month Independent follow up by Risk and Compliance division Review of actual results against the budget by the Management on a monthly basis with sales teams. Review with Head of Departments on progress made on KPI's on a monthly basis 	<ul style="list-style-type: none"> Underwriting authority of individuals are maintained in the main system Frequent underwriting audits are conducted 	<ul style="list-style-type: none"> Senior management is involved in monitoring pending claims Audit is carried out to check accuracy of claim decisions 	<ul style="list-style-type: none"> Annual investment policy review by Board Investment Committee Quarterly investment position, performance and risk exposure review by Board Investment Committee Weekly investment position, performance and risk exposure review by Operational Investment Committee Monthly Key Risk Indicators review by Financial Risk Committee and Operational Investment Committee Independent monitoring and reporting by Investment Middle Office and Internal Audit Use of custom benchmarks to measure relative performance Use of risk-adjusted indicators to measure investment performance 	<ul style="list-style-type: none"> Business Development Management Meetings Sales Review Meetings Performance reviews conducted by the Business Development Management Team and the Board Participating at Sales Conventions, various competitions, including foreign tours. Periodic Branch visits by Business Development Management Team to address issues faced by the branch staffs 	<ul style="list-style-type: none"> Conducting market research on products Obtaining insights from sales force Monitoring competitor products Guidelines for New Product development are followed Product Managers are appointed for each product

Area of Operation	Financial reporting and controls	Information Technology	Human Resources	Risk management	Compliance	CSR
Governing Policies	<ul style="list-style-type: none"> Audit Committee Charter Accounting policies SLFRS/LKAS 	<ul style="list-style-type: none"> Acceptable Usage Policy IT Security Policy Manual developed as per ISO 27001 standards Disaster Recovery Plan 	<ul style="list-style-type: none"> Remuneration Policy Code of Conduct Recruitment Policy Grievance Handling Policy Attendance and Leave Policy Disciplinary management policy Training & Development Policy Performance appraisal policy Succession planning Occupation health & safety policy Sexual Harassment policy Whistle Blowing policy Clearance Policy 	<ul style="list-style-type: none"> Mandate of the Risk Committee Enterprise Risk Management Process and Framework Risk Appetite Statement Business Continuity Plan 	<ul style="list-style-type: none"> Anti-Money Laundering Policy Data Protection Policy 	<ul style="list-style-type: none"> CSR plan

Area of Operation	Financial reporting and controls	Information Technology	Human Resources	Risk management	Compliance	CSR
Governance Structure	Audit Committee	<ul style="list-style-type: none"> Segregation of ICT functions – Info. System developments/ ICT Operations Including branch operation / Communication Network and IT Security functions CISO is responsible for overall information security of the company ICT Risk committee exists to identify Cyber Risks and report to CRO Critical Cyber Risk issues are taken at the ERM Exco Meetings 	<ul style="list-style-type: none"> Remuneration Committee Enterprise Risk Management 	<ul style="list-style-type: none"> Board Risk Committee Executive Risk Committee 	<ul style="list-style-type: none"> Audit Committee, Board Risk Committee Executive Risk Committee 	<ul style="list-style-type: none"> Sustainability Committee Green club
Performance Monitoring	<ul style="list-style-type: none"> Review of the quality of financial reporting and disclosure Review of adequacy of financial controls 	<ul style="list-style-type: none"> Regular meetings with cross functional teams to streamline processes Web based HelpDesk to report technical issues and comprising an escalation process until the issue is attended to and closed All change requests as well as data requests channel through a web-based system with a proper work flow and escalation process ICT Risk Committee to conduct monthly meetings with the CRO to discuss Cyber Risk issues and record the same in CAMMS monitoring system Critical risks will be escalated to ERM Exco meetings as well as to the Board Risk Committee 	<ul style="list-style-type: none"> Measurement of performance via mid-year and year- end appraisals Periodic review of knowledge tests conducted for Technical staff Corporate objectives Periodic employee surveys (Great Place to Work) Review of annual staff increments and promotions Life 360 application 	<ul style="list-style-type: none"> Monitoring of key risk indicators Review of risk registers Assessment of adequacy of the risk management actions and controls 	<ul style="list-style-type: none"> Quarterly compliance reports submitted to the Audit Committee and Board Monitoring compliance status through system reports 	Please refer the report on CSR activities carried out in 2020 on pages 80 to 84.

ENTERPRISE RISK MANAGEMENT

Safeguarding our business

Ceylinco Life recognises risk management as an integral building block used to pro-actively identify and manage risks to create value for its stakeholders. The Company considers it a core competency which is a critical element of the strategic planning process. The Enterprise Risk Management (ERM) framework operates as a feed system to internal and external stakeholders, management and the Board of Directors.

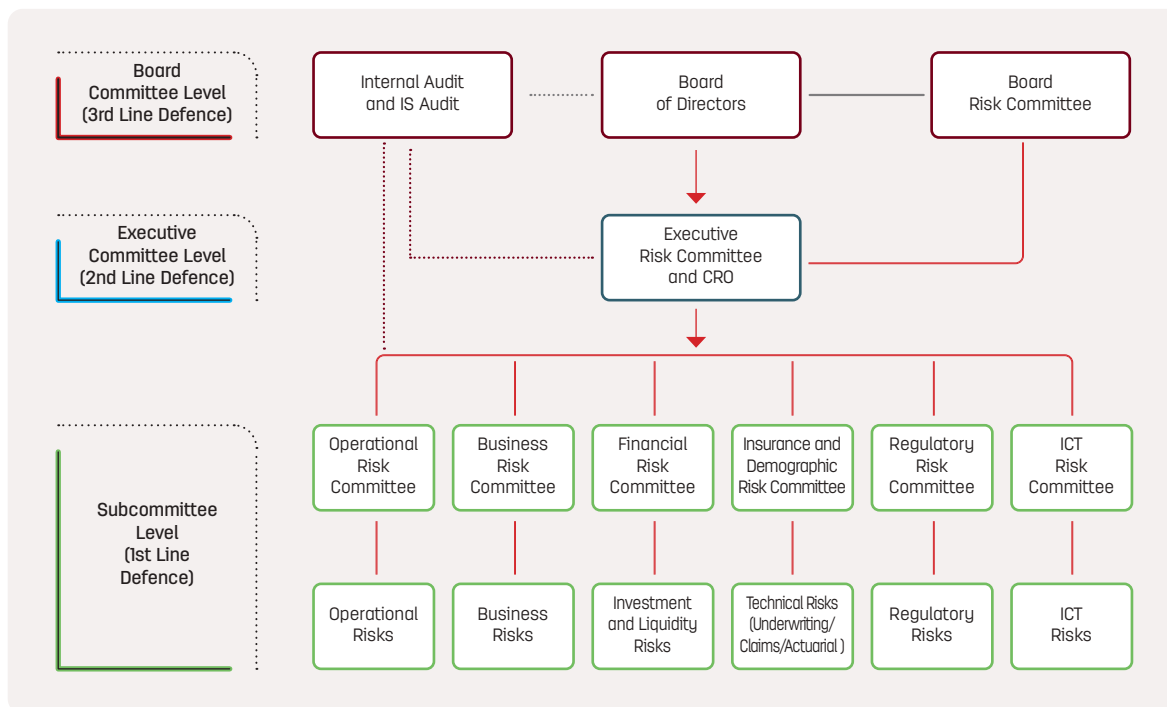
Governance of Risk Management

At Ceylinco Life, the Board of Directors retains overall accountability for the governance of risk and is committed to effective risk management in pursuit of our strategic objectives. It is the responsibility of the Board, in conjunction with the Board Risk Committee, to review the Company's portfolio of risks and assess them against the risk appetite (refer to page 164 for the

Report of the Board Risk Committee.) Risk management is inextricably linked to our strategy and control is exercised by way of a governance framework.

The Executive Risk Committee, headed by the Chief Risk Officer, is responsible for developing, facilitating and monitoring the control framework and execution of proper risk management strategies.

The line management and staff are responsible for day-to-day risk management and are represented at the Sub-Committee level. The six Sub-Committees, namely the Operations Risk Committee, Financial Risk Committee, Insurance and Demographic Risk Committee, ICT Risk Committee, Business Risk Committee and Regulatory Risk Committee, ensure timely identification of risks, initiation of controls and reports to the Chief Risk Officer and higher-level management.



Ceylinco Life Approach to Risk Management

Our Enterprise Risk Management (ERM) is based on ISO 31000:2018 framework which enables us to proactively identify events and circumstances relevant to our corporate objectives (risks and opportunities) and assess them in terms of consequence and likelihood. We then determine an appropriate risk response strategy, implement it and monitor progress so that it will contribute to our value creation process. The ultimate result of this approach is an integrated, organisational-wide effort towards risk management.

An Independent Risk Unit

This ensures separation between the units that originate risk and those that control or supervise the risk.

Linking Risk Appetite to Strategy

Our Board-approved risk appetite statement serves as the point of reference in strategy setting for ensuring that strategies remain within defined appetite levels.

Inculcating a Risk Culture

We embrace a set of attitudes, values and beliefs towards risk and this is engrained into all processes through a top-down approach across the hierarchy.

A Comprehensive Approach to Risk

Our Sub-Committee structure facilitates management of a diverse range of risks. We also understand inter-relationships between such risks and take an overall view.

Three Lines of Defence Model

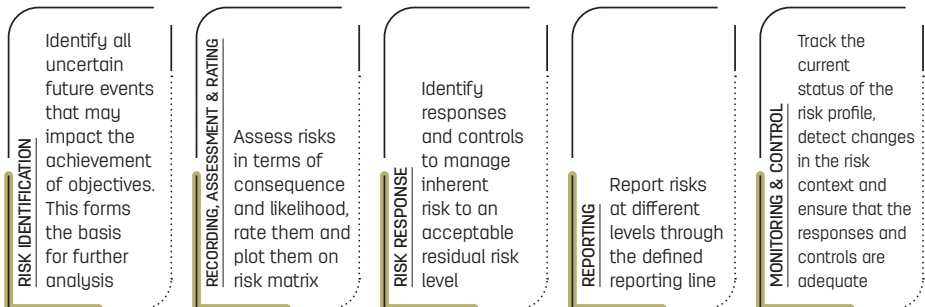
The Risk Management Governance Structure of Ceylinco Life incorporates the 'Three Lines of Defence Model', which identifies, defines and segregates duties and responsibilities in relation to risk management at Ceylinco Life.

This model brings all the key functions into the Risk Management Governance Structure and provides simple but comprehensive clarity on roles and responsibilities in managing risks.

<p>First Line of Defense Sub-Committees including departments and island wide branches</p>	<ul style="list-style-type: none"> • Compliance with operational policies and procedures • Proactive risk identification, assessment, control and monitoring • Collaborative communication to promote a strong risk culture and risk awareness
<p>Second Line of Defense Executive Risk Committee</p>	<ul style="list-style-type: none"> • Implementation of the Risk Management Governance Structure • Review and reporting of risks of the departments, branches, products, processes, systems to the Board Risk Committee, as required • Identification and assessment of risks and monitoring risks against the Board approved risk appetite • Recommending appropriate action to mitigate risks, if any, that have exceeded beyond tolerance levels
<p>Third Line of Defense Board of Directors, Board Risk Committee, Internal Audit and IS Audit</p>	<ul style="list-style-type: none"> • Monitoring compliance with the Risk Management Governance Structure • Assessment of the effectiveness of risk management tools and techniques adopted • Obtaining a reasonable assurance from the Executive Risk Committee that all known and emerging risks have been identified and appropriately managed • Independent assurance on the effectiveness of the first and second lines of defense by Internal Audit and Information Systems (IS) Audit

Risk Management Process

The risk management process of Ceylinco Life is continuous and sequential, as depicted in the diagram. We strongly believe that an on-going commitment to risk management is necessary in the modern business context and recognise the importance of improving the risk management process, while ensuring the smooth flow of the activities within the process.



Risk Appetite

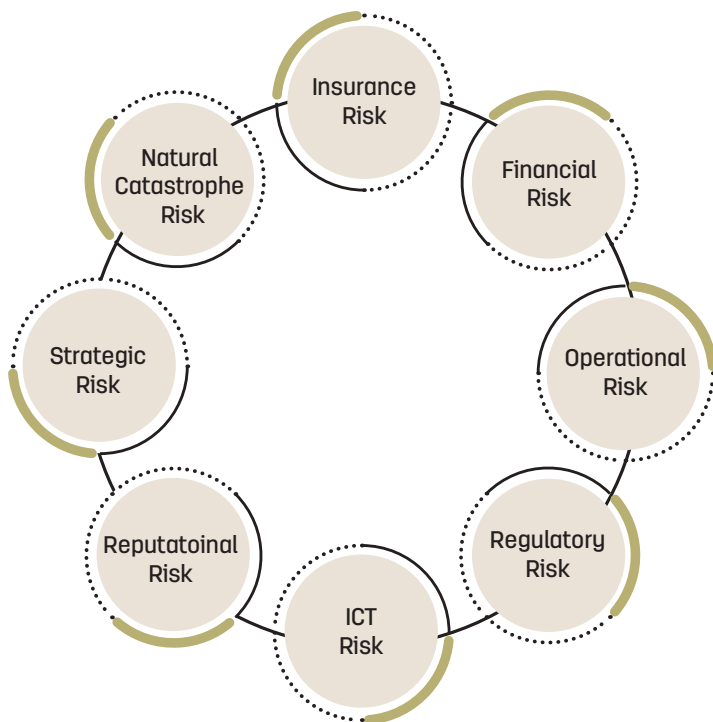
Risk Appetite refers to the aggregate amount and type of risk Ceylinco Life is willing to accept in the pursuit of its objectives, before action is deemed necessary to reduce it. We have defined a "Risk Appetite Statement" which serves as a guidance in our risk management process and it is reviewed annually and approved by the Board of Directors. We have established appetite levels in the six broad categories of risks identified in our ERM framework.

Risk Register

The Company uses an electronic system based risk register. Risks are identified, discussed and updated in the register at Sub-committee meetings. The risk register also serves as the basis for generating risk heat maps and for risk escalations to the higher management.

The Risk Universe

We determine our key risks through a review process that analyses the risks facing Ceylinco Life, in relation to our strategy and long-term aspirations, in the context of the external and internal environment. Key risks include those risks that have a direct potential impact on the achievement of long-term strategic priorities, reputation and delivery of key business plans. Such risks also have a material impact on our ability to create value.



External Risks

Political changes, geopolitical risks, macro-economic risks, technology risks and environmental implications such as climate change

The subsequent sections of this Risk Management Report provide an overview of the Company's approach to managing the key risks listed above

Risk Profile in 2020

1. Insurance Risk

1.1. Underwriting Risk

Capital Impacts ▶

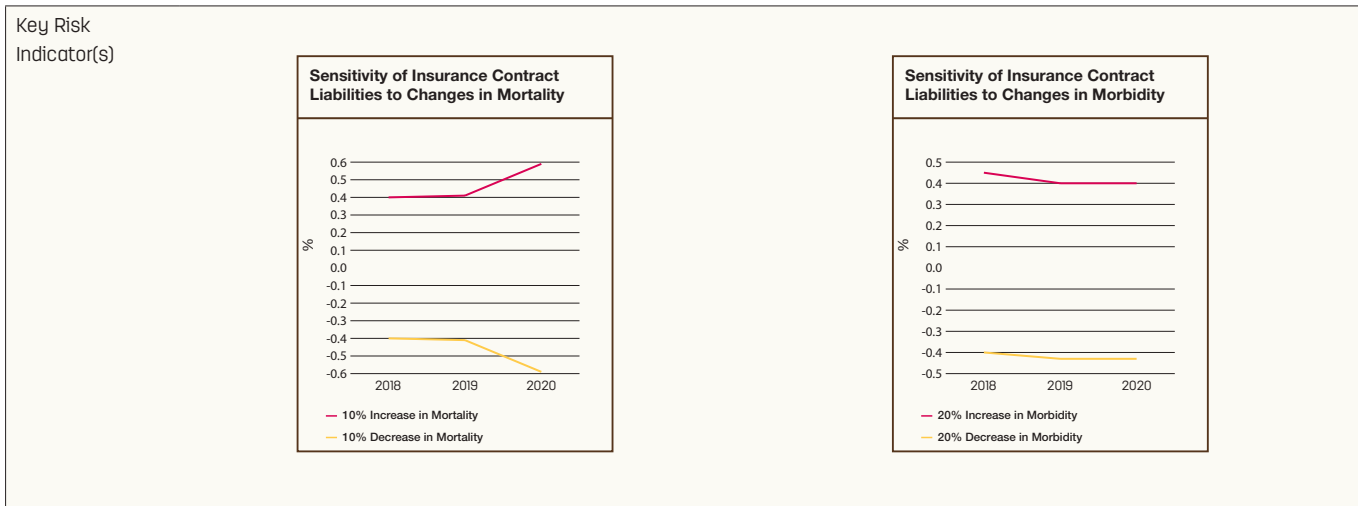


FINANCIAL CAPITAL



SOCIAL & RELATIONSHIP CAPITAL

Definition	The risk of not selecting lives for insurance business at an adequate premium as set by the actuaries according to the mortality and morbidity assumptions.
Risk mitigation	<ul style="list-style-type: none"> • Verify the prospective policyholders' details through tele-underwriting team at Head Office • Centralized underwriting at Head Office and the team is assisted by medical specialists for medically substandard cases • Special review of insurance policies with significant life covers by underwriters and/or reinsurers • Review of underwriting guidelines periodically • Provide continuous local/foreign training to underwriting staff • Financial underwriting/KYC evaluation in compliance with money laundering and terrorist financing regulations

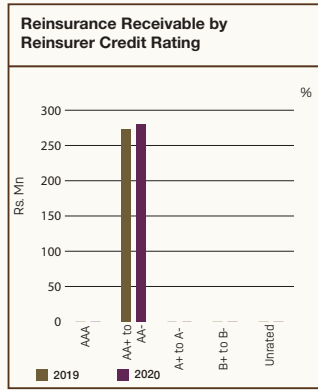


1.2. Claims risk

Definition	Deficiencies in settlement of claims as per the policy terms and conditions and the benchmarks set by the Company.																
Risk mitigation	<ul style="list-style-type: none"> • Claims are recorded once intimated and monitored regularly by the senior management • Check the authenticity of documents - Submission of original documents is mandatory with bank account details • Automated claim computation • Claims approvals are centralized and medical and legal consultation is obtained prior to claim approval • Claim audits and identification of claim patterns through statistics 																
Key Risk Indicator(s)	<div style="display: flex; justify-content: space-around;"> <div style="border: 1px solid black; padding: 5px;"> <p style="text-align: center;">Hospitalisation Claim Ratio</p> <table border="1"> <caption>Hospitalisation Claim Ratio</caption> <thead> <tr> <th>Year</th> <th>Claim Ratio (%)</th> </tr> </thead> <tbody> <tr> <td>2017</td> <td>14</td> </tr> <tr> <td>2018</td> <td>16</td> </tr> <tr> <td>2019</td> <td>18</td> </tr> </tbody> </table> </div> <div style="border: 1px solid black; padding: 5px;"> <p style="text-align: center;">Accidental Death Claim Ratio</p> <table border="1"> <caption>Accidental Death Claim Ratio</caption> <thead> <tr> <th>Year</th> <th>Claim Ratio (%)</th> </tr> </thead> <tbody> <tr> <td>2017</td> <td>12</td> </tr> <tr> <td>2018</td> <td>11</td> </tr> <tr> <td>2019</td> <td>14</td> </tr> </tbody> </table> </div> </div>	Year	Claim Ratio (%)	2017	14	2018	16	2019	18	Year	Claim Ratio (%)	2017	12	2018	11	2019	14
Year	Claim Ratio (%)																
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2019	14																

1.3. Reinsurance risk

Definition	Retention of risks beyond our net retention capacity without obtaining adequate reinsurance and the inability of reinsurers to meet their commitments
Risk mitigation	<ul style="list-style-type: none"> • Risk transfer with top ranked 03 reinsurers; Swiss RE, Munich RE and RGA for life, health and group businesses • Comply with the guidelines set out by the IRCSL in selecting reinsurers • Monitoring the credit ratings of re-insurers periodically • Have a catastrophic re-insurance treaty in place



Reinsurer	Rating Agency	Credit Rating
Swiss RE	Standard & Poor's	AA-
Munich RE	Standard & Poor's	AA-
RGA	Standard & Poor's	AA-

Capital Impacts ▶



FINANCIAL CAPITAL



SOCIAL & RELATIONSHIP CAPITAL

2. Regulatory Risk

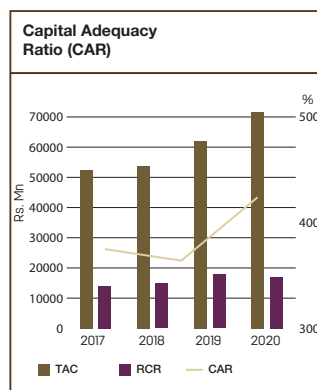
2.1. Compliance risk

Definition	The risk of legal or regulatory sanction, financial loss or damage to reputation as a result of failure to comply with applicable laws, regulations, codes of conduct and standards of good practice.
Risk mitigation	<ul style="list-style-type: none"> Set the tone at the top through appropriate policies and procedures to improve the control environment Compliance Officer supervises the departments on compliance matters and is responsible to the Board on overall compliance of the company Identify changes in the regulatory landscape through the Regulatory Risk Committee and ensuring preparedness to respond to these changes Internal audits on status of compliance with applicable laws and regulations Regular consultation with in-house legal officers Provide training to relevant staff on compliance requirements and any regulatory changes
Key Risk Indicator(s)	<p>No of reported incidents of non-compliance - Nil</p> <p>Number of fines charged for non-compliance (Rs.) - Nil</p>

Capital Adequacy Ratio (CAR)

The CAR under the Risk Based Capital (RBC) framework imposed by the Insurance Regulatory Commission of Sri Lanka measures the adequacy of the capital of an insurance company in absorbing losses due to risk exposures.

The CAR is computed by dividing the Total Available Capital by the Risk Based Capital Required. According to the RBC regulations, the minimum CAR required is 120% and the minimum Total Available Capital required is Rs. 500 Mn. Ceylinco Life has always maintained CAR at very healthy levels.



Capital Impacts ▶

FINANCIAL
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RELATIONSHIP
CAPITAL

3. Financial Risk

3.1. Investment concentration risk

Definition	<p>This risk arises due to excessive concentration of the investment portfolio. Unless the investment portfolio is sufficiently diversified, excessive concentration in one or more asset classes, entities (issuers), currencies or markets would create investment concentration risk.</p> <p>Although certain asset classes would provide diversification benefits (to some extent), considering their inherent risks and volatile nature, the Company has prudently decided to limit its investments in assets such as equity, asset backed securities and derivatives.</p>												
Risk mitigation	<ul style="list-style-type: none"> • Compliance with the Investment Policy of the company, which formally specifies investment concentration limits • The Company has more stringent internal limits in addition to the limits stipulated by the IRCSL • Both internal and regulatory limits are reviewed and updated in line with business and regulatory changes • Selected investments are made in Real Estate which provides diversification and long-term capital appreciation benefits • Review of actual concentration against the limits by the Board Investment Committee on a periodic basis • Review the list of financial markets, asset classes, issuers and counterparties periodically. 												
Key Risk Indicator(s)	<div data-bbox="370 853 688 1264" style="border: 1px solid black; padding: 5px;"> <p style="text-align: center;">Concentration of Investment Portfolio by Asset Type</p> <table border="1" style="margin-top: 10px;"> <caption>Concentration of Investment Portfolio by Asset Type</caption> <thead> <tr> <th>Asset Type</th> <th>Percentage</th> </tr> </thead> <tbody> <tr> <td>Govt. Securities</td> <td>38%</td> </tr> <tr> <td>Term Deposits</td> <td>34%</td> </tr> <tr> <td>Corporate Debt</td> <td>19%</td> </tr> <tr> <td>Real Estate</td> <td>8%</td> </tr> <tr> <td>Others</td> <td>1%</td> </tr> </tbody> </table> </div>	Asset Type	Percentage	Govt. Securities	38%	Term Deposits	34%	Corporate Debt	19%	Real Estate	8%	Others	1%
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Others	1%												

3.2. Interest rate risk

Definition	<p>The risk that the market value or future cash flows of a financial instrument will fluctuate due to changes in interest rates. This includes reinvestment risk and inflation risk, which eventually impacts the interest rate. Interest rate changes will affect reported earnings and the underlying value of the current asset and liability position.</p>
Risk mitigation	<ul style="list-style-type: none"> • Monitor and evaluate the impact of interest rate risk charge to the Capital Adequacy Ratio (CAR) • Monitor maturities and interim cash flows falling due and make suitable arrangements for reinvestments or recalling • Monitor the exposure and the impact of the proprietary trading portfolio to short term interest rate movements and trends • Oversee the overall strategy to manage the interest rate risk and to revisit, change or fine-tune the strategy as required • Continuous monitoring of the asset and liability position, including the duration, convexity and sensitivity of the same to market interest rate changes • Aligning the portfolio duration to optimize the fit with the liability structure and the interest rate outlook. • Periodic monitoring of the Central Bank's monetary policy, Government fiscal policy and key economic variables and global and macroeconomic developments
Key Risk Indicator(s)	Refer to Note 41 (e) 1 to the Financial Statements on page 264

3.3. Liquidity risk

Definition	Liquidity risk is the risk that Ceylinco Life will not be able to meet efficiently both expected and unexpected current and future cash flow and collateral needs, without affecting either daily operations or the financial condition.
Risk mitigation	<ul style="list-style-type: none"> • Ensure interim cash flows and maturity proceeds are notified and collected on time without delay • Ensure investments are assessed and made only in sufficiently liquid assets, unless where such increased level of liquidity risk is properly compensated through its expected return • Monitor and review the current and future cash flows to assess the exposure to liquidity risk • Monitor the current and expected money market liquidity position to ensure that sufficient liquidity or credit lines are available to meet expected funding/lending requirements • Verify all the transactions entered/agreed against confirmations to ensure that all the settlements are accounted and funded and to avoid any unexpected cash flows
Key Risk Indicator(s)	Refer to Note 41 (h) to the Financial Statements on pages 265 to 267

3.4. Credit risk

Definition	Credit risk is the risk that a borrower or counterparty will fail to meet its obligations towards Ceylinco Life.												
Risk mitigation	<ul style="list-style-type: none"> • Ensure that all maturity and interim cash flows proceeds are collected duly, on time and without any delay • Ensure that outright, repurchase and reverse repurchase transactions are entered only with Board Investment Committee approved counterparties • Ensure that proper Board Investment Committee approval is obtained for all significant investment transactions • Monitor the current exposure to credit risk and compliance with relevant IRCSL limits, determinations and guidelines • Review the list of financial markets, asset classes, issuers and counterparties periodically. • Maintain a high credit quality within the investment portfolio through internal exposure limits that take in to account the credit quality of issuers/counterparties 												
Key Risk Indicator(s)	<p>Credit Profile of Investment Portfolio</p> <table border="1"> <thead> <tr> <th>Rating</th> <th>Percentage</th> </tr> </thead> <tbody> <tr> <td>Risk-free/AAA</td> <td>44%</td> </tr> <tr> <td>AA+ to AA-</td> <td>29%</td> </tr> <tr> <td>A+ to A-</td> <td>16%</td> </tr> <tr> <td>Others</td> <td>9%</td> </tr> <tr> <td>BBB+ to BBB-</td> <td>1%</td> </tr> </tbody> </table>	Rating	Percentage	Risk-free/AAA	44%	AA+ to AA-	29%	A+ to A-	16%	Others	9%	BBB+ to BBB-	1%
Rating	Percentage												
Risk-free/AAA	44%												
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Capital Impacts ▶

FINANCIAL
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CAPITAL**4. Operational Risk**

4.1. ICT risk

Definition	Any risk of financial loss, disruption or damage to the reputation of the company from failure of its information technology systems.
Risk mitigation	<ul style="list-style-type: none"> Adherence to the Board-approved Information Security Policy, which is regularly reviewed for changes in local and global IT and communication technologies Continuous scanning of IT control environment and strengthen security activities and measures as required Advanced firewall filters on data being transmitted Regular virus definitions update Access controls on external devices Regular health checks on the servers Regular training is provided to all staff on cyber security Penetration testing and vulnerability assessment by an external consultant Independent audits on adequacy of the IT security measures adopted by the company
Key Risk Indicator(s)	Actual incidents of ICT security policy violations

Capital Impacts ▶

FINANCIAL
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CAPITAL**5. Reputational risk**

Definition	A risk that arises due to negative publicity regarding Company's business practices which will lead to a loss of confidence amongst stakeholders and affect the business operations.
Risk Mitigation	<ul style="list-style-type: none"> Compliance with laws and regulations Communication and training on business ethics and values Trainings on acceptable behaviour on Social Media
Key Risk Indicator (s)	Actual incidents of negative publicity

Capital Impacts ▶

FINANCIAL
CAPITALSOCIAL &
RELATIONSHIP
CAPITALINTELLECTUAL
CAPITAL**6. Strategic Risk**

Definition	This is the risk that the Company may not achieve its strategy or strategic objectives due to failed, inadequate or incomplete setting, execution, evaluation and monitoring of strategies and business planning.
Risk Mitigation	<ul style="list-style-type: none"> Continuous scanning of the external environment to identify viable opportunities Review of strategies at the monthly Strategic Planning Meetings
Key Risk Indicator (s)	<ul style="list-style-type: none"> Loss of competitiveness in the market Loss of market share

Capital Impacts ▶

FINANCIAL
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RELATIONSHIP
CAPITALNATURAL
CAPITAL**7. Natural Catastrophe Risk**

Definition	This risk reflects the adverse impacts on business operations due to natural calamities such as floods, earthquakes, pandemics etc.
Risk Mitigation	<ul style="list-style-type: none"> A Business Continuity Plan has been formulated and reviewed periodically which addresses identified business contingencies Periodic training of recovery teams Periodic testing of the BCP through drills
Key Risk Indicator (s)	<ul style="list-style-type: none"> Drill performance versus targets Actual system recovery times

COVID-19 Risks and Responses

The 2019 novel coronavirus disease ("COVID-19") was first identified in December 2019 in Wuhan, the capital of Hubei Province in China. Since then the outbreak has significantly expanded across borders, leading the World Health Organisation ("WHO") to declare COVID-19 a pandemic on March 11, 2020. When Sri Lanka felt the impact of the virus, the Government of Sri Lanka initiated several endeavours to help the country prevent, detect, and respond to the COVID-19 pandemic and reinforce its public health preparedness. Predominantly, the economic activity was disrupted when the government declared a lockdown in March 2020 which was finally lifted on 11 June 2020. The life insurance industry also felt the impact from the stagnated economic activity prevailed in the country.

Potential impact on life insurance sector	Ceylinco Life response
Disruptions to physical premium collection modes (e.g., through agent, bank deposit etc.) due to lockdown resulted in a decline in premium collections impacting and resulting drop premium income	Encouraged customers to make premium payments online using the company website and bank apps
Disruptions to critical business functions	A Business Continuity Planning (BCP) team was set up with the leadership of the executive directors and corporate management. This team met over online platforms to discuss daily and plan how operations would be conducted and monitored progress of the actions taken Back-up teams were created in the critical departments to ensure continuity Critical business functions were facilitated to work from home to ensure those processes would be performed without any interruption
Adverse impact on investment income from lower interest rates	Our proactive reinvestment strategy ensured that we were able to lock-in high yields which prevailed during the early part of the year Engaged in proprietary trading activities to generate significant capital gains
Increased credit risk due to strain our issuers' financial conditions, uncertainty and market volatility	We always invest in issuers with high credit worthiness and none of our issuers experienced significant challenges or deterioration in credit ratings
Disruptions to investment operations due to lockdowns	Our straight-through-processing (STP) interface with the custodian bank allowed us to continue our operations electronically, without the need for physical documents and physical signatures.
Financial impact on maintaining capital adequacy	Carried out a stress testing on the Capital Adequacy Ratio (CAR) and observed that regulatory capital requirements could be maintained
Policyholder claims related to the pandemic	Decided to honour such claims with the approval of the reinsurers

Key ICT Security Improvements in 2020



1. Installation of CrowdStrike, next-gen antivirus solution, replacing the legacy antivirus solution

Today's sophisticated attackers are going "beyond malware" to breach organisations, increasingly relying on exploits, zero days, and hard-to-detect methods such as credential theft and tools that are already part of the victim's environment or operating system, such as PowerShell. CrowdStrike responds to those challenges with a powerful yet lightweight solution that unifies next-generation antivirus, endpoint detection and response, cyber threat intelligence, managed threat hunting capabilities and security hygiene.

2. Implemented a project for data classification and a software tool to prevent data leakage

A project was conducted involving key departments to classify the data they have based on the level of confidentiality. To reinforce this initiative, a data leakage prevention solution was also implemented which automatically prevents sharing of data outside the defined data classification hierarchy. This project was conducted in the spirit that we take customer data privacy seriously.

3. Started implementation of a privileged access management (PAM) solution

This project has commenced and is in progress. This solution will help us exert control over the elevated ("privileged") access and permissions for users, accounts, processes, and systems across our IT environment. By dialing in the appropriate level of privileged access controls, PAM helps us condense our attack surface, and prevent, or at least mitigate, the damage arising from external attacks as well as from insider malfeasance or negligence.

4. Commenced implementation of a mobile device management (MDM) solution

The objective of this project is to control devices, particularly zero-trust devices, that connect to our corporate network. This solution is highly important for us since our large sales force connect to the network and sensitive data using devices such as mobile phones, tabs and laptops. We have initially taken a sample set of users from the sales force and tested the functionalities of this solution.

Looking Ahead

The recent developments in the external business environment have prompted the Company to relook at business continuity planning and reinforce disaster preparedness and business resilience. A special emphasis will be placed on IT disaster recovery and adopting more effective business continuity practices.

The COVID-19 pandemic has also highlighted the importance of health and safety measures to ensure the wellbeing and safety of our employees. We will continue to

reinforce our health and safety measures to mitigate risks in the future. Investments will be made to improve social distancing in the workplace and improving workplace hygiene.

With new opportunities in the new normal we hope to expand to new markets by leveraging IT. This will expose the Company to new emerging risks which will have to be mitigated with the appropriate risk mitigation strategies.

Increased attention will be placed on maintaining market leadership, prudently

managing the risks which impact the value of our investment, mitigating risks from changing business dynamics and compliance with changes in laws and regulations.

Cyber security remains a key focus and, given the increase in the number and sophistication of cyber-attacks against business entities, we will continue to invest in our IT security capabilities.

ANNUAL REPORT OF THE BOARD OF DIRECTORS

GENERAL

The Directors of Ceylinco Life Insurance Limited (CLIL) are pleased to present the 07th Annual Report of Directors for the year ended 31st December 2020 on the affairs of the Company together with the Audited Financial Statements and the Auditors Report on those Financial Statements

conforming to all relevant statutory requirements in terms of Section 168 of the Companies Act No. 07 of 2007.

The details set out in the following report are guided by the Companies Act No. 07 of 2007 and by the recommended best practices on Corporate Governance depicted in the Code of Best Practice on Corporate Governance

2017, issued by the Institute of Chartered Accountants of Sri Lanka.

The following table depicts the information disclosed in this report as required by Section 168 of the Companies Act No. 07 of 2007.

Reference to the sections of the Companies Act No. 07 of 2007	Requirement of the Companies Act No.07 of 2007	Annual Report page reference
Section 168 (1) (a)	The nature of the business of the Company together with any changes thereof during the accounting period.	Pages 146 to 147 and Page 3
Section 168 (1) (b)	Signed Financial Statements of the Company for the accounting period completed in accordance with Section 152.	Page 177
Section 168 (1) (c)	Independent Auditors' Report on the Financial Statements of the Company.	Pages 174 to 175
Section 168 (1) (d)	Accounting Policies of the Company and any changes therein.	Pages 183 to 279
Section 168 (1) (e)	Particulars of the entries made in the Interests Registers of the Company during the accounting period	Page 149
Section 168 (1) (f)	Remuneration and other benefits paid to Directors of the Company during the accounting period.	Page 269
Section 168 (1) (g)	The total amount of donations made by the Company and its subsidiaries during the accounting period.	Page 147
Section 168 (1) (h)	Information on the Directorate of the Company and its subsidiaries during the accounting period.	BOD profiles - Pages 112 to 115 Subsidiaries - Pages 146 to 147
Section 168 (1) (i)	Separate disclosure on amounts payable to the Auditors as audit fees and fees for other services rendered during the accounting period by the Company.	Page 147
Section 168 (1) (j)	Auditors' relationship or any interest with the Company.	Page 147
Section 168 (1) (k)	Acknowledgement of the contents of this report/Signatures on behalf of the Board of Directors.	Page 151

This report was approved by the Board of Directors on 19th February 2021. The appropriate number of copies of the Annual report will be submitted to the Central Bank of Sri Lanka, Insurance Regulatory Commission of Sri Lanka (IRCSL) and to the Sri Lanka Accounting and Auditing Standards Monitoring Board within the statutory deadlines.

Nature of the Business of the Company and Its Subsidiaries

CLIL is a Public Company with limited liability incorporated on 22nd April 2014 bearing Registration No. PB 5183, licensed as a Company authorized by the IRCSL (formerly known as Insurance Board of Sri

Lanka) to carry on long-term life insurance business, under the Regulation of Insurance Industry Act No. 43 of 2000 (as amended). The Company was incorporated as a legal requirement that arose out of Section 53 of the said Act, which required segregating the long term and general insurance business from the composite insurance companies. The Company is domiciled in Sri Lanka and the registered office is situated at No. 106, Havelock Road, Colombo 05.

The Company's Vision and Mission are exhibited on page 2 of the Annual Report.

In achieving its Vision and Mission, all Directors and employees conduct their

activities to the highest level of ethical standards reflecting their unwavering commitment to high standards of business conduct and ethics.

The Company's principal activity is underwriting all classes of Life Insurance. The Company received the license to carry out its business as a long term insurance provider by the IRCSL on 01st June 2015.

The Directors declared that the Company has not engaged in any activity, which contravenes with laws and regulations of the country during the said period. Further, there were no significant changes in the nature of the principal activities of the

Company during the financial year under review.

The ultimate Holding Company is Ceylinco Insurance PLC. Subsidiaries of the Company as of 31st December 2020 were Serene Resorts Limited and Ceylinco Healthcare Services Limited. Citizens Development Business Finance PLC is an Associate Company of CLIL.

- **Ceylinco Healthcare Services Limited –** CLIL holds a 99.45% stake and the registered number of the Company is PB 135.

Ceylinco Healthcare Services Limited was established in 2000 and it is the only private sector 'Radiation Treatment Centre' for treating cancer patients in Sri Lanka.

- **Serene Resorts Limited –** CLIL holds a 98.65% stake and the registered Number of the Company is PB 19.

Serene Resorts Limited was established in 1994 with the aim to build a retirement home to serve the elderly population of the country.

More details are given on page 3 under the topic of 'Group Structure'.

Financial Statements of the Company

The Financial Statements of the Company, for the year ended 31st December 2020, duly certified by the Director/CFO, recommended by the Audit Committee, approved by the Board of Directors and signed by the Chairman and Managing Director/CEO, in compliance with the requirements of Sections 151, 152 and 168 (1) (b) of the Companies Act No. 07 of 2007 are given on pages 174 to 279 of this Annual Report.

The Auditors' Report

The Company Auditors performed the audit on the Financial Statements for the year ended 31st December 2020 and the Auditors' Report issued thereon, is given on pages 174 to 175 as required by Section 168

(1) (c) of the Companies Act No. 07 of 2007.

Changes to the group structure & accounting policies

There were no changes to the Group Structure and Accounting Policies of the Company during the financial year ended 31st December 2020.

Entries in the Interest Register

The Company maintains an Interest Register in compliance with the Companies Act No. 07 of 2007. All Directors have made declarations as required by Section 192 (1) and (2) of the Companies Act No. 07 of 2007.

Remunerations & other benefits of Directors

Directors' remuneration in respect of the Company for the financial year ended 31st December 2020 is given in Note 44 to the Financial Statements as required by Section 168 (1) (f) of the Companies Act No. 07 of 2007.

Donations and other Corporate Social Responsibility

During the year, the Company has not made any contributions to charities or other donations.

The CSR initiatives of the Company are detailed under the "Giving to our Community" section of the Annual Report on 80 to 81.

Amounts payable to the Auditors

The fees paid to the Auditors are disclosed in Note 33 to the Financial Statements.

Auditor's relationship or any interest with the Company

Confirmation of Independence has been provided by M/s. Ernst & Young as required by the Section 163 (3) of the Companies Act No. 07 of 2007, in connection with the audit for the year ended 31st December 2020, declaring that Ernst & Young is not aware of any relationship with or interest in the Company or any subsidiary audited by Ernst & Young, that in their judgment, may reasonably be thought to have a bearing on their independence within the meaning of

the Code of Professional Conduct and Ethics issued by CA Sri Lanka, applicable as at the reporting date.

Appointment of Auditors

The Financial Statements for the year have been audited by Messrs. Ernst & Young (Chartered Accountants) and in accordance with the Company's Act No. 07 of 2007, a resolution will be proposed to the shareholder at the forthcoming AGM for the approval pertaining to their reappointment and to authorize the Directors to determine their remuneration.

The retiring Auditors, Messrs. Ernst & Young (Chartered Accountants) have declared their willingness to continue to function as the Auditors of the Company until the next Annual General Meeting of the Company.

REVIEW OF THE BUSINESS

The Chairman's Message given on pages 10 to 13, the Managing Director/CEO's Review on pages 14 to 17 and the Strategy and Resource Allocation on pages 26 to 34 together with the Audited Financial Statements provide an overall review of the business performance and the state of affairs of the Company together with the important events which took place during the year under review as required by Section 168 of the Companies Act No.07 of 2007 and the recommended best accounting practices.

Further, the Company has opened branches across all districts of the country and as at the end of the year under review, there were 139 Branches.

Sector-wise contribution to the Company's revenue, results, assets and liabilities is disclosed in Note 5 to the Financial Statements on pages 186 to 193.

FUTURE DEVELOPMENTS

Likely future developments in business are discussed in the Review of MD/CEO on pages 14 to 17.

GROSS INCOME / GROSS WRITTEN PREMIUM

The Gross Written Income of the Company for year 2020 was Rs. 22.1Bn (Rs.18.7Bn in 2019). The sources of external operating income, net operating profit and asset allocation of the Company together with their proportions are given in Note 26 to the Financial Statements on Page 245.

DIVIDENDS AND RESERVES

Performance of the Company and Transfers to reserves

The Profit before Tax of the Company amounted to Rs. 8.77Bn in 2020 (Rs.8.21Bn in 2019) demonstrating an increase of 6.75% compared to the previous year (14.73% in 2019). Further, the Net Profit After Tax of the Company amounted to Rs.6.93Bn in 2020 (Rs.6.7Bn in 2019) denoting an increase of 3.93% over 2019 (15.14% in 2019).

On this basis, the dividend payout ratio amounts to 11.28% of the profit after tax of 2020, compared to 10.04% in the year 2019.

	2020	2019	%
Dividend per share (Rs.)	15.65	13.40	16.79
Dividend Payout (Rs.)	11.28	10.04	12.37
Net assets value per share (Rs.)	762.90	629.84	21.13%

Dividends on Ordinary Shares

The Board of Directors have recommended to declare a first and final dividend of Rs.15.65 per share (interim dividend paid in 2019, Rs.13.40 per share), amounting to a total sum of Rs.782,500,783/- for the year ended 31st December 2020, on the issued and fully paid ordinary shares of the Company, subject to the approval of the shareholder at the forthcoming Annual General Meeting to be held on 25th March 2021 and subject to the directions issued by the Insurance Commission of Sri Lanka (IRCSL).

The Board has confirmed that the Company would meet the solvency test after the declaration of the aforesaid dividend and obtained a solvency certificate from the Company's Auditors to that effect. The Board authorized the distribution, in terms

of Section 56 of the Companies Act No. 07 of 2007. Further, the required details with regard to the aforesaid dividend have been submitted to the IRCSL by the Company.

Reserves

A summary of the Company's reserves are given below;

Total reserves of the Company stood at Rs. 38.15Bn as at 31st December 2020. This includes the Restricted Regulatory Reserve of Rs. 7.3Bn recognised in compliance with the IRCSL Direction 16 on Transfer on the One-off Surplus. Information on the movement of reserves is given in the Statement of Changes in Equity on page 180 and the Notes 21 (a) to 21 (g) to the Financial Statements on pages 238 to 240.

TAX EXPENSES

Tax expenses have been computed at the rates given in Note 35 to the Financial Statements, appearing on pages 251 to 252 of this Report.

INVESTMENTS

Total investments of the Company and other equity investments amounted to Rs. 133.71 Bn.

PROPERTY, PLANT AND EQUIPMENT

The net book value of property, plant and equipment of the Company, as at the Reporting date amounted to Rs. 9.3Bn. Total capital expenditure during the year for acquisition of property, plant and equipment by the Company, amounted to Rs. 419 Mn. More information on the property, plant and equipment is given in Notes 7 to the Financial Statements on pages 195 to 205.

Specific information on the extent, location and valuation of the land and buildings held by the Company is given in Note 7 (f) to the Financial Statements on page 200.

The details of capital expenditure approved and contracted for are given in Note 7 (c) to the financial Statements on page 199.

MARKET VALUE OF THE PROPERTIES

The Company carried out a re-valuation of all its freehold land and buildings as at 31st December 2020. The revaluation of the land and buildings of the Company was carried out by professionally qualified independent

valuers and the Board of Directors of the Company is of the opinion that the revalued amounts are not in excess of the current market values of such properties.

Details of the market value (re-valued amounts) of freehold properties of the Company are given in Note 7 (f) to the Financial Statements on page 200.

The next revaluation exercise on the freehold land and buildings of the Company will be carried out as at 31st December 2021.

ISSUE OF SHARES OR DEBENTURES

During the year the Company has not raised any funds either through a public issue, right issue or in a private placement.

SHARE INFORMATION

The stated capital is the total of all amounts received by the Company, in respect of the issue of shares. The stated capital of the Company, as at 31st December 2020, amounts to Rs. 500,000,500.00 (Five Hundred Mn and Five Hundred Rupees), which is represented by issued and fully paid 50,000,050 ordinary shares.

The Company has not purchased its own shares during the year under review.

SUBSTANTIAL SHAREHOLDING

The Company is a fully owned subsidiary of Ceylinco Insurance PLC. The Company has issued 50,000,050 ordinary shares to the said Sole Shareholder of the Company. Information relating to dividends and net assets per share are stated under Note No. 38 to the Financial Statements on page 253.

DIRECTORS OF THE COMPANY

The Board of Directors of the Company as at 31st December 2020 consisted of 15 Directors with wide knowledge and experience on economic, financial, banking, commercial, HR, marketing and healthcare as detailed in the Board of Directors' profiles on pages 112 to 115.

Names of the Directors of the Company during and as end of December 31, 2020 as required by Section 168(i) & (h) of the Companies act No. 07 of 2007 are given below;

- | | |
|--|---|
| 1. R Renganathan – Executive Chairman | 9. J A Setukavalar – Non-Executive Independent Director |
| 2. E T L Ranasinghe – Managing Director/ CEO | 10. Prof. W M M de Silva – Non-Executive Independent Director |
| 3. P D M Cooray – Executive Director/Head of HR and Training | 11. Dr. B G S De Silva – Non-Executive Independent Director |
| 4. P A Jayawardena – Executive Director/ Chief Financial Officer | 12. W M P J K Wickramasinghe – Non-Executive Independent Director |
| 5. S R Abeynayake – Executive Director/ Deputy Chief Financial Officer | 13. H S B Caldera – Non-Executive Independent Director |
| 6. D H J Gunawardena – Non-Executive Director | 14. Ms. A K Seneviratne – Non-Executive Independent Director |
| 7. Gen. C S Weerasooriya (Retired) – Non-Executive Director | 15. J Durairatnam – Non-Executive Independent Director |
| 8. R S W Senanayake – Non-Executive Director | |

Ceylinco Healthcare Services Limited	Serene Resorts Limited
Mr. R Renganathan – Chairman	Mr. R Renganathan – Chairman
Mr. E T L Ranasinghe – Director	Mr. E T L Ranasinghe – Director
Mr. P A Jayawardena – Director	Mr. P D M Cooray – Director
Mr. E R S G S Hemachandra – Director	Mr. P A Jayawardena – Director
Prof. M M R W Jayasekara – Director	Mr. S R Abeynayake – Director
	Mrs. R M U K Ratnayake – Director
	Mr. A H R Udayasiri – Director

DISCLOSURE OF DIRECTOR'S DEALINGS IN SHARES

Neither shares nor debentures of the Company were held by the Directors during the year under review.

DIRECTORS' DISCLOSURE OF INTERESTS

Director's interests in contracts or proposed contracts (as requested by Sec.192 of the Companies Act No.07 of 2007)

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

The Company carried out transactions in the ordinary course of business on an arm's length basis with entities where a Director of the Company is the Chairman or a Director of such entities, as detailed below;

	Name of the Company	R Renganathan	E T L Ranasinghe	P D M Cooray	P A Jayawardena	S R Abeynayake
1	Ceylinco Healthcare Services Limited	✓	✓		✓	
2	Ceylinco Insurance PLC	✓	✓	✓	✓	✓
3	Serene Resorts Limited	✓	✓	✓	✓	✓

In addition, Related Party Disclosures as per Sri Lanka Accounting Standards are detailed in Note 44 to the Financial Statements on pages 269 to 273 of this Annual Report.

Directors' and Officers' insurance

During the financial year the Company paid an insurance premium in respect of the insurance policy obtained for the benefit of the Company and the Directors and further details on the same are given in Note 44 to the Financial Statements on pages 269 to 273.

Retirement and Re-election

- In accordance with Section 210 of Companies Act No. 07 of 2007, Gen. C S Weerasooriya (Retired) and Mr. D H J Gunawardena will retire and being eligible will offer themselves to be re-elected as Directors at the forthcoming Annual General Meeting of the Company. Gen. C S Weerasooriya (Retired) will be 78 years of age and Mr. D H J Gunawardena will be 72 years of age in December 2021. The shareholder's approval shall be sought by way of an ordinary resolution at the forthcoming Annual General Meeting of the Company, that Section 210 of Companies Act No. 07 of 2007, shall not apply to Gen. C S Weerasooriya (Retired) and Mr. D H J Gunawardena, subject to the provisions of Direction #17 issued by the IRCSL.
- In terms of Articles 18 (B) of the Articles of Association, one third of the Non Executive Directors are required to retire by rotation at each Annual General Meeting. Article 18 provides that the Directors to retire by rotation at an AGM shall be those who (being subject to retirement by rotation) have been longest in office, since their last election or appointment.

The aforesaid appointments were considered by the Nomination Committee of the Company at their meeting held on 26th January 2021 and recommended to the Board of Directors to notify to the Shareholder. The Board at their meeting held on 27th January 2021, recommended the re- election of

the following Directors after considering the recommendations of the Nomination Committee;

- a. Prof. W M M De Silva
- b. Dr. B G S De Silva
- c. Ms. A K Seneviratne

Further details are provided on page 292 under the 'Notice of the AGM'.

DIRECTORS' MEETINGS

The details of the Board and Board Sub-Committees meetings and the attendance of Directors at these meetings, are given on page 128 and in the respective Committee reports on pages 152 to 165.

Board Sub-Committees

The Board of Directors of the Company has formed four main Board Sub-committees, namely, the Nomination Committee, Remuneration Committee, Related Party Transaction Review Committee and the Audit Committee as suggested by the Code of Best Practices on Corporate Governance issued by CA Sri Lanka.

The Board has formed two more voluntary Board Sub-committees to assist the Board of Directors; the Board Risk Committee and the Board Investment Committee.

These Sub-committees play a critical role in ensuring that the activities of the Company are conducted with the highest ethical standards and in the best interest of all its stakeholders.

The terms of reference of these Sub-Committees conform to the recommendations made by various regulatory bodies such as IRCSL, CBSL, The Institute of Chartered Accountants of Sri Lanka and the SEC.

The Composition of Board Sub-committees as at 31st December 2020 and the details of the attendance by Directors at meetings are tabulated in the respective Committee reports on pages 152 to 165.

DIRECTORS' RESPONSIBILITY FOR FINANCIAL REPORTING

The Directors assume the responsibility for the preparation and presentation of the Financial Statements, which reflect a true and fair view of the state of affairs of the Company. The Directors are of the view that the Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, Statement of Cash Flows and Significant Accounting Policies and Notes thereto, appearing on pages 174 to 279 have been prepared in accordance with the Sri Lanka Accounting Standards (SLFRS/LKAS). The said Accounting Policies adopted in the Financial Statements, are given on pages 183 to 279 as required by the Section 168 (1) (d) of the Companies Act No. 07 of 2007. The Board of Directors wishes to confirm that there were no material changes in the Accounting Policies adopted by the Company, during the year under review.

The Statement of Directors' Responsibility appearing on page 166 forms as integral part of this Report.

REGISTER OF DIRECTORS' AND SECRETARIES

As required under Section 223 (1) of the Companies Act No. 07 of 2007, the Company maintains a Register of Directors and Secretaries, which contains information of each Director and the Company Secretary.

ENVIRONMENTAL PROTECTION

The Company has not engaged in any activity that was detrimental to the environment and has been in due compliance with all applicable laws and regulations of the country to the best of its ability. The Company has continued with the 'Go Green' concept since 2017 and its effort in this regard is described in detail in the "Nurturing our Environment" section of this report on pages 91 to 97.

STATUTORY PAYMENTS

The Board of Directors confirm that to the best of their knowledge and belief, all taxes, duties and levies payable by the Company and in respect of the employees of the

Company and all other known statutory dues, as were due and payable by the Company, as at the Reporting date have been paid or, where relevant provided for.

EVENTS AFTER REPORTING DATE

The payment of the first and final dividend of Rs.15.65 per share for the year ended 31st December 2020 will be approved by the shareholders at the next Annual General Meeting to be held on 25th March 2021. More information with regard to the dividend is given on Note 38 to the Financial Statements on page 253.

No material events have taken place after the Reporting date, which require an adjustment to or a disclosure in the Financial Statements. The relevant disclosure is given under Note 45 to the Financial Statements on page 273.

GOING CONCERN

The Board of Directors is satisfied that the Company has adequate resources to continue in operational existence for the foreseeable future, to justify adopting the going concern basis in preparing these Financial Statements.

EXPOSURE TO RISK

Internal Controls

The Directors acknowledge their responsibility for the Company's system of internal controls. The systems are designed to provide reasonable assurance that the assets of the Company are safeguarded and to ensure that proper accounting records are maintained. The Board of Directors, having reviewed the system of internal control, is satisfied with the systems and measures in effect at the date of signing this Annual Report.

Risk Management

The Company has a separate Board Risk Committee, to monitor and review the policy development for risk management of the Company. The risk management process of the Company is given on pages 137 to 145 under the topic of 'Risk Management'.

CORPORATE GOVERNANCE

Director's declarations;

- i) The Company complied with all applicable laws and regulations in conducting its business and has not engaged in any activity contravening the relevant laws and regulations. The Compliance Officer of the Company, who has the ultimate responsibility for ensuring compliance with the provisions of various laws and regulations, confirms compliance each quarter to the Audit Committee of the Company, through the Internal Auditor, for their review.
- ii) The Directors have declared all material interests in contracts involving the Company and refrained from voting on matters in which they were materially interested.
- iii) The business is a going concern with supporting assumptions as necessary, and the Board of Directors has reviewed the Company's business plans and is satisfied that the Company has adequate resources to continue its operations in the foreseeable future. Accordingly, the Financial Statements of the Company, its Subsidiaries and Associate are prepared on the Going Concern assumption.
- iv) The Board has conducted a review of internal controls covering financial, operational and compliance controls, risk management and has obtained reasonable assurance of their effectiveness and proper adherence.

The Board of Directors has shown their commitment to maintain an effective corporate governance structure which will always be in compliance with all relevant rules, regulations and best practices on corporate governance, extending beyond regulatory requirements. More details are given in the Corporate Governance report on pages 122 to 136.

SUSTAINABILITY

The Company has given due consideration to sustainability aspects when formulating its business strategies and more details are given on pages 26 to 34.

HUMAN RESOURCES

The Company continued to develop appropriate human resources management policies and focused their contribution towards the achievement of corporate goals. The Company's HR Policy and other details are given under "Investing in Human Capital" on pages 98 to 107.

TECHNOLOGY

All of our processes involve information technology and the Company uses technology to deliver superior products and services to our customers. Key achievements for the year are detailed in the pages 85 to 90.

OPERATIONAL EXCELLENCE

To increase efficiency and reduce operating costs, the Company has ongoing initiatives to drive policy and process standardization and to optimize the use of existing technology platforms.

ANNUAL GENERAL MEETING

The seventh Annual General Meeting of CLIL, will be held at the Board Room of Ceylinco Life Insurance Limited at No. 106, Havelock Road, Colombo 05 on 25th March 2021 at 3.00 p.m. The Notice of the AGM appears on page 292 of the Annual Report.

ACKNOWLEDGEMENT OF THE CONTENTS OF THE REPORT

As required by Section 168 (1) (k) of the Companies Act No. 07 of 2007, the Board of Directors hereby acknowledges the contents of the Annual Report.

For and on behalf of the Board of Directors,



R Renganathan
Chairman



P A Jayawardena
Director/CFO



K I Weththasinghe
Company Secretary

19th February 2021
Colombo

REPORT OF THE REMUNERATION COMMITTEE



Composition and Meetings

The Remuneration Committee is a Sub-Committee of the Board of Directors of the Company and reports directly to the Board. As at 31st December 2020 the Committee comprised of the following Directors:

Name	Category	Meetings Attended
Prof. W M M De Silva (C)	INED	2/2
Mr. H S B Caldera	INED	1/2
Dr. B G S De Silva	INED	2/2

(C)- Chairman

INED- Independent Non-Executive Director

The Committee meets on a semi-annual basis and held two meetings during the year. The Company Secretary functions as the Secretary to the Remuneration Committee. The Executive Chairman, Managing Director/Chief Executive Officer, Director/Chief Financial Officer (CFO) and Director/Deputy CFO attends meetings by invitation.

Terms of Reference

The Committee's terms of reference outlines the Composition, role and responsibilities of the Committee.

The committee is committed towards upholding the principles of accountability and transparency ensuring that remuneration structures are fair and aligned with the performance of the Company and long term interest of the shareholders.

Key Responsibilities of the Committee

- Set the principles, parameters and governance framework of the Company's remuneration policy.
- Make recommendations to the Board regarding the Company's remuneration practices ensuring these are in line with the overall business strategy, objectives and long term interests of the Company.
- Make recommendations to the Board regarding the remuneration of the Chairman, Managing Director, Chief Executive Officer, Executive Directors and Company Secretary.

Remuneration Policy

The Remuneration Policy is designed to attract, motivate and retain the Company's Executive Team with competitive remuneration and benefits to support the overall business growth and value creation. Accordingly, salaries and other benefits are reviewed periodically taking into consideration the industry norms and individual performance standards.

Professional Advice

The Committee is authorized to seek external professional advice on matters within its purview.

Remuneration paid to Directors

The remuneration paid to Directors during the year under review is disclosed in Note 44 to the financial statements.

All Independent Non-Executive Directors receive a fee for serving on the Board and Sub-Committees. They do not receive any performance related incentive.

The Company does not have an Employee Share Ownership Plan for Directors and Key Management Personnel.

Key Actions Taken During 2020

1. Reviewed the latest changes in the tax regime with regard to the Inland Revenue Department Notice issued in 2020.
2. Reviewed of the Key Performance Indicator System of the Company.
3. Discussions on key considerations during the COVID-19 pandemic;
 - a. No pay cuts, layoffs, contract terminations of employees under probation were made by the Company during the lockdown period.
 - b. A critical illness retirement cover compulsory scheme was provided by the Company for all employees.
4. Received recognition as "A Great Workplace" by Great Place to Work – Sri Lanka.

Conclusion

The annual evaluation of the performance of the Committee was carried out by the Board and the Committee was deemed to be operating effectively. The Company will continue to strengthen its remuneration policies and systems upholding a structure that drives performance and accountability.

Prof. Mohan De Silva

Chairman – Remuneration Committee

19th February 2021

REPORT OF THE NOMINATION COMMITTEE



Composition and Meetings

The Nominations Committee is a Sub-Committee of the Board of Directors of the Company and reports directly to the Board. As at 31st December 2020 the Committee comprised of the following Directors;

Name	Category	Meetings Attended
Dr. Gamini De Silva (C)	INED	1/1
Mr. WMPJK Wickramasinghe	INED	1/1
Mr. R Renganathan	ED- Chairman	1/1

(C)- Chairman

INED- Independent Non-Executive Director

ED- Executive Director

The Committee meets on a need basis and held one meeting during the period under review. The Company Secretary acts as the Secretary to the Nominations Committee. The Director/ Chief Financial Officer attends meetings by invitation.

Terms of Reference

The Committee's terms of reference outline the Composition, role and responsibilities of the Committee. The primary function of the committee is to assist the Board in making recommendations on Board appointments and on maintaining a balance of skills, expertise and diversity on the Board and its Sub-Committees.

Purpose of the Committee

The main purpose of the Committee is to assist the Board in recommending the new appointments to the Board in order to maintain a balance of skills and experience on the Board and its sub-committees.

The power and authority of the Committee is subject to the provisions of the Companies Act No.07 of 2007 and other applicable laws, responsibilities as set forth in the Company's Articles of Association, Code of Best Practice on Corporate Governance (Issued by the Institute of Chartered Accountants of Sri Lanka) applicable policies, practices and other regulatory obligations.

Key Action taken during 2020 Nominations Committee

- Recommended the re-election of existing Directors who are over the age of 70 years.
- Recommended the rotation of Directors as per the Company's Articles of Association.
- Reviewed factors such as independence, qualifications, expertise and skills and other key attributes required to be considered for appointment to key positions.

- Collective outcome of the Board performance evolution questionnaire was discussed and recommended certain actions for the areas which require further improvement.

Conclusion

The Committee continues to work with the Board on reviewing its skills mix and succession planning based on the immediate and emerging needs. The Committee completed its self-assessment during the year, conducted by the Chairman and Committee members and concluded that the Committee continues to operate effectively.

Dr. Gamini De Silva
Chairman- Nominations Committee

19th February 2021

REPORT OF THE AUDIT COMMITTEE



Composition and Meetings

The Audit Committee is a Sub-Committee of the Board of Directors of the Company and reports directly to the Board. As at 31 December 2020 the Committee comprised of the following Directors.

Name	Category	Meetings Attended
Mr. J A Setukavalar (C)	INED	4/4
Mr. D H J Gunarwardena	NED	4/4
Mr. W M P J K Wickramasinghe	INED	4/4

(C)- Chairman

INED- Independent Non-Executive Director

NED- Non-Executive Director

The Committee meets on a quarterly basis and held four meetings during the year. The Company Secretary acts as the Secretary to the Audit Committee. The Director/CFO, Director/Deputy CFO, Senior Manager- Internal Audit, Senior Manager Information Systems Audit and External Audit Partners attend meetings by invitation. The Committee's composition met the requirement of rule 710.6 of the Listing Rules of the Colombo Stock Exchange.

Audit Committee Charter

The Board Audit Committee assists the Board in the discharge of its responsibilities by providing necessary oversight to the Company's financial reporting, internal controls and internal and external audit practices. The Audit Committee Charter clearly defines the Terms of Reference and the composition, role and responsibilities of the Committee and is reviewed periodically to ensure that new developments to the Committee's functions are sufficiently addressed.

Key responsibilities of the Audit Committee

- Assist the Board of Directors in fulfilling its overall responsibilities towards monitoring and reviewing the adequacy and effectiveness of accounting policies, financial and other internal control systems, financial reporting processes and risk management procedures
- Exercise independent oversight of the Company's assurance functions, including external and internal audit and ensure the independence and effectiveness of both the external and internal audit functions
- Make recommendations to the Board on the appointment of external auditors, their remuneration and terms of engagement
- Review the Company's processes for monitoring compliance with financial reporting requirements, information requirements pertaining to the Companies Act, Insurance Board of Sri Lanka, Securities and Exchange Commission of Sri Lanka, Colombo Stock Exchange and other relevant laws and regulations
- Assessing the Company's ability to continue as a going concern in the foreseeable future

Compliance with financial reporting, statutory and regulatory requirements

The Audit Committee reviews and recommends the Company's quarterly and annual financial statements to the Board for approval, prior to release, including the extent of compliance with Sri Lanka Accounting Standards (LKASs and SLFRSs) and the adequacy of disclosures required by other applicable laws, rules and guidelines.

The Committee verifies that the accounting policies and practices are appropriate and adequate internal controls and procedures are in place to provide reasonable assurance that the financial reporting system is effective and well managed to provide reliable and timely information.

The Committee reviews the Quarterly Regulatory Compliance Reports submitted to the Committee and verifies that the Company's compliance framework provides reasonable assurance that all relevant laws, regulations, code of ethics and standards of governance have been adhered to. Any instances of non-compliance or breach of ethics are included in the Audit Committee's reports to the Board and necessary corrective action is taken to prevent re-occurrence.

Internal Audit, Risk and Controls

The Audit Committee regularly reviews the scope of the internal audit function of the Company. Internal audit reports are submitted to the Committee and audit findings presented in the reports are prioritized based on risk levels. The Committee in general monitors and reviews:

- The annual audit plan
- The scope of the audit plan
- The internal audit findings
- Follow-up action taken on the recommendations of the Internal Auditors

Given the prevailing pandemic situation, the internal auditors were unable to visit the branches as done during the preceding year. Accordingly, a more digitalized approach was adopted this year and with the support of the Systems Department a Branch Audit Management System was developed to carry out the branch audit process. Branch accountants/team leaders were requested to upload selected documents of certain important areas to this system and the audit procedures were carried out on the uploaded documents in addition to the audit procedures performed through the Audit Command Language software centrally.

The Audit Committee also reviews the processes for identification, evaluation and management of operational risks faced by the Company. The Committee is satisfied that an effective system of internal controls is in place to provide reasonable assurance on safeguarding the Company's assets and reliability of Financial Statements.

External Audit

The Committee has reviewed the independence and objectivity of the Independent External Auditors and is satisfied that the independence of the External Auditors has not been adversely influenced by any event or service that could result in a conflict of interest. During the year the Committee held a meeting with the External Auditors to review their audit plan and observations made by them.

The Committee has recommended Messrs. Ernst & Young, Chartered Accountants to be re-appointed as the independent External Auditors subject to the approval of the shareholder at the next Annual General Meeting.

Conclusion

The Audit Committee is satisfied that the effectiveness of the Company's accounting policies and operational controls provide reasonable assurance that the affairs of the Company are managed in accordance with the Company policies and that the Company's assets are properly accounted for and sufficiently safeguarded. The annual evaluation of the committee was carried out and it was deemed that the committee's functions were being carried out effectively.



Mr. J A Setukavalar
Chairman- Audit Committee

19th February 2021

Key Actions Taken During 2020

1. Reviewed significant accounting and reporting issues, including complex or unusual transactions, highly judgmental areas and recent professional and regulatory pronouncements, and their impact on the financial statements.
2. Approved the annual internal and information systems audit plans and reviewed the progress made by the both audits.
3. Reviewed the internal audit and information systems audit budget, resource plan, activities, and organisational structure of the audit function with the Chief Audit Managers.
4. Reviewed the findings of examinations by regulatory agencies and auditor observations, especially in areas/ functions concerning; SAP system migration and infrastructure review, functions of the Investment Division, Audit on Money Laundering and Terrorist Financing Risk Management,
5. Regularly reported to the Board on Committee activities, issues, and related recommendations.
6. Provided an open avenue of communication between the internal audit, external auditors, and the Board of Directors.
7. Reported annually to the shareholders, describing the committee's composition, responsibilities and any other information required by rule, including approval of non-audit services.
8. Reviewed the external auditors' proposed audit scope and approach, including coordination of audit effort with the internal audit. Carried out discussions on the audit plan, key audit issues and their resolution, management responses, interim issues memorandum issued by the External Auditors for the year 2019 and the proposed remuneration of the Auditor.
9. Reviewed the Management Letter of 2019 and advised the management to take required corrective actions with regard to the observations.
10. Tabled the Actuarial Valuation letter issued by Willis Towers Watson India (Private) Ltd, for the year ended 31st December 2019.
11. Reviewed and assessed the adequacy of the Committee's function based on the Audit Committee Charter and confirmed that all responsibilities were carried out satisfactorily by the Committee as outlined in this charter.

REPORT OF THE RELATED PARTY TRANSACTIONS REVIEW COMMITTEE



Composition and Meetings

The Board has established the Related Party Transaction Review Committee in accordance with the Code of Best practice on Related Party Transactions issued by the Securities & Exchange Commission of Sri Lanka and Section 9 of the Listing Rules of the Colombo Stock Exchange (CSE). As at 31st December 2020 the Committee comprised of the following Directors.

Name	Category	Meetings Attended
Mr. J A Setukavalar (C)	INED	4/4
Mr. D H J Gunarwardena	NED	4/4
Mr. W M P J K Wickramasinghe	INED	4/4

(C)- Chairman

INED- Independent Non-Executive Director

NED- Non-Executive Director

The Committee meets on a quarterly basis and held four meetings during the year. The Company Secretary functions as the Secretary to the Related Party Transactions Review Committee. The Assistant General Manager Finance attends meetings by invitation.

Terms of Reference

The Committee is governed by the mandate approved by the Board of Directors which encompasses the Committee's purpose, duties and responsibilities. The objective of the Committee is to safeguard the interests of shareholder's when discharging its functions and prevent the Directors, Chief Executive Officers' or substantial shareholders from taking advantage of their positions held in the Company, thereby ensuring optimum levels of fairness and transparency are maintained. The Committee exercises oversight on behalf of the Board to ensure compliance with the Code of Best Practices on Related Party Transactions published by the Securities and Exchange Commission of Sri Lanka, regulations issued by the CSE and LKAS 24.

Key Responsibilities of the Committee

- To review in advance all proposed related party transactions of the Group either prior to the transaction being entered into or, if the transaction is expressed to be conditional on such review, prior to the completion of the transaction.
- Seek any information required from management, employees or external parties with regard to any transaction entered into with a related party.
- Obtain competent independent professional advice to assess all aspects of proposed related party transactions where necessary. Apart from obtaining Independent Specialists' advice wherever necessary, the committee is empowered to access data and information pertaining to Related Parties as well as call for clarifications from the Management and Auditors both External and Internal on any associated matter.
- To recommend, where necessary, to the Board and obtain their approval prior to the execution of any related party transaction.

- Make recommendations to obtain shareholder approval for applicable related party transactions as per the provisions in the Code and Section 9 of the CSE Listing Rules.
- Make immediate market disclosures on applicable related party transactions as required by the CSE Listing Rules.
- Make appropriate disclosures in the Annual Report of the Company as required by the continuing listing requirements of CSE.

Conclusion

During the year, there were no non-recurrent or recurrent related party transactions that exceeded the respective thresholds mentioned in the Listing Rules, requiring disclosure in the Annual Report. Details of other related party transactions entered into by the Company during the year is disclosed in Note 44 to the Financial Statements.

A declaration is given by the board in the Annual Report of the Board of Directors on pages 146 to 155 as a negative statement to the effect that no related party transaction falling within the ambit of the rule 9.3.2 of Listing Rules of the Colombo Stock Exchange was entered by the Company during the year.

Mr. J A Setukavalar

Chairman - Related Party Transactions Review Committee

19th February 2021

OPERATIONAL INVESTMENT COMMITTEE REPORT

Year in Review 2020 A year that cha(lle)nged everything

1. Global Economic Review

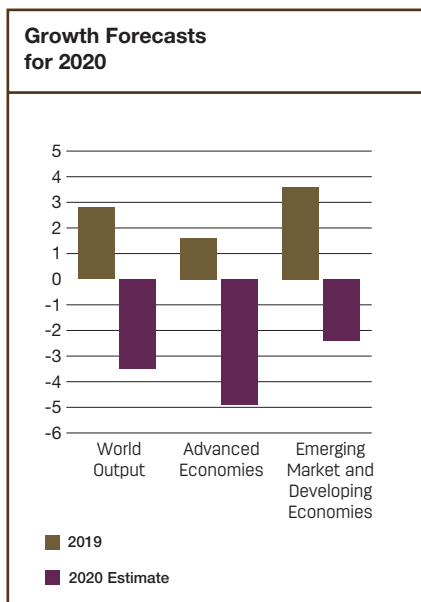
“New normalcy”, the theme of 2020.

Global economy was disrupted throughout the year by the spread of COVID-19, which brought considerable pain to economies across the world. The impacts of COVID-19 led to strict lockdowns that pummeled economic activity, which led to one of the steepest contractions in global economy since the Great Depression in the early 20th century. Although record levels of stimulus were pumped into economies and multiple vaccines starting to make their way by the end of the year, 2020 was undoubtedly an arduous one for the global economy.

1.1 Negative Growth and All-time Low Interest Rates

International borders were closed for many months in the year, hammering the global travel and tourism industries, while stay-at-home orders, lockdowns, and curfews forced many to withdraw from economic activity. Consumption fell drastically across the globe, as did business performance. The IMF estimates that global growth for 2020 recorded a fall of 3.5%, with a contraction of 4.9% and 2.4% in the advanced and developing economies, respectively.

In response to the economic shocks, governments across the world provided unprecedented levels of stimulus to protect their economies and accelerate recovery. With global interest rates being at their lowest levels, and many countries opting for additional monetary stimulus in the form of reduced policy rates, quantitative easing and supporting loans to banks and corporates.



1.2 Geopolitical Tensions and Oil Demand Crash

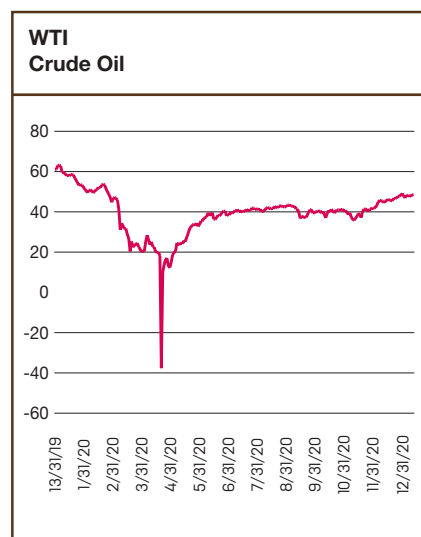
The pandemic created a cascading series of catastrophes, beginning in March, for oil markets. Coronavirus containment measures restricting mobility led to one of the sharpest plunges in global oil demand. Disagreements between Saudi Arabia and Russia triggered an oil price war that,

combined with the lockdowns’ depletion of demand, ultimately sent the West Texas Intermediate crude oil benchmark into negative territory for the first time in history, while dragging the benchmark Brent Crude oil to a historical low of USD 19.33 per barrel.

Following the crash, the OPEC+ agreed to curb crude oil production which led to the oil prices recovering towards the end of 2020. Nonetheless, oil prices averaged at USD 43.2 per barrel in 2020 – which is a sharp fall from the USD 64.15 average recorded in 2019.

While the price of oil plunged during the year, gold emerged as a safe haven for investors. However, by the end of the year, gold’s status began to waver due to positive sentiments on rollout of COVID-19 vaccines.

The year ended out on a dim footing, as surges of COVID-19 forced many countries and regions into lockdowns once again. The long-lasting impacts of 2020 cannot be understated nor forgotten. However, consensus expectations are that the global economy would recover in the subsequent years, with rollout of vaccines bringing optimism for the coming years.



2. Domestic Economic Review

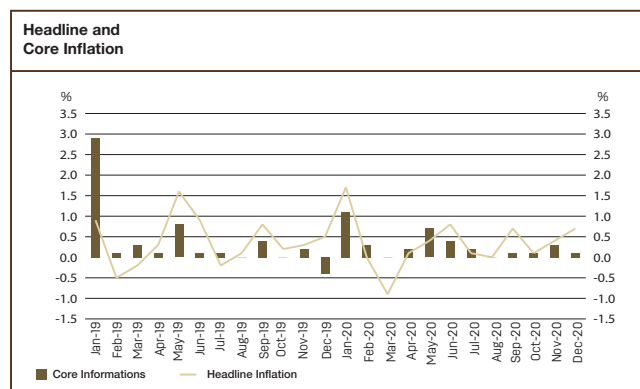
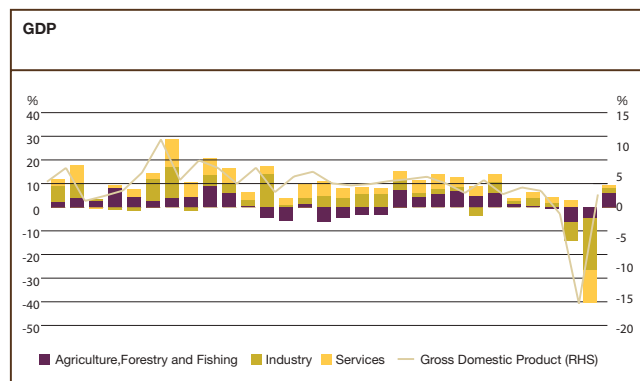
2.1 When challenges become normal

Sri Lanka experienced a black swan event for the second consecutive year - first being the Easter Attack in 2019 and second being the COVID-19 Pandemic in 2020. The Pandemic brought economic activity to a halt for most parts of the year. The country came under added pressure to meet its foreign debt obligations. In November 2020, government presented its inaugural budget, which continues to maintain an expansionary fiscal policy and protectionist policies with a heavier focus on import substitution aimed at reducing the Balance of Payments ("BOP") deficit to manageable levels.

2.2 High growth expectations hampered by the pandemic.

The year began with projections by the Central Bank of Sri Lanka ("CBSL") for economic growth to double to 4.5% following subdued economic growth in 2019. Yet, the effects of the COVID-19 pandemic pushed down the economic growth considerably, recording a 16% Year-on Year ("YoY") contraction during the second quarter, bringing the full year growth estimate by the CBSL to -3.9%.

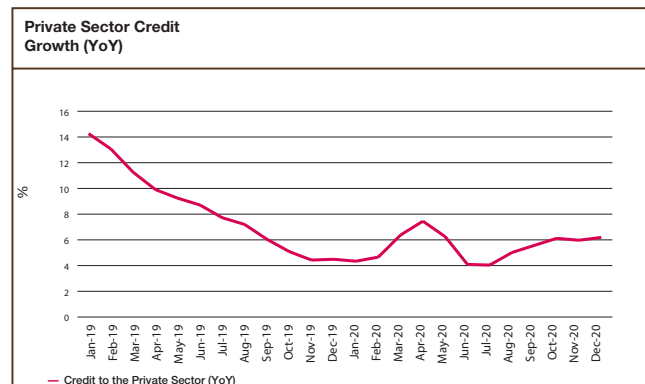
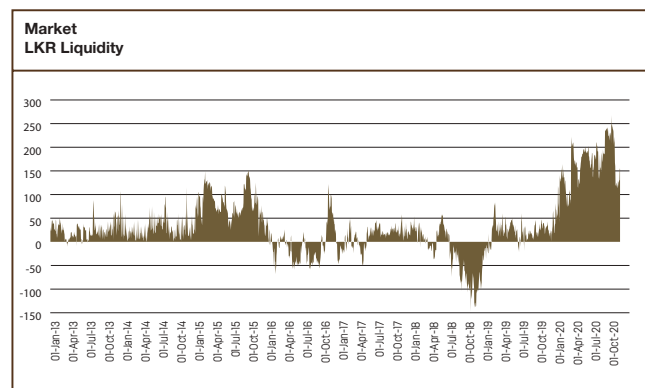
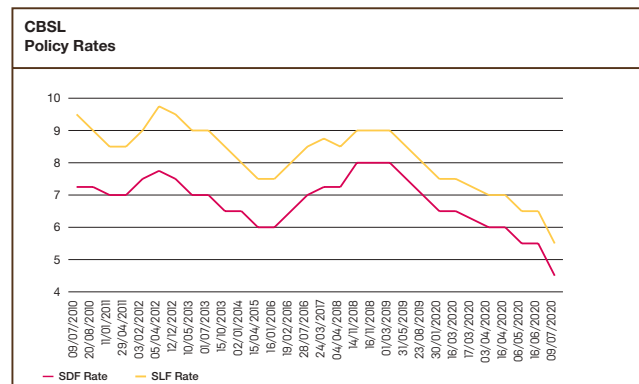
Headline inflation, based on both the Colombo Consumer Price Index ("CCPI") and the National Consumer Price Index (NCPI), remained within the desired mid-single digit levels. The CCPI recorded 4.2% YoY growth in December, while the NCPI recorded a 4.6% YoY growth.



2.3 Stimulus efforts by Central Bank of Sri Lanka ("CBSL")

CBSL persisted with an accommodative monetary policy stance throughout the year in a bid to revive the economy amidst lackluster credit growth. It began the year by cutting the Standing Deposit Facility Rate ("SDFR") and the Standard Lending Facility Rate ("SLFR") by 50 basis points in order to support the revival of the domestic economy, followed up with a comprehensive policy to push down lending rates. This involved a series of policy rate cuts amounting to a sum of 250 bps for the full year, bringing the SDFR and the SLFR to 4.5% and 5.5% respectively. In order to provide liquidity to the market, the Statutory Reserve Ratio ("SRR") was cut by a cumulative 300 bps during the year.

Eventually, credit to the private sector picked up from 3Q20, with YoY growth rising to 6.5% in December, compared to the 4.2% at the end of 2019.

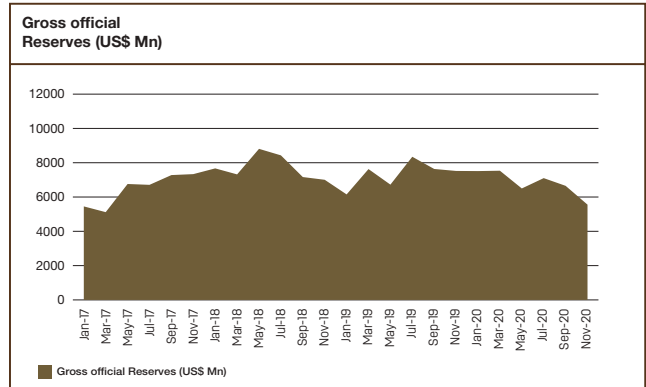
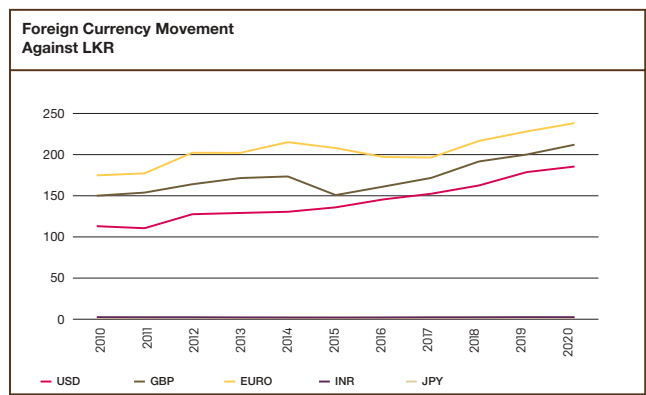
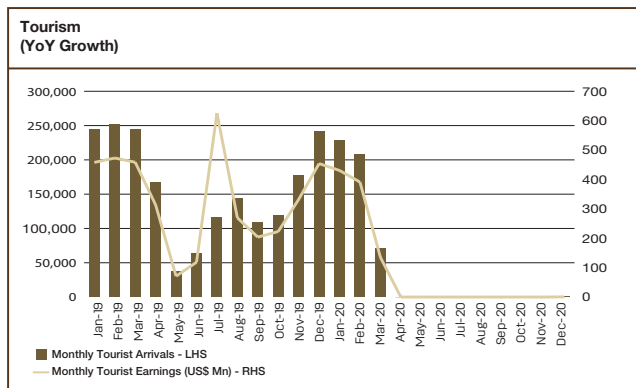
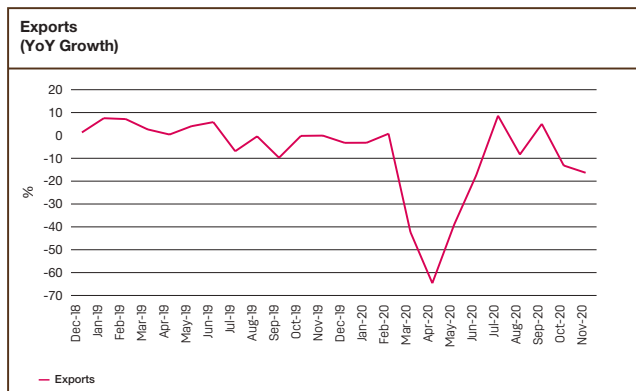
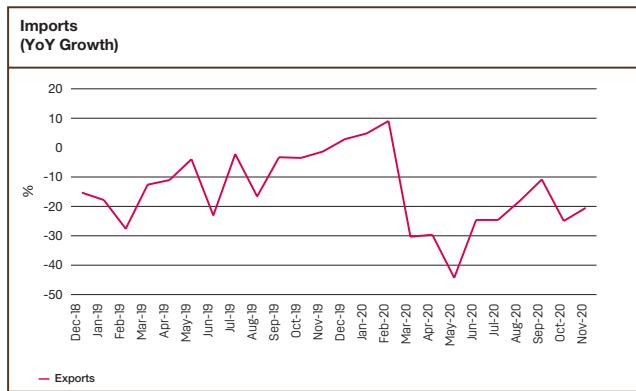


2.4 Import Restrictions to Curb the Fallout of Reserves and Rupee

Despite the effects of the COVID-19 pandemic on economic activities and the exports of the country, the import restrictions imposed on non-essential goods saw the trade deficit falling by over 25% to USD 5.9 Bn during the year, against USD 7.9 Bn recorded in 2019.

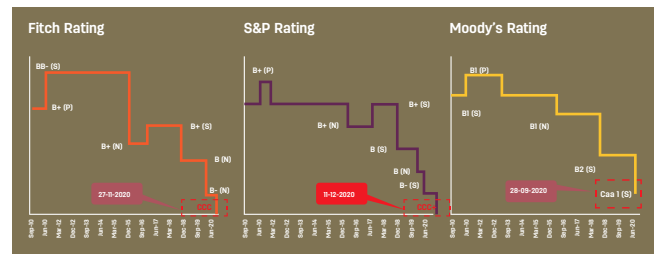
Notwithstanding this positive impact on trade balance, the overall BOP position recorded a considerable deficit of USD 2.3 Bn during the year compared to the USD 0.4 Bn surplus recorded in 2019. On a positive note, workers' remittances rose by 5.8% during the year. Gross official reserves were estimated at USD 5.7 Bn as at end-December 2020, ending considerably lower from USD 7.6 Bn in 2019.

Despite the high BOP deficit, the Rs. depreciation was limited to a marginal 2.7% against the USD.



2.5 Sovereign Rating Touches CCC Levels

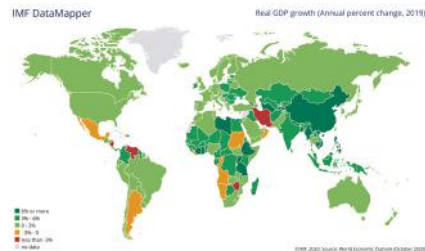
Given the challenging economic conditions witnessed over the year, all three credit rating agencies downgraded Sri Lanka's sovereign rating. The first rating agency to downgrade Sri Lanka was Moody's, which downgraded Sri Lanka's government debt to Caa1, followed by Fitch ratings (CCC) and Standard and Poor's (CCC+).



Outlook for 2021 Recovery 1.0 - New normal

1. Global Economic Outlook

2019, 2020 and 2021 outlook for growth (estimated by IMF)



1.1 Recovery from Pandemic is the Key

Despite hopes of a turnaround in economic activity in 2021 - largely fueled by recent vaccination drive, new variants and waves of the virus across the globe poses concerns for the recovery.

Amidst such uncertainty, the IMF has upgraded its 2021 global economic growth projection to 5.5%, from its 5.2% in October. This upgrade reflects expectations of vaccine-powered strengthening of economic activity in the latter part of the year coupled with additional policy support in developed economies.

1.2 Maintaining accommodative monetary policy and stimulus

Major central banks are expected to maintain their current accommodative monetary policy throughout 2021 and possibly, several years thereafter. As a result, financial conditions are expected to remain broadly at current levels for advanced economies while gradually improving for emerging and developing economies.

1.3 Oil to rise as production cuts are in the pipeline

After plummeting in mid-2020, oil prices have partially rebounded in response to a steep drop in supply, particularly among OPEC and its partners. While consumption has risen from its lows, pandemic is expected to have a lasting impact, with demand likely to fully recover by 2023. However, oil prices are forecast to rise if OPEC+ cuts supply further in 2021, which may be likely.

2. Domestic Economic Outlook

2.1 "V", "U" or "K" Shaped Recovery?

Economic growth is expected to rebound in 2021 after seeing a historic dip in 2020 due to the impacts of the pandemic. Expansionary fiscal and monetary policies adopted alongside optimistic growth in tourism, coupled with vaccine rollout is expected to raise the economy to a better footing. However, such recovery would be fragile and any deviation of the driving forces would derail the growth momentum.

2.2 Pressure on BOP to Continue?

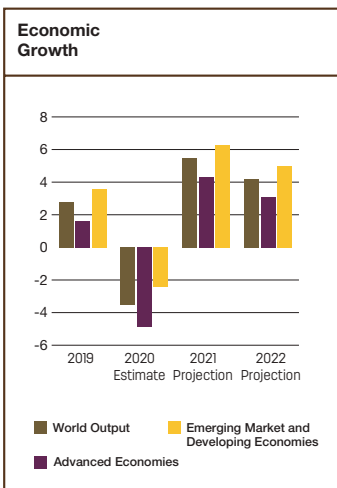
On the external front, with global demand expected to recover with vaccination rollouts in place, it is likely that merchandise exports would recover to slightly above the levels seen in 2019. As credit growth expands due to low funding costs, trade balance might widen in 2021 and beyond.

2.3 Tourism to Recover

With the gradual opening of airports and rollout of vaccines globally, travel volumes are expected to recover from 2020 lows, but would still be well below 2019 levels. This, along with possible drop in remittances in 2021 would mean that the current account deficit would exert further pressure.

2.4 Concerning Level of Debt Repayments

Apart from the current account deficit and low levels of foreign reserves, debt repayments over USD 5 Bn due in 2021 adds pressure, especially given the challenge in tapping international financial markets due to sovereign credit rating now being at CCC levels.



Ceylinco Life Insurance Limited

The Long-Term Insurance Fund (“Fund”) of Ceylinco Life Insurance Limited (“Ceylinco Life”) is overseen by the Board Investment Committee, to ensure it provides a secure and a steady return for its policyholders.

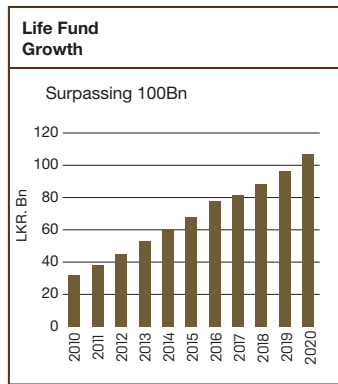
As an adoption of the “Guidelines on Investments for Insurance Companies” issued by Insurance Regulatory Commission of Sri Lanka (“IRC SL”), the Board Investment Committee (“Committee”) was established by the Board of Directors of Ceylinco Life (“Board”) to ensure compliance with the said code and global best practices. The Committee is acting in a fiduciary capacity with respect to the Fund and is accountable to the Board. The Committee formulates investment strategies and oversees the performance of investments on a quarterly basis.

In order to make timely decisions on executing strategies crafted, the Committee has delegated its authority by appointing an Operational Investment Committee which meets on a weekly basis. To ensure a return that is secure and steady, investments are made diligently according to diverse investment objectives and varied risk preferences.

By crafting investment strategies that add value, continually monitoring the execution of the set strategies to ensure conformity, and making timely calls deemed necessary to ensure probity, the Committee ensures that the funds are well positioned, ideally invested and coherently managed to meet the objectives of various stakeholders such as policyholders, shareholders and regulators.

1. Long Term Insurance Fund

The Long-term Insurance Fund (“Fund”) of Ceylinco Life, which is considered as a safe haven for policyholders, has surged over the Rs. 106 Bn mark, which depicts the superior performance and stability of its investments, and the continuous trust and loyalty placed by the policyholders.

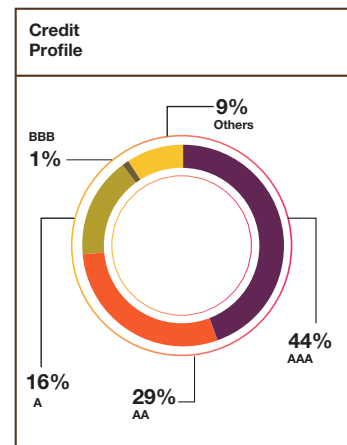
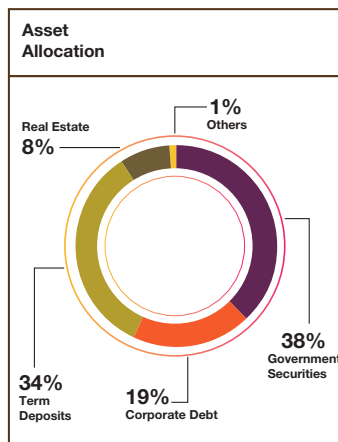


2. Quality of Investments

The Investment Front Office of Ceylinco Life, with the recommendations and guidance of the Operational Investment Committee along with the oversight and supervision of Board Investment Committee, manages the Long-term Insurance Fund, which is regarded as one of the largest and thriving life insurance portfolios in Sri Lanka. The execution of approved investments is performed by the Investment Back Office, while monitoring of investment-related risk exposures is performed by Investment Middle Office.

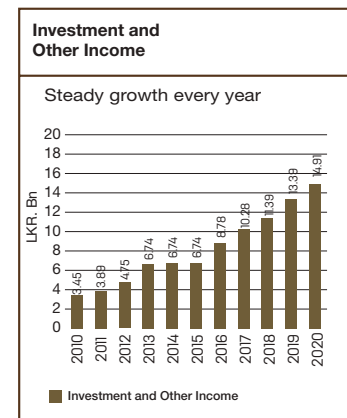
Risk and Return, while carrying an inherent trade-off, are two aspects which hold paramount importance in crafting an investment strategy. Ceylinco Life takes utmost accountability in providing the best solutions to maintain an optimum and cautious balance between the two.

In order to illustrate the prudence and diligence of investments, the below charts elaborate the asset allocation and credit rating profile of the Company as of 31st December 2020.



3. Investment Income

Amidst challenging and volatile market conditions, with the backdrop of ultra-low interest rates, following a prudent and a conservative investment strategy, investment income grew over 11.3% during the year to reach an all-time high of Rs. 14.9 Bn.



Board Investment Committee

The Board has appointed five members to the committee, out of whom four are executive directors and a non-executive director who is a veteran in financial markets. The following members served in the Board Investment Committee during the year,

- 1 Mr. R Renganathan
(Chairman) - Chairman
- 2 Mr. E T L Ranasinghe
(Managing Director/CEO) - Member
- 3 Mr. P A Jayawardena
(Director/CFO) - Member
- 4 Mr. S R Abeynayake
(Director/Deputy CFO) - Member
- 5 Mr. R S W Senanayake
(Non-Executive Director) - Member

Operational Investment Committee

The following members served in the Operational Investment Committee during the year,

- 1 Mr. R Renganathan
(Chairman) - Chairman
- 2 Mr. E T L Ranasinghe
(Managing Director/CEO) - Member
- 3 Mr. P A Jayawardena
(Director/CFO) - Member
- 4 Mr. S R Abeynayake
(Director/Deputy CFO) - Member
- 5 Mr. R S W Senanayake
(Non-Executive Director) - Member
- 6 Mr. S. Kumarapperuma
(CRO) - Member
- 7 Mr. D M G L Alwis
(AGM - Portfolio) - Member
- 8 Mr. K I Weththasinghe
(Senior Manager – Legal) - Member
- 9 Mr. C S Kumarasinghe
(Senior Assistant Manager) - Member
- 10 Mr. K V Wickramasuriya
(Senior Assistant Manager) - Member
- 11 Mr. A C Ahangama
(Assistant Manager) - Member

The Committee members contribute immensely and add value to the investment decision making process with their vast knowledge and diverse experience. In addition, the Committee obtains external professional advice on matters within its purview.

Meeting and Attendance

The Board Investment Committee meets quarterly to review the investment performance and to set long to medium-term investment strategies.

The Operational Investment Committee meets weekly, recognizing the prominence of the investment decision making function, to proactively monitor the implementation of investment strategies, and to timely face the challenges posed from ever-changing global and domestic macro-economic landscapes.

In addition to the members, management representatives from the areas such as Actuarial, Finance, Life Operations, Marketing and Systems attend the meetings on invitation.


Investment Outlook for 2021

The Committee notes the recent challenges posed by global developments and their impact on financial markets, which - in the opinion of the Committee - would resonate for several years. In the recent past, the financial markets have faced multiple “black swans”, which illustrates the new normal, i.e. increasingly high probability of occurrence of low probability events.

The prudent and diligent investment strategy followed by the Committee over the years has immensely rewarded the Company at such uncertain and challenging times, proving the probity and stability of Ceylinco Life, while reaping benefits of lower volatility of investment returns, and building confidence among investors and policyholders.

However, the Committee recognises that investment strategies adopted should evolve in response to such emerging challenges and ever-changing market conditions and would continue to monitor, closely, the developments in the economy, financial markets and subsequent monetary and fiscal responses by regulators and governments and act appropriately.

On behalf of the Board and Operational Investment Committees,



Mr. R Renganathan
Chairman – Board Investment Committee

Operational Investment Committee
19th February 2021

REPORT OF THE BOARD INVESTMENT COMMITTEE



Composition and Meetings

The Board Investment Committee is a Sub-Committee, appointed by the Board of Directors of the Company and reports directly to the Board. As at 31 December 2020, the Committee comprised of the following Directors:

Name	Category	Meetings Attended
Mr. R Renganathan (C)	ED- Chairman	3/4
Mr. E T L. Ranasinghe	MD/CEO	3/4
Mr. P A Jayawardena	ED- CFO	4/4
Mr. S R Abeynayake	ED- Deputy CFO	4/4
Mr. R S W Senanayake	NED	4/4

(C)- Chairman
 NED- Non-Executive Director
 ED- Executive Director
 MD/CEO- Managing Director/Chief Executive Officer

The Committee meets on a quarterly basis and held four meetings during the period under review. The Company Secretary acts as the Secretary to the Committee. Chief Risk Officer – Deputy General Manager, Assistant General Manager – Portfolio, Senior Assistant Manager – Investments and Assistant Manager – Investments Attended meetings by invitation.

The proceedings of each meeting is reported at the following Board meeting.

Terms of Reference

The Board Investment Committee Charter outlines the composition, role and responsibilities of the Committee. Primary responsibility of the Committee is to oversee the investment decisions made by the Company and provide direction and guidance in evaluating the financial viability and strategic allocation of investments.

Key responsibilities of the Committee

- Review, recommend and report to the Board on significant investment proposals and strategies.
- Exercise due care to ensure that the interests and rights of policyholders are not compromised at any time.
- Ensure full compliance with laws, rules, regulations, determinations and guidelines issued by the Insurance Regulatory Commission of Sri Lanka (IRCSL) and any other relevant regulatory authority.
- Institute effective and efficient governance of investment activities of the Company.
- Ensure that the Company has a sound risk management framework for identifying, monitoring and mitigating various risks arising from investment activities and provide necessary oversight ensuring effective and efficient management of the investment portfolio.
- Review the adequacy of investment related internal controls and risk management systems to support prudent investment decision making and operations.
- Review the Investment Policy Statement of the Company on a timely basis to ensure that it remains applicable and in line with the changes in business, economic and regulatory environment.

Key Actions Taken During 2020

- Reviewed the Committee Charter and Investment Policy Statement (IPS).
- Incorporated guidelines on strategic and tactical asset allocation and custom benchmarks to the IPS.
- Reviewed the Authorized Counterparty and Investment Limits for year 2020/2021
- Reviewed and recommended the "Policy for setting an internal minimum threshold for Target Capital Adequacy Ratio" for the approval of the Board.
- Reviewed the performance of investment function as per the guidelines issued by the IRCSL and monitored the portfolio performance, composition and quality on a quarterly basis
- Reviewed the critical internal audit findings related to investment operations.

Professional Advice

The Committee is authorized to seek external, independent professional advice when deemed necessary on matters within their purview. During the year under review, such advice was specifically sought on market interest rate movements, expected path of monetary and fiscal policy and analysis of key macro-economic variables.

Conclusion

The annual evaluation of the performance of the Committee was carried out by the Board and the Committee was deemed to be operating effectively.

Mr. R Renganathan
 Chairman- Board Investment Committee

19th February 2021

BOARD RISK MANAGEMENT COMMITTEE REPORT



Composition and Meetings

The Risk Committee is a Sub-Committee of the Board of Directors of the Company and reports directly to the Board. The primary function of the Committee is to review and assess the adequacy and effectiveness of the overall risk management framework of the Company. As at 31 December 2020 the Committee comprised the following Directors;

Name	Category	Meetings Attended
Mrs. A K Seneviratne (C)	INED	5/5
Mr. W M P J K Wickramasinghe	INED	5/5
Mr. R S W Senanayake	NED	5/5

(C)- Chairperson

INED- Independent Non-Executive Director

NED- Non-Executive Director

The Committee held five meetings during the year under review. The Company Secretary acts as the Secretary to the Risk Committee. The Chief Risk Officer attends the meetings by invitation. The minutes of all meetings are properly documented and communicated to the Board of Directors.

Terms of Reference

The Risk Committee Mandate outlines the composition, role and responsibilities of the Committee. The objective of the Committee is to assist the Board by providing necessary oversight pertaining to all aspects of risk management and ensuring that the Company has a comprehensive risk management framework, appropriate compliance policies and risk management systems in place. The Committee works closely with the Chief Risk Officer, Corporate Management, Heads of Divisions, Consultants and Senior Managers supervising broad risk categories such as business, financial, regulatory, ICT, insurance and demographic and operational risks. Any concerns of the Committee will be reported to the Board of Directors on a regular basis.

Key Responsibilities of the Risk Committee

- Setting the tone and developing a corporate culture that embraces risk management practices while supporting the Company's strategic objectives.
- Ensuring that the executive team has identified and assessed all key risks that the Company faces and has established a sound risk management framework capable of addressing those risks.
- Monitoring risk management capabilities within the Company, including communication lines established to escalate risks, preparedness to face crisis and recovery plans.
- Overseeing the division of risk related responsibilities to each Board Sub-Committee as clearly as possible and performing a gap analysis to determine that all risks are addressed.
- Review and oversee the risk and compliance profile of the Company within the context of the risk parameters determined by the Board.
- Make recommendations to the Board concerning the Company's risk appetite, compliance and risk management practices of the Company.
- Oversee and review the implementation of risk management and regulatory compliance throughout the Company.

Key Actions Taken During 2020

1. Reviewed the Company's Risk Appetite Statement and Risk Management Framework and made recommendations to the Board.
2. Reviewed the Risk Committee Mandate and proposed amendments were recommended to the Board.
3. Reviewed the Management's assessment of compliance with the Company's risk management policies and practices with respect to risk assessment and risk management.
4. Discussed with the Management and the Chief Risk Officer, the Company's major risk exposures and reviewed the risk response strategies adopted by the management in terms of business, insurance, market, liquidity, capital, regulatory, operational, ICT, strategic, legal, political, systemic and other related risk categories.
5. Reviewed the management's assessment of key risk exposures and emerging trends that have reasonable potential to exceed the Company's stated risk appetite and risk tolerance limits, and where appropriate recommend action plans
6. Monitored risks and risk management capabilities within the Company periodically, including communication about escalating risk and crisis preparedness and recovery plans. Impact of COVID -19 on business continuity was discussed and preventive measures taken were reviewed. New risks that could emerge due to the pandemic and impacts of working from home were also discussed.

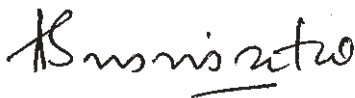
Professional Advice

The Committee is authorized to obtain legal or other professional advice internally and/ or externally as and when it deems necessary, at the Company's expense.

The Committee may also seek the views of other Board Sub-Committees as and when required and may inform them of any relevant procurements that maybe of relevance to their mandates.

Conclusion

The annual evaluation of the performance of the Committee was carried out by the Board and the Committee was deemed to be operating effectively.



Mrs. A K Seneviratne
Chairperson – Board Risk Committee

19th February 2021

STATEMENT OF DIRECTORS' RESPONSIBILITY TO FINANCIAL REPORTING

The Directors are responsible under the Companies Act No. 07 of 2007, to ensure compliance of the requirements set out therein to prepare Financial Statements for each financial year, giving a true and fair view of the state of affairs of the Company as at the Balance Sheet date and the profit of the Company for the financial period. Further, the Board of Directors ensures the compliance of all regulatory requirements imposed by the said Act and other applicable statutory and regulatory provisions.

The Board of Directors accepts the responsibility for the integrity and objectivity of the Financial Statements prepared and presented. The Directors confirm that in preparing the Financial Statements, appropriate accounting policies have been selected and applied in a consistent manner and material departures, if any have been disclosed and explained.

Reasonable and prudent judgments and estimates have been used so that the form and substance of transactions are appropriately reflected.

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.

Further, the Directors confirm that the Financial Statements have been prepared on a going-concern basis and are of the view that sufficient funds and other resources are available within the Company to continue its operations and to facilitate planned future expansions and capital commitments.

They are also responsible for taking reasonable measures to safeguard the assets of the Company and in that context, to have a proper regard to the establishment of appropriate systems of internal control, with a view to preventing and detecting fraud and other irregularities. Accordingly, the Directors have taken steps to establish appropriate systems of internal controls comprising of internal audit checks, risk assessment tests and financial and other controls to mitigate, prevent and detect fraud and other irregularities.

The Board of Directors also wishes to confirm that, as required by the Sections 166 (1) and 167 (1) of the Companies Act; they have prepared this Annual Report in time and ensured that a copy thereof is sent to Ceylinco Insurance PLC, the sole shareholder of the Company.

The Directors are required to prepare the Financial Statements and to provide its External Auditors Messrs. Ernst & Young, with every opportunity to take whatever steps necessary and to undertake whatever inspections that may be considered being

appropriate to enable them to give their audit opinion. The said Messrs. Ernst & Young were re-appointed by the shareholder by way of a circular resolution adopted on 16th June 2020 under section 144 (3) in terms of the Companies Act No. 07 of 2007.

The Directors confirm that to the best of their knowledge and belief that all statutory payments in relation to regulatory and statutory authorities that were due, in respect of the Company as at the Balance Sheet date have been duly paid or where relevant, provided for.

The Directors are of the view that they have duly discharged their responsibilities as set out in this statement.

By Order of the Board,



K I Weththasinghe
Company Secretary

Ceylinco Life Insurance Limited

19th February 2021
Colombo

CHIEF EXECUTIVE OFFICER'S AND CHIEF FINANCIAL OFFICER'S STATEMENT

The Financial Statements are prepared in compliance with the Sri Lanka Accounting Standards (SLFRS/LKAS) issued by The Institute of Chartered Accountants of Sri Lanka, the Companies Act No. 07 of 2007 and the Regulation of Insurance Industry Act No.43 of 2000 (as amended), Sri Lanka Accounting & Auditing Standards Act No.15 of 1995, Code of Best Practice on Corporate Governance issued by CA Sri Lanka.

The Accounting Policies used in preparation of the Consolidated Financial Statements are appropriate and consistently applied, except unless otherwise stated in the Notes accompanying the Financial Statements. There are no deviations from the prescribed Accounting Standards in their adoption.

Comparative information has been re-classified wherever necessary to comply with the current presentation. Significant accounting policies and estimates that involved a high degree of judgment and complexity were discussed with the Audit Committee.

The Board of Directors of the Company is responsible for preparation and presentation of these Financial Statements which give a true and fair view of the financial performance and the position of the Company. The estimates and judgments relating to the financial statements were made on a prudent and reasonable basis.

To ensure this, the Company has taken proper and adequate care in installing a system of internal control and accounting records, which are reviewed, evaluated and updated on an-ongoing basis.

All accounting controls are continuously updated to ensure prudence and completeness, prevention and detection of fraud and other irregularities. This ensures accounting records are free from error and omission. The internal control system in place functions properly and it is regularly evaluated. All procedure manuals are

updated whenever necessary and are accessible to all the staff.

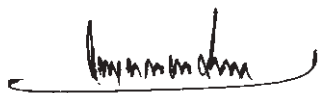
The Internal Auditors of the Company have conducted periodic audits to provide reasonable assurance that the established policies and procedures of the Company have been consistently followed. However, there are inherent limitations that should be recognised in weighing the assurances provided by any system of internal controls and accounting.

The Financial Statements of the Company for the financial year end of 31st December 2020 were audited by Messrs. Ernst & Young and the Financial Statements of the Subsidiary Companies were audited by the appointed auditors.

The Audit Committee of the Company meets on a quarterly basis. Internal Auditors and the External Auditors join the meeting on invitation when necessary to review the manner in which these Auditors execute their audit procedures and to discuss major variations or observations, internal control and financial reporting issues. To ensure complete independence, the Independent External Auditors and the Internal Auditors have full and free access to the members of the Audit Committee to discuss any matters of substance.



E T L Ranasinghe
Managing Director/ Chief Executive Officer



P A Jayawardena
Director/ Chief Financial Officer

19th February 2021
Colombo

THE BOARD'S STATEMENT ON INTERNAL CONTROL

Requirement

As per the requirement of Section D 1.5 of the Code of Best Practice on Corporate Governance – 2017, issued by The Institute of Chartered Accountants of Sri Lanka, the Board of Directors presents this Report on internal control mechanisms of Ceylinco Life Insurance Limited (‘the Company’).

Responsibility

The Board of Director is responsible for the Company’s system of internal controls and reviewing its design and effectiveness in order to safeguard shareholders’ investment and the Company’s assets.

This system is designed to manage the Company’s key areas of risk within an acceptable risk profile, rather than eliminating the risk of failure to achieve the business objectives and policies of the Company. Accordingly, a reasonable but not absolute assurance can be provided, against material misstatement of Management and financial information and against financial losses and fraud.

The Company has established key processes that aid in ensuring the integrity and efficacy of the system of internal controls that has been adopted with respect to financial reporting. These processes are overseen by Committees which assist the Board in matters relating to the Company’s operations, and ensure that approved corporate objectives, strategies and policies are adhered to.

Internal Control Processes

• Risk Management Committee

The Board Risk Committee is responsible for assisting the Board in all matters relating to the overall management of principal areas of risk to the Company. The Board Risk Committee implements the Risk Management Framework via Executive Risk Committees. Quarterly meetings are held during which key risk areas are discussed and required action initiated. All areas that come under discussion are escalated

to Board level. A detailed account of the activities carried out by the Board and Executive Risk Committees is available in the Risk Management section from pages 137 to 145 of this report.

• Internal Audit Departments

The Internal Audit Department and Information System Audit Department are responsible for reviewing the design and effectiveness of the internal control systems, management information systems, as well as the systems for compliance with applicable laws, regulations, rules and directives.

Audits are carried out on all the branches and departments. The frequency of these audits is determined using a risk-based methodology which factors in the input of Senior Management. An independent and objective report is mandatory.

Some reviews are outsourced to external parties with specialist knowledge in the relevant area. These external audits are carried out depending on the nature and complexity of the area requiring review.

The annual audit plan is drawn up by the Internal Audit Department and Information System Audit Department and is reviewed and approved by the Audit Committee.

• Audit Committee

The Audit Committee conducts quarterly reviews to address significant findings with respect to non-compliances or ineffectiveness of internal controls that are identified by the Internal Audit Department and Information Systems Audit Department.

The Audit committee is also responsible for taking action to deal with significant issues and control weaknesses highlighted by External Auditors.

The Audit Committee reviews the quality assurance and improvement in programmes of the Internal Audit and IS Audit Departments and the performance

of External Auditors, in order to evaluate the adequacy and effectiveness of the Company’s risk management and internal control system.

The minutes of the Audit Committee meetings and recommendations regarding the requirements for improvements, are tabled for the information of the Board on a periodic basis. Further details of the activities undertaken by the Audit Committee of the Company are available in the Audit Committee Report on pages 178 to 180.

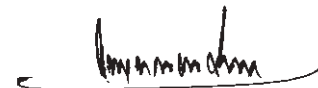
Confirmation

Backed by the Internal Audit Departments’ continued review and verification of the suitability and effectiveness of pre-existing procedures and controls, the Board of Directors confirms that the financial reporting system of the Company has been designed to provide a reasonable assurance regarding the reliability of financial reporting; and that the preparation of Financial Statements for various stakeholders has been done in accordance with Sri Lanka Accounting Standards, and comply with regulatory requirements including the Companies Act No. 07 of 2007 and the Insurance Industry Act No. 43 of 2000.

By order of the Board,



J A Setukavalar
Chairman – Audit Committee



P A Jagawardena
Director/Chief Financial Officer



R Renganathan
Chairman

19th February 2021
Colombo

De risk ing

The Future

Guiding you now to
create a safe and secure
retirement.



Financial Calendar

	2021	2020
Annual Report	19 February	28 March
Annual General Meeting	25 March	28 March
Interim Dividend Paid	-	In the Second half of 2020
Final Dividend proposed	24 February	28 March

UNDERSTANDING OUR FINANCIALS

The statement of income of a life insurance company contains the income and expenses pertaining to the underwriting of life insurance. Thus, the statement of income of a life insurer contains income and expense items that do not appear in a statement of income of a manufacturing and trading business. Similarly, the statement of financial position of a life insurer also contains some industry-specific assets and liabilities.

This brief note is aimed at helping the reader to understand our financials and is to be read along with the explanatory notes to the financial statements and the glossary.

Statement of Comprehensive Income

For the Year Ended 31 December	Comment	Rs.'000	Rs.'000
Gross Written Premium	The main source of income of a life insurer is the premium paid/payable by customers for the risks transferred to the life insurer through the insurance contract. GWP is comparable to the 'turnover' of a manufacturing and trading company.	22,076,250	
Premiums Ceded to Reinsurers	Reinsurance is the process by which part of the risks undertaken by the life insurer is transferred to a reinsurer, for which reinsurance premium paid/payable by the insurer to the reinsurer.	(505,463)	
Net Written Premiums	Net earned premium is the premium earned by the insurer for the financial year.		21,570,788
Fees and Commission Income	Fees and commission income includes the charges and policy fees paid by customers and reinsurance commission income.	131,025	
Investment Income	Investment income contains the interest income, dividend income and rental income on investments made out of the Life Fund, after deducting the related investment expenses.	13,542,174	
Realised Gains	Realised gains and losses include gains and losses arising on sale of financial assets and Property, Plant and Equipment.	948,287	
Fair Value Gains and Losses	Fair value gains and losses are gains and losses that arise from changes in fair values of investment property and financial assets at FVtPL.	280,122	
Other operating revenue	Other income comprises fees charged for policy administration services, gains on foreign currency translations, and miscellaneous income.	10,594	
Other Revenue			14,912,201
Net Income			36,482,989
Gross Benefits and Claims Paid	Gross benefits and claims paid refer to the total amount of claims and claim-related expenses incurred during the year and benefits paid to customers, such as maturity, bonuses, advance payments.	(12,510,505)	
Claims Ceded to Reinsurers	Claims ceded to reinsurers contain the proportion of claims paid, which was recovered from reinsurers.	243,992	
Gross Change in Contract Liabilities	Gross change in contract liabilities is the net transfer to the Life Fund during the period.	(9,423,994)	
Net Benefits and Claims			(21,690,507)
Acquisition Cost	Acquisition cost refers to the commission expenses incurred for the financial year. Life insurance business is predominantly transacted through independent contractual agents who are paid commission based on premium they collected.	(2,123,644)	
Other Operating and Administrative Expenses	Other operating and administrative expenses include administration, staff, sales and marketing expenses related to the company.	(3,823,330)	
Finance Cost	Finance cost includes charges on the financial services provided by financial institutions, particularly bank charges.	(78,995)	
Total Other Expenses			(6,025,970)
Profit Before Tax			8,766,512
Income Tax Expense	Income tax expense comprises the current and deferred tax. Current tax is the expected tax payable on the taxable income for the year and any adjustment to tax payable in respect of previous year.	(1,832,391)	
Profit for the Year			6,934,121

Statement of Financial Position

As at 31 December 2020	Comment	Rs.'000
Assets		
Intangible Assets		362,838
Property, Plant and Equipment		9,280,573
Right-of-use Assets		197,763
Investment Properties		3,515,700
Investment in Subsidiaries		1,136,000
Investment in Associates		807,672
Financial Instruments	Financial instruments represent the financial investments made out of the Life Fund and Shareholders' Fund by a life insurer, with the aim of earning investment income to increase profitability of the company.	128,248,463
Employee Gratuity Benefit Assets		3,874,866
Employee Pension Benefit Assets		513,590
Reinsurance Receivables	Represent the amounts receivable by the life insurer from the reinsurer for the claims made the policyholders.	280,009
Loans to life Policyholders	Include the loans granted by the life insurer to policyholders. Eligible policyholders can obtain loans up to a pre-determined percentage of the surrender value of their policy.	1,282,725
Premium Receivable	Represent the gross written premium accrued up to the reporting date.	288,720
Other Assets		243,914
Cash and Cash Equivalents		768,553
Total Assets		150,801,386
Equity and Liabilities		
Equity Attributable to Equity Holders		
Stated Capital		500,001
Retained Earnings		26,408,326
AFS Reserve		102,623
Revaluation Reserve		366,250
Restricted Regulatory Reserve		3,456,184
Special Reserve		7,311,651
Total Ordinary Shareholders' Equity		38,145,035
Total Equity		38,145,035
Liabilities		
Insurance Contract Liabilities - Life	Due to the long-term nature of life insurance business, life insurers are required to maintain a separate fund to meet future policyholder obligations. This fund is known as 'Insurance Contract Liabilities - Life', or more commonly as 'Life Fund'. An actuarial valuation is performed at each year end to determine the size of the fund necessary in comparison to the assets maintained out of the fund. Any excess of assets over the policy liabilities of the fund, known as the 'Life Surplus', is transferred to the shareholders' funds of the company.	106,737,377
Insurance Contract Liabilities - Unit Linked		329,257
Insurance Contract Liabilities-Family Takaful	These items represent the balances of the other separately identifiable funds, in addition to the Life Fund, maintained by a life insurer.	14,698
Individual Investment Fund ISF		313,434
Deferred Tax Liabilities		271,847
Reinsurance Payable	Reinsurance payables contain amounts outstanding to be paid to reinsurers by a life insurer as at the reporting date.	477,740
Trade and Other Payables		3,803,965
Lease Liabilities		210,890
Bank Overdraft		497,141
Total Liabilities		112,656,349
Total Equity and Liabilities		150,801,386

ACTUARIAL REPORT

WillisTowersWatson 

19 February 2021


To the Directors of Ceylinco Life Insurance Limited

Actuarial Valuation as at 31 December 2020

I have carried out an actuarial valuation of the Life Fund of Ceylinco Life Insurance Limited (“the Company”) as at 31 December 2020. I hereby certify that:

- 1 I have satisfied myself about the accuracy of the valuation data furnished to me by making a number of reasonableness checks;
- 2 Adequate and proper reserves have been provided as at 31 December 2020 for all known liabilities in respect of the long term business of the Life Fund, taking into account all bonus declared as at that date in accordance with the requirements of Solvency Margin (Risk Based Capital) Rules 2015 dated 15 December 2015; and
- 3 Based on information on assets extracted from the audited accounts of the Company for the year ended 31 December 2020, the Company has adequate financial resources to cover its capital requirements in accordance with the Solvency Margin (Risk Based Capital) Rules 2015 dated 15 December 2015.

Yours faithfully



Vivek Jalan FIAI

Head of Insurance Consulting & Technology, India

Willis Towers Watson India Private Limited

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CIN – U67190HR1996PTC051336

INDEPENDENT AUDITORS' REPORT



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

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

TO THE SHAREHOLDERS OF CEYLINCO LIFE INSURANCE LIMITED

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Ceylinco Life Insurance Limited ("the Company") and the consolidated financial statements of the Company and its subsidiaries ("the Group"), which comprise the statement of financial position as at 31 December 2020, and the 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 gives a true and fair view of the financial position of the Company and the Group as at 31 December 2020, and of its financial performance and its 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.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with Sri Lanka Accounting Standards, and for such internal control as management 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 financial reporting process of both Company and Group.

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.

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

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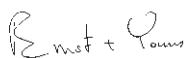
- ⊙ Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we 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.

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.

As required by the Section 47(2) of the regulation of insurance industry Act, No.43 of 2000, as far as appears from our examination, the accounting records of the company have been maintained in the manner required by the rules issued by the Insurance Regulatory Commission of Sri Lanka, so as to clearly indicate the true and fair view of the financial position of the Company.



19th February 2021
Colombo

STATEMENT OF FINANCIAL POSITION

As at 31 December			Group		Company	
	Page		2020	2019	2020	2019
	No	Note	Rs:'000	Rs:'000	Rs:'000	Rs:'000
Assets						
Intangible Assets	193	6	363,044	349,879	362,838	349,627
Property, Plant and Equipment	195	7	12,482,390	10,990,078	9,280,573	9,171,436
Right-of-use Asset	206	8.(a)	189,781	229,878	197,763	229,878
Investment Properties	208	9	787,800	1,164,000	3,515,700	2,470,500
Investment in Subsidiaries	212	10	-	-	1,136,000	1,086,000
Investment in Associates	214	11	3,915,423	3,222,402	807,672	807,672
Financial Instruments						
Held to Maturity Financial Assets	218	12.(a)	51,485,457	56,889,866	51,485,457	56,889,866
Loans and Receivables	218	12.(b)	61,374,736	46,413,045	60,633,154	45,769,731
Available-For-Sale Financial Assets	219	12.(c)	13,198,829	7,657,812	13,032,168	7,576,619
Financial Assets at Fair Value Through Profit or Loss	220	12.(d)	3,097,684	2,317,923	3,097,684	2,317,923
Employee Gratuity Benefit Asset	227	13	3,874,866	3,380,953	3,874,866	3,380,953
Employee Pension Benefit Asset	230	14	513,590	499,853	513,590	499,853
Reinsurance Receivables	232	15	280,009	273,408	280,009	273,408
Income Tax Receivables	234	16.(a)	7,515	12,541	-	-
Loans to Life Policyholders	236	17	1,282,725	1,335,469	1,282,725	1,335,469
Premium Receivables	237	18	288,720	275,881	288,720	275,881
Other Assets	237	19	528,975	297,247	243,914	266,149
Cash and Cash Equivalents	238	20	769,939	528,149	768,553	510,436
Total Assets			154,441,483	135,838,384	150,801,386	133,211,402
Equity and Liabilities						
Equity Attributable to Equity Holders of Parent						
Stated Capital	238	21.(a)	500,001	500,001	500,001	500,001
Retained Earnings	238	21.(b)	28,984,774	22,012,314	26,408,326	19,993,932
AFS Reserve	238	21.(b)	102,622	802	102,622	802
Revaluation Reserves	238	21.(b)	625,581	362,308	366,251	229,508
Restricted Regulatory Reserve	238	21.(b)	3,456,184	3,456,184	3,456,184	3,456,184
Special Reserve	238	21.(b)	7,311,651	7,311,651	7,311,651	7,311,651
Total Ordinary Shareholders' Equity			40,980,815	33,643,260	38,145,036	31,492,076
Non-Controlling Interests	253	36.(a)	6,590	5,956	-	-
Total Equity			40,987,405	33,649,216	38,145,036	31,492,076

As at 31 December			Group		Company	
	Page		2020	2019	2020	2019
	No	Note	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Liabilities						
Insurance Contract Liabilities - Life	241	22.(a)	106,739,757	96,206,469	106,737,377	96,204,089
Insurance Contract Liabilities - Unit Linked	241	22.(a)	329,257	328,869	329,257	328,869
Insurance Contract Liabilities - Family Takaful	241	22.(a)	14,698	18,869	14,698	18,869
Individual Investment Fund - ISF	241	22.(a)	313,434	235,187	313,434	235,187
Employee Gratuity Benefit Liability	228	13.(a)	13,051	13,970	-	-
Deferred Tax Liabilities	235	16.(c)	726,540	532,165	271,847	126,786
Reinsurance Payables	244	24	477,740	603,893	477,740	603,893
Trade and Other Payables	244	25	4,094,608	3,580,197	3,803,966	3,542,950
Lease Liabilities	207	8.(b)	193,144	241,908	210,890	241,908
Interest Bearing Borrowings	244	23.(a)	20,000	-	-	-
Bank Overdraft	238	20	531,849	427,639	497,141	416,770
Total Liabilities			113,454,078	102,189,166	112,656,350	101,719,321
Total Equity and Liabilities			154,441,483	135,838,384	150,801,386	133,211,402

The above Statement of Financial Position is to be read in conjunction with the notes to the Financial Statements on pages 183 to 279 which form an integral part of the Financial Statements.

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



P.A. Jayawardene
Director/Chief Financial Officer

The Board of Directors is responsible for the preparation and presentation of these Financial Statements.

Approved and signed on behalf of the Board by;



R. Renganathan
Executive Chairman



E.T.L. Ranasinghe
Managing Director/Chief Executive Officer

19th February, 2021

INCOME STATEMENT

For the Year Ended 31 December,	Page		Group			Company		
			2020	2019	Change	2020	2019	Change
			Rs.'000	Rs.'000	%	Rs.'000	Rs.'000	%
	No	Note						
Net Income			36,725,607	31,815,472	15.43	36,482,989	31,560,986	15.60
Gross Written Premiums	245	26.(a)	22,076,215	18,718,518	17.94	22,076,250	18,718,553	17.94
Premiums Ceded to Reinsurers	246	26.(c)	(505,463)	(550,122)	(8.12)	(505,463)	(550,122)	(8.12)
Net Written Premiums			21,570,753	18,168,396	18.73	21,570,788	18,168,431	18.73
Revenue from Subsidiaries	247	26.(f)	283,886	320,913	(11.54)	-	-	-
			21,854,638	18,489,309	18.20	21,570,788	18,168,431	18.73
Fees and Commission Income	247	27	131,025	177,935	(26.36)	131,025	177,935	(26.36)
Investment Income	248	28.(a)	13,608,440	12,683,434	7.29	13,542,174	12,683,134	6.77
Realised Gains/(Losses)	248	29	948,287	237,602	299.11	948,287	237,602	299.11
Fair Value Gains/(Losses)	249	30	168,289	171,603	(1.93)	280,122	276,130	1.45
Other Operating Revenue			14,928	55,590	(73.15)	10,594	17,753	(40.33)
Other Revenue			14,870,969	13,326,163	11.59	14,912,201	13,392,554	11.35
Gross Benefits and Claims Paid	249	31.(a)	(12,510,505)	(10,769,988)	16.16	(12,510,505)	(10,769,988)	16.16
Claims Ceded to Reinsurers	249	31.(b)	243,992	165,923	47.05	243,992	165,923	47.05
Gross Change in Contract Liabilities	249	31.(c)	(9,423,994)	(7,189,811)	31.07	(9,423,994)	(7,189,811)	31.07
Net Benefits and Claims			(21,690,507)	(17,793,877)	21.90	(21,690,507)	(17,793,877)	21.90
Direct Costs of Subsidiaries			(176,764)	(200,702)	(11.93)	-	-	
Acquisition Cost	250	32	(2,123,644)	(1,962,792)	8.20	(2,123,644)	(1,962,792)	8.20
Other Operating and Administrative Expenses	250	33	(3,972,729)	(3,714,638)	6.95	(3,823,330)	(3,550,209)	7.69
Finance Cost	251	34	(80,557)	(42,316)	90.37	(78,995)	(42,170)	87.32
Total Benefits, Claims and Other Expenses			(28,044,201)	(23,714,324)	18.26	(27,716,476)	(23,349,048)	18.70
Profit Before Share of Associates			8,681,406	8,101,149	7.16	8,766,512	8,211,938	6.75
Share of Profit of Associates	215	11.(a)	702,824	470,242	49.46	-	-	
Profit Before Tax			9,384,230	8,571,390	9.48	8,766,512	8,211,938	6.75
Tax Expense	251	35.(a)	(1,884,120)	(1,591,691)	18.37	(1,832,391)	(1,540,269)	18.97
Profit for the Year			7,500,110	6,979,698	7.46	6,934,121	6,671,669	3.93
Profit Attributable to:								
Equity Holders of the Parent			7,499,475	6,979,436	7.45	6,934,121	6,671,669	3.93
Non-Controlling Interests	253	36.(b)	635	263	25.93	-	-	
			7,500,110	6,979,699	7.46	6,934,121	6,671,669	3.93
Basic Earnings Per Share	253	37.(a)	149.99	139.59	7.45	138.68	133.43	3.93
Dividend Per Share	253	38	15.65	13.40	16.79	15.65	13.40	16.79

The above Income Statement is to be read in conjunction with the notes to the Financial Statements on pages 173 to 279 which form an integral part of the Financial Statements.

STATEMENT OF OTHER COMPREHENSIVE INCOME

For the Year Ended 31 December			Group		Company	
	Page		2020	2019	2020	2019
	No	Note	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Profit for the Year			7,500,110	6,979,699	6,934,121	6,671,669
Other Comprehensive Income						
Items that will not be reclassified subsequently to income statement						
Revaluation Surplus/ (Deficit) During the Year	254	39	685,721	1,193,513	559,191	1,193,513
Actuarial Gain/(Loss) on Defined Benefit Plans	254	39	(519,663)	(1,049,732)	(519,729)	(1,049,593)
Share of Other Comprehensive Income of Equity Accounted Investees	254	39	(9,471)	33,958	-	-
Items that may be reclassified subsequently to income statement						
Net Gain/(Loss) on Available-For-Sale Assets	254	39	707,647	(28,052)	707,647	(28,052)
Income Tax relating to Components of Other Comprehensive Income	254	39	(99,561)	(82,642)	(99,561)	(82,642)
Other Comprehensive Income for the Year, Net of Tax			764,673	67,046	647,548	33,227
Total Comprehensive Income for the Year, Net of Tax			8,264,783	7,046,744	7,581,669	6,704,896
Total Comprehensive Income Attributable to:						
Equity Holders of the Parent			8,264,148	7,046,481	7,581,669	6,704,896
Non-Controlling Interests			635	263	-	-
			8,264,783	7,046,744	7,581,669	6,704,896

The above Statement of Other Comprehensive Income is to be read in conjunction with the notes to the Financial Statements on pages 173 to 279 which form an integral part of the Financial Statements.

STATEMENT OF CHANGES IN EQUITY

Group	Page	Note	Attributable to Equity holders of the Parent								
			Stated Capital	Special Reserve	Restricted Regulatory Reserve	Revaluation Reserves	Retained Earnings	Available-for-Sale Reserve	Total Ordinary Share-Holders' Equity	Non-Controlling Interests	Total Equity
			Rs:'000	Rs:'000	Rs:'000	Rs:'000	Rs:'000	Rs:'000	Rs:'000	Rs:'000	Rs:'000
Balance As At 1st January 2019			500,001	7,311,651	3,456,184	233,301	16,731,978	212	28,233,329	5,693	28,239,022
Net Profit for the Year			-	-	-	-	6,979,436	-	6,979,436	263	6,979,698
Other Comprehensive Income for the Year			-	-	-	1,115,300	(1,015,734)	(32,520)	67,046	-	67,046
Total Comprehensive Income for the Year			-	-	-	1,115,300	5,963,701	(32,520)	7,046,482	263	7,046,745
Interim Dividend Paid - 2019	253	38	-	-	-	-	(670,001)	-	(670,001)	-	(670,001)
Transferred to Long Term Insurance Fund			-	-	-	(986,294)	-	33,109	(953,184)	-	(953,184)
Adjustment due to Recognition of right to used assets			-	-	-	-	(16,981)	-	(16,981)	-	(16,981)
Group Right to Use Assets Adjustment			-	-	-	-	3,615	-	3,615	-	3,615
Balance As At 31st December 2019			500,001	7,311,651	3,456,184	362,308	22,012,313	802	33,643,260	5,956	33,649,215
Net Profit for the Year			-	-	-	-	7,499,475	-	7,499,475	635	7,500,110
Other Comprehensive Income for the Year			-	-	-	621,503	(529,143)	672,313	764,673	-	764,673
Total Comprehensive Income for the Year			-	-	-	621,503	6,970,332	672,313	8,264,148	635	8,264,783
Transferred to Long Term Insurance Fund			-	-	-	(358,230)	-	(570,492)	(928,721)	-	(928,721)
Group Right to Use Assets Adjustment			-	-	-	-	2,462	-	2,462	-	2,462
Associate Change in Equity			-	-	-	-	(332)	-	(332)	-	(332)
Balance As At 31st December 2020			500,001	7,311,651	3,456,184	625,581	28,984,774	102,622	40,980,816	6,590	40,987,406

Company	Page	Note	Stated Capital	Special Reserve	Restricted Regulatory Reserve	Revaluation Reserves	Retained Earnings	Available-for-Sale Reserve	Total Ordinary Share-Holders' Equity	Total Equity	
			Rs:'000	Rs:'000	Rs:'000	Rs:'000	Rs:'000	Rs:'000	Rs:'000	Rs:'000	Rs:'000
			Rs:'000	Rs:'000	Rs:'000	Rs:'000	Rs:'000	Rs:'000	Rs:'000	Rs:'000	Rs:'000
Balance As At 1st January 2019			500,001	7,311,651	3,456,184	100,501	15,057,036	212	26,425,585	26,425,585	
Net Profit for the Year			-	-	-	-	6,671,670	-	6,671,670	6,671,670	
Other Comprehensive Income for the Year			-	-	-	1,115,300	(1,049,593)	(32,520)	33,188	33,188	
Total Comprehensive Income for the Year			-	-	-	1,115,300	5,622,077	(32,520)	6,704,857	6,704,857	
Interim Dividend Paid - 2019	253	38	-	-	-	-	(670,001)	-	(670,001)	(670,001)	
Adjustment due to Recognition of Right of Use Asset			-	-	-	-	(15,178)	-	(15,178)	(15,178)	
Transferred to Long Term Insurance Fund			-	-	-	(986,294)	-	33,109	(953,184)	(953,184)	
Balance As At 31st December 2019			500,001	7,311,651	3,456,184	229,508	19,993,934	802	31,492,079	31,492,079	
Net Profit for the Year			-	-	-	-	6,934,121	-	6,934,121	6,934,121	
Other Comprehensive Income for the Year			-	-	-	494,973	(519,729)	672,313	647,557	647,557	
Total Comprehensive Income for the Year			-	-	-	494,973	6,414,392	672,313	7,581,678	7,581,678	
Transferred to Long Term Insurance Fund			-	-	-	(358,230)	-	(570,492)	(928,721)	(928,721)	
Balance As At 31st December 2020			500,001	7,311,651	3,456,184	366,251	26,408,326	102,623	38,145,036	38,145,036	

The above Statement of Changes in Equity is to be read in conjunction with the notes to the Financial Statements on pages 173 to 279 which form an integral part of the Financial Statements.

STATEMENT OF CASH FLOWS

For the Year Ended 31 December			Group		Company	
	Page		2020	2019	2020	2019
	No	Notes	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Cash Flows from Operating Activities						
Premiums/Revenue Received from Customers			22,272,367	18,747,796	22,272,401	18,747,796
Reinsurance Premiums (Net of Commission) Paid			(702,024)	(371,686)	(702,024)	(371,686)
Commission Paid			(2,090,056)	(1,830,488)	(2,090,056)	(1,830,488)
Claims and Benefits Paid			(12,570,245)	(10,539,389)	(12,570,245)	(10,539,389)
Reinsurance Receipts in respect of Claims & Benefits			398,084	233,974	398,084	233,974
Interest and Dividends Received			12,081,457	12,389,927	12,087,487	12,389,928
Other Operating Cash Payments			(3,840,853)	(5,721,322)	(3,876,338)	(5,812,350)
Other Income			50,820	79,046	50,820	79,046
Gratuity/Pension payments			(735,289)	(669,995)	(731,987)	(669,995)
Income Taxes Paid			(842,566)	(47,200)	(842,566)	(41,428)
Interest Paid			(58,978)	(42,170)	(58,978)	(42,170)
Net Cash Flows from Operating Activities	182	Note A	13,962,717	12,228,491	13,936,599	12,143,236
Cash Flows from Investing Activities						
Investments in Subsidiaries/Associates			-	(350,302)	(50,000)	(350,302)
Acquisition of Investment Properties			(218,431)	-	(218,431)	-
Acquisition of Financial Investments	223	12.(h)	(108,730,373)	(184,607,709)	(108,543,893)	(183,997,574)
Proceeds from Financial Investments	223	12.(h)	96,370,821	174,443,408	96,298,342	173,450,326
Acquisition of Property, Plant & Equipment	197	7	(441,157)	(656,937)	(418,889)	(657,012)
Proceeds from Disposal of Property, Plant & Equipment			50,006	83,980	49,756	79,308
Acquisition /Disposal of Intangible Assets	194	6	(99,294)	(373,178)	(99,294)	(256,110)
REPO borrowings / (settlements) - (net)			(756,444)	-	(776,444)	-
Net Cash Flows from Investing Activities			(13,824,871)	(11,460,738)	(13,758,854)	(11,731,364)
Cash Flows from Financing Activities						
Proceeds from Short-term Borrowing			-	(305,651)	-	-
Interest Paid			(267)	-	-	-
Dividends Paid to Equity holders			-	(583,033)	-	(583,033)
Net Cash Flows from Financing Activities			(267)	(888,684)	-	(583,033)
Increase / (Decrease) in Cash & Cash Equivalents	182	Note B	137,580	(120,930)	177,745	(171,160)

For the Year Ended 31 December			Group		Company	
	Page		2020	2019	2020	2019
	No	Notes	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Note A.						
Reconciliation of Profit Before Tax with Net Cash Flows from Operating Activities						
Profit before Tax			8,681,406	8,101,149	8,766,512	8,211,938
<i>Adjustments for:</i>						
Depreciation including Right-to Use Assets' Amortization	197, 206	7 & 8	411,067	347,292	338,947	291,321
Provision for Gratuity & Pension			(280,100)	(437,105)	(282,549)	(354,449)
Amortisation of Intangible Assets	194	6	86,129	60,657	86,082	59,780
Change in Trade and Other Receivables			(687,276)	(1,744,269)	(685,820)	(1,686,747)
Change in Reinsurance Receivable			(6,601)	(4,233)	(6,601)	(4,233)
Increase in Life Insurance Funds	249	31	9,423,994	7,189,811	9,423,994	7,189,811
Increase in Unit-linked Fund			389	(6,822)	389	(6,822)
Increase in Takaful Fund			(4,172)	(679)	(4,172)	(679)
Increase in Individual Investment Fund (IFS)			78,247	70,731	78,247	70,731
Change in Trade and Other Payables			(992,714)	(172,833)	(993,756)	(444,561)
Realised Gains/(Losses)	248	29	(930,000)	(237,602)	(930,000)	(195,300)
Fair value Gain recorded in Income Statement	249	30	(168,289)	(171,603)	(280,122)	(276,130)
Income Tax Paid			(842,566)	(47,200)	(842,566)	(41,428)
Interest Paid			(71,508)	(42,316)	-	-
Payment to Gratuity and Pension Funds			(735,289)	(676,458)	(731,987)	(669,995)
Net Cash Flows from Operating Activities			13,962,717	12,228,491	13,936,599	12,143,236
Note B.						
Cash and Cash Equivalents at 1st January			100,509	221,440	93,667	264,827
Cash and Cash Equivalents at 31st December	182	Note C	238,088	100,509	271,411	93,667
Increase / (Decrease) in Cash and Cash Equivalents			137,579	(120,931)	177,745	(171,161)
Note C.						
Cash at Bank and in Hand	238	20	769,939	528,149	768,553	510,436
Bank Overdraft	238	20	(531,849)	(427,639)	(497,141)	(416,770)
			238,088	100,509	271,411	93,667

The above Statement of Cash Flows is to be read in conjunction with the notes to the Financial Statements on pages 173 to 279 which form an integral part of the Financial Statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate Information

Entity information

1.1. Reporting Entity

Ceylinco Life Insurance Limited (the Company) is a public limited liability company incorporated and domiciled in Sri Lanka. The registered office of the Company is located at No. 106, Havelock Road, Colombo 05. Additional corporate information is given on the inner back page.

1.2. Nature of Operations and Principal Activities

Descriptions of the nature of operations and principal activities of the Company, its Subsidiaries and Associate are given on page 212 to 216 There were no significant changes in the nature of the principal activities of the Company and the Group during the financial year under review.

The parent of Ceylinco Life Insurance Limited is Ceylinco Insurance PLC, which is incorporated and domiciled in Sri Lanka.

Financial Statements

1.3. Consolidated Financial Statements

The Consolidated Financial Statements of Ceylinco Life Insurance Limited, as at and for the year ended 31 December 2020 encompass the Company, its Subsidiaries (together referred to as the 'Group') and the Group's interest in Associates. All companies in the Group are limited liability companies incorporated and domiciled in Sri Lanka.

The financial statements of all the companies in the group have a common financial year which ends on 31 December.

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.

1.4. Responsibility for Financial Statements

The Board of Directors is responsible for preparation and presentation of the

Financial Statements of the Group/Company as per the provisions of the Companies Act No. 07 of 2007 and the Sri Lanka Accounting Standards. The responsibility of the Directors in relation to the Financial Statements is set out in detail in the Statement of Directors' Responsibility Report in on page 166.

1.5. Approval of Financial Statements

The Consolidated Financial Statements of Ceylinco Life Insurance Limited and its Subsidiaries (collectively, the Group) for the year ended 31 December 2020 were authorised for issue by the Directors on 19th February 2021.

2. Basis of Accounting

2.1. Statement of Compliance

The Consolidated Financial Statements have been prepared in accordance with the Sri Lanka Accounting and Auditing Standards Act, No. 15 of 1995, which requires compliance with Sri Lanka Accounting Standards (hereinafter referred to as SLFRS/LKAS) promulgated by The Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka), and with the requirements of the Companies Act, No. 07 of 2007 and the requirements of the Regulation of Insurance Industry Act, No. 43 of 2000, amendments there to, and rules and regulation of the Insurance Regulation Commission of Sri Lanka (IRCSL).

2.2. Basis of Measurement

The Financial Statements, except for information on cash flows, have been prepared on accrual basis under the historical cost convention except for the following:

Item	Basis of Measurement
Land and buildings - LKAS 16	Initially at cost and subsequently at revalued amount
Investment property - LKAS 40	Fair value
Financial assets at fair value through profit or loss and available-for-sale financial assets - LKAS 39	Fair value
Policyholder liabilities - SLFRS 4	Actuarial valuation
Net defined benefit assets or liabilities - LKAS 19	Actuarial valuation

2.3. Functional and Presentation Currency

Items included in the Financial Statements of the company are measured using the currency of the primary economic environment in which the company operates (the Functional Currency). These Financial Statements are presented in Sri Lankan Rupees (LKR), which is the company's Functional and Presentation Currency. There was no change in the Company's Presentation and Functional Currency during the year under review. All amounts presented in rupees have been rounded to the nearest rupees thousand (Rs'000), except when otherwise indicated.

2.4. Materiality and Aggregation

Each item which is similar in nature is presented separately if material. Items of dissimilar nature or function are presented separately unless they are immaterial as permitted LKAS 1 - "Presentation of Financial Statements".

2.5. Offsetting

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position only when there is a legally enforceable right to offset the recognized amount and there is an intention to settle on a net basis or to realize the assets and settle the liabilities simultaneously. Income and expenditures are not offset in

the income statement, unless required or permitted by Sri Lanka Accounting Standard and as specially disclosed in the Significant Accounting Policies of the Group.

2.6. Going Concern

The outbreak of the COVID-19 pandemic and the safety measures implemented by the government of Sri Lanka to mitigate the pandemic's spread have made several impacts to the operational and financial aspects of the group. As a result of these measures including island wide curfew imposed by the government, the operations of the Group were temporarily disrupted during mid-March 2020. However, the Group has successfully bounced back to smooth operation from early-June 2020 and the Group is confident that it did not have any significant impact to its financial position or liquidity.

In preparing Financial Statements, the Directors are responsible for assessing the Group's and the Company's ability to continue as a going concern. The Management has assessed the anticipated implications of possible lockdowns, low economic growth, changes in government physical and monetary policies and movements of equity and money market on the Group and the Company. Sound business continuity plans which already in place and the prudent investment strategy have minimized the impact came with this pandemic.

The Directors have made an assessment of the Company's and the Group's ability to continue as a going concern and is satisfied about the ability to continue in business for the foreseeable future. Furthermore, management has concluded that the range of possible outcomes considered in arriving at this judgement including impacts from COVID-19 pandemic does not give rise to material uncertainties related to the events or conditions that may cast significant doubt on the Group's or the Company's ability continue as going concern. Therefore, the financial statements continue to be prepared on a going concern basis.

2.7. Comparative Information

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

3. Summary of Significant Accounting Policies

Policies disclosed within individual notes

A summary of significant accounting policies have been disclosed along with the relevant individual notes to the Financial Statements. The accounting policies presented within each note have been applied consistently by the Company.

Policies not covered with individual notes

Following accounting policies which have been applied consistently by the company, are considered to be significant but are not covered with individual notes.

(a) Insurance Receivables

Insurance receivables are recognised when due and measured on initial recognition at the fair value of the consideration 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 Statement of the Comprehensive Income.

Insurance receivables are de-recognised when the de-recognition criteria for financial assets have been satisfied.

(b) Cash Flow Statement

The Statements of Cash Flows has been prepared using 'Direct Method' and cash flows from Operating Activities are shown using 'Indirect Method' with the purpose of better comparison. Interest paid is classified as an operating cash flow except interest paid on REPO borrowings. Dividend and interest income are classified as operating cash flows. Dividends paid are classified as financing cash flows. For cash flow purposes, cash and cash equivalents are presented net of bank overdrafts.

4. Use of Judgements, Estimates and Assumptions

The preparation of Financial Statements in conformity with Sri Lanka Accounting Standards (SLFRS and LKAS) requires management to make judgments, 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 for 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 recognized prospectively. Information about significant areas of estimation under 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 Reference	
	Note	Page
Insurance Provision - Life	22	240
Revaluation of Property, Plant & Equipment	7	195
Valuation of Investment Property	9	208
Measurement of Defined Benefit Obligation	13 and 14	226 to 231
Fair Value Measurement of Financial Instruments	12	216
Income Tax (Current Tax and Deferred Tax)	16	233

Impact of COVID-19 Pandemic

The COVID-19 pandemic, government policy decision along with economic and market conditions have increased the uncertainty of estimate made in preparation of the financial statements. Management is aware and considered such circumstances when reviewing the estimates and underlying judgements. The estimation uncertainties are associated with:

- ⊙ the extend and the duration of the disruption to the business operations created from spread of the virus and measures taken by the health authorities
- ⊙ the effectiveness of the action taken by the government and the central bank to minimize the disruption to the businesses
- ⊙ the extend and the duration of expected economic downturn, impact to capital and money market and other macro-economic factors such as GDP growth rate, unemployment, inflation and international trade restriction
- ⊙ the extent of which the economic downturn affect to purchasing power of the customers and the consumer behavior

The impacts of the COVID-19 pandemic on accounting estimates are discussed further under the relevant notes to these financial statements wherever applicable.

5. Segment Information

ACCOUNTING POLICY

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, 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.

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 operates is not subject to risks and rewards that are significantly different on a geographical basis. Hence, disclosure by geographical region is not provided.

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 Company offers a wide range of whole life, endowment, anticipated endowment, term insurance, mortgage protection, retirement and group insurance products.
- ⊙ Healthcare segment includes Healthcare Centre for Cancer Screening and Radiation Treatment Unit.
- ⊙ Other segment includes retirement resort that caters to both active retirees and those who need assistance.

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 include transfers between business segments which will then be eliminated on consolidation.

5.(a). Segment Income Statement for the Year Ended 31 December 2020

	Life Insurance Rs.'000	Ceylinco Healthcare Services Limited Rs.'000	Serene Resort Limited Rs.'000	Adjustments and Eliminations Rs.'000	Total Rs.'000
Gross Premium Income	22,076,250	-	-	(34)	22,076,216
Premiums Ceded to Reinsurers	(505,463)	-	-	-	(505,463)
Net Premiums	21,570,788	-	-	(34)	21,570,754
Revenue from Subsidiaries	-	277,468	7,168	(750)	283,886
Fees and Commission Income	131,025	-	-	-	131,025
Investment Income	13,542,174	38,586	33,710	(6,030)	13,608,440
Realised Gains/(Losses)	948,287	-	-	-	948,287
Fair Value Gains/(Losses)	280,122	3,067	-	(114,900)	168,288
Other Operating Revenue	10,594	4,198	137	-	14,928
Other Revenue	14,912,201	323,318	41,015	(121,680)	15,154,855
Segment Revenue	36,482,989	323,318	41,015	(121,714)	36,725,608
Gross Benefits and Claims Paid	(12,510,505)	-	-	-	(12,510,505)
Claims Ceded to Reinsurers	243,992	-	-	-	243,992
Gross Change in Contract Liabilities	(9,423,994)	-	-	-	(9,423,994)
Change in Contract Liabilities Due to Transfer of One-Off Surplus	-	-	-	-	-
Net Benefits and Claims	(21,690,507)	-	-	-	(21,690,507)
Direct Cost of Subsidiaries	-	(171,005)	(5,759)	-	(176,764)
Acquisition Cost	(2,123,644)	-	-	-	(2,123,644)
Other Operating and Administrative Expenses	(3,823,330)	(120,792)	(26,694)	(1,913)	(3,972,729)
Finance Costs	(78,995)	-	(857)	(704)	(80,557)
Other Expenses	(6,025,970)	(291,797)	(33,310)	(2,617)	(6,353,694)
Segment Benefits, Claims and Other Expenses	(27,716,476)	(291,797)	(33,310)	(2,617)	(28,044,201)
Share of Profit of Associates	-	-	-	702,824	702,824
Segment Results	8,766,512	31,521	7,705	578,493	9,384,231

Segment income statement for the year ended 31 December 2019

	Life Insurance Rs:000	Ceylinco Healthcare Services Limited Rs:000	Serene Resort Limited Rs:000	Adjustments and Eliminations Rs:000	Total Rs:000
Gross Premium Income	18,718,553	-	-	(35)	18,718,518
Premiums Ceded to Reinsurers	(550,122)	-	-	-	(550,122)
Net Premiums	18,168,431	-	-	(35)	18,168,396
Revenue from Subsidiaries	-	320,038	3,360	(2,485)	320,913
Fees and Commission Income	177,935	-	-	-	177,935
Investment Income	12,683,134	47,868	-	(47,568)	12,683,434
Realised Gains/(Losses)	237,602	-	-	-	237,602
Fair Value Gains/(Losses)	276,130	-	-	(104,528)	171,602
Other Operating revenue	17,753	3,512	34,325	-	55,590
Other Revenue	13,392,554	371,417	37,685	(154,581)	13,647,076
Segment Revenue	31,560,986	371,417	37,685	(154,616)	31,815,472
Gross Benefits and Claims Paid	(10,769,988)	-	-	-	(10,769,988)
Claims Ceded to Reinsurers	165,923	-	-	-	165,923
Gross Change in Contract Liabilities	(7,189,811)	-	-	-	(7,189,811)
Change in Contract Liabilities Due to Transfer of One-Off Surplus	-	-	-	-	-
Cost of Sales of Subsidiaries	-	-	-	-	-
Net Benefits and Claims	(17,793,877)	-	-	-	(17,793,877)
Direct Cost of Subsidiaries	-	(196,680)	(4,022)	-	(200,702)
Acquisition Cost	(1,962,792)	-	-	-	(1,962,792)
Other Operating and Administrative Expenses	(3,550,209)	(134,457)	(25,983)	(3,989)	(3,714,639)
Finance Costs	(42,170)	-	(1,052)	906	(42,316)
Other Expenses	(5,555,171)	(331,137)	(31,057)	(3,083)	(5,920,448)
Segment Benefits, Claims and Other Expenses	(23,349,048)	(331,137)	(31,057)	(3,083)	(23,714,325)
Share of Profit of Associates	-	-	-	470,242	470,242
Segment Results	8,211,938	40,280	6,628	312,543	8,571,389

5.(b). Segment Statement of Financial Position as at 31 December 2020

	Life Insurance	Ceylinco Healthcare Services Limited	Serene Resort Limited	Adjustments and Eliminations	Total
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Intangible Assets	362,838	206	-	-	363,044
Property, Plant & Equipment	9,280,573	658,138	13,461	2,530,218	12,482,390
Right-of-use Assets	197,763	-	5,079	(13,061)	189,781
Investment Property	3,515,700	-	-	(2,727,900)	787,800
Investment in Associates	807,672	-	-	3,107,750	3,915,422
Investment in Subsidiaries	1,136,000	-	-	(1,136,000)	-
Financial Instruments	128,248,463	540,978	351,197	-	129,140,638
Reinsurance Assets	280,009	-	-	-	280,009
Loans to Policyholders	1,282,725	-	-	-	1,282,725
Premium Receivables	288,720	-	-	-	288,720
Other Assets	5,400,922	32,735	18,266	259,033	5,710,956
Total Assets	150,801,386	1,232,057	388,004	2,020,040	154,441,486
Insurance Contract Liabilities	107,394,766	-	-	2,380	107,397,146
Other Liabilities	5,261,583	161,736	13,293	427,176	5,863,788
Total Liabilities	112,656,349	161,736	13,293	429,556	113,260,934

Segment Statement of Financial Position as at 31 December 2019

	Life Insurance	Ceylinco Healthcare Services Limited	Serene Resort Limited	Adjustments and Eliminations	Total
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Intangible Assets	349,627	252	-	-	349,879
Property, Plant & Equipment	9,171,436	693,747	16,074	1,092,746	10,990,078
Right-of-use Asset	229,878	-	7,982	(15,964)	229,878
Investment Property	2,471,000	-	-	(1,307,000)	1,164,000
Investment in Associates	807,672	-	-	2,414,730	3,222,402
Investment in Subsidiaries	1,086,000	-	-	(1,086,000)	-
Financial Instruments	112,554,139	437,939	286,568	(286,569)	113,278,646
Reinsurance Assets	273,408	-	-	-	273,408
Loans to Policyholders	1,335,469	-	-	-	1,335,469
Premium Receivables	275,381	-	-	500	275,881
Other Assets	4,657,391	28,342	21,486	(9,962)	4,718,744
Total Assets	133,211,402	1,160,280	332,110	802,481	135,838,384
Insurance Contract Liabilities	96,787,014	-	-	2,380	96,789,394
Other Liabilities	4,690,400	166,834	15,105	512,329	5,399,772
Total Liabilities	101,477,413	166,834	15,105	514,709	102,189,166

5.(c). Segment Statement of Cash Flows for the year ended 31 December 2020

For the Year Ended 31 December		Life Insurance	Ceylinco Healthcare Services Limited	Serene Resort Limited	Adjustments and Eliminations	Group
	Notes	Rs:000	Rs:000	Rs:000	Rs:000	Rs:000
Cash Flows from Operating Activities						
Premiums/Revenue received from Customers		22,272,401	-	-	(34)	22,272,367
Reinsurance Premiums (net of Commission) Paid		(702,024)	-	-	-	(702,024)
Commission Paid		(2,090,056)	-	-	-	(2,090,056)
Claims and Benefits Paid		(12,570,245)	-	-	-	(12,570,245)
Reinsurance Receipts in respect of Claims & Benefits		398,084	-	-	-	398,084
Interest and Dividends Received		12,087,487	-	-	(6,030)	12,081,457
Other Operating Cash Payments		(3,876,338)	45,009	(11,837)	2,314	(3,840,852)
Other Income		50,820	-	-	-	50,820
Gratuity/Pension payments		(731,987)	(3,302)	-	-	(735,289)
Income Taxes Paid		(842,566)	-	-	-	(842,566)
Interest paid		(58,978)	-	-	-	(58,978)
Net Cash Flows from Operating Activities	Note A	13,936,599	41,707	(11,837)	(3,750)	13,962,718
Cash Flows from Investing Activities						
Investments in Subsidiaries/Associates		(50,000)	-	-	50,000	-
Acquisition of Investment Properties		(218,431)	-	-	-	(218,431)
Acquisition of Financial Investments		(108,543,893)	(121,852)	(64,628)	-	(108,730,373)
Proceeds from Financial Investments		96,298,342	38,853	33,627	-	96,370,821
Acquisition of Property , Plant & Equipment		(418,890)	(18,904)	(6,409)	3,046	(441,157)
Proceeds from Disposal of Property , Plant & Equipment		49,756	250	-	-	50,006
Acquisition /Disposal of Intangible Assets		(99,293)	-	-	-	(99,293)
REPO and other borrowings / (settlements) - (net)		(776,444)	20,000	-	-	(756,444)
Net Cash Flows from Investing Activities		(13,758,854)	(81,653)	(37,410)	53,046	(13,824,871)
Cash Flows from Financing Activities						
Proceeds from Issue of Ordinary Shares		-	-	50,000	(50,000)	-
Interest Paid		-	(267)	(704)	704	(267)
Net Cash Flows from Financing Activities		-	(267)	49,296	(49,296)	(267)
Increase / (Decrease) in Cash & Cash Equivalents	Note B	177,745	(40,213)	48	-	137,580

For the Year Ended 31 December		Life Insurance	Ceylinco Healthcare Services Limited	Serene Resort Limited	Adjustments and Eliminations	Group
	Notes	Rs:'000	Rs:'000	Rs:'000	Rs:'000	Rs:'000
Note A.						
Reconciliation of Profit before tax with Net Cash Flows from Operating Activities						
Profit before tax		8,766,512	31,521	7,705	(124,332)	8,681,406
<i>Adjustments for:</i>						
Depreciation including Right-to Use Assets' Amortization		338,947	54,514	8,878	8,728	411,067
Provision for Gratuity & Pension		(282,549)	2,165	284	-	(280,100)
Amortisation of Intangible Assets		86,082	47	-	-	86,129
Change in Trade and Other Receivables		(685,820)	(4,594)	3,234	(96)	(687,276)
Change in Reinsurance Receivable		(6,601)	-	-	-	(6,601)
Increase in Life Insurance Funds		9,423,994	-	-	-	9,423,994
Increase in Unit-linked Fund		389	-	-	-	389
Increase in Takaful Fund		(4,172)	-	-	-	(4,172)
Increase in Individual Investment Fund (IFS)		78,247	-	-	-	78,247
Change in Trade and Other Payables		(993,756)	(57)	985	115	(992,714)
Realised gain		(930,000)	-	-	-	(930,000)
Fair value Gain recorded in Income Statement		(280,122)	-	-	111,833	(168,289)
Income Tax Paid		(842,566)	-	-	-	(842,566)
Interest Paid		-	(38,586)	(32,922)	-	(71,508)
Payment to gratuity and pension funds		(731,987)	(3,302)	-	-	(735,289)
Net Cash Flows from Operating Activities		13,936,599	41,707	(11,837)	(3,752)	13,962,717
Note B.						
Cash and Cash Equivalents at 1st January		93,667	6,823	20	-	100,509
Cash and Cash Equivalents at 31st December	Note C	271,411	(33,390)	68	-	238,088
Increase / (Decrease) in Cash and Cash Equivalents		177,745	(40,213)	48	-	137,579
Note C						
Cash at Bank and in Hand		768,553	2,919	50	(1,583)	769,939
Bank Overdraft		(497,141)	(45,777)	-	11,069	(531,849)
		271,411	(42,858)	50	9,486	238,089

Segment Statement of Cash Flows for the year ended 31 December 2019

For the Year Ended 31 December		Life Insurance	Ceylinco Healthcare Services Limited	Serene Resort Limited	Adjustments and Eliminations	Group
	Notes	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Cash Flows from Operating Activities						
Premiums/Revenue received from Customers		18,747,796	-	-	-	18,747,796
Reinsurance Premiums (net of Commission) Paid		(371,686)	-	-	-	(371,686)
Commission Paid		(1,830,488)	-	-	-	(1,830,488)
Claims and Benefits Paid		(10,539,389)	-	-	-	(10,539,389)
Reinsurance Receipts in respect of Claims & Benefits		233,974	-	-	-	233,974
Interest and Dividends Received		12,389,928	-	-	-	12,389,928
Other Operating Cash Payments		(5,812,350)	37,025	(22,859)	76,862	(5,721,323)
Other Income		79,046	-	-	-	79,046
Gratuity/Pension payments		(669,995)	(1,322)	(607)	1,929	(669,995)
Income Taxes Paid		(41,428)	5,772	-	(11,544)	(47,200)
Interest paid		(42,170)	-	-	-	(42,170)
Net Cash Flows from Operating Activities	Note A	12,143,236	41,475	(23,466)	67,247	12,228,493
Cash Flows from Investing Activities						
Investments in/Proceeds from Subsidiaries/ Associates		(350,302)	-	-	-	(350,302)
Acquisition of Financial Investments		(183,997,574)	(611,779)	(22,050)	23,694	(184,607,709)
Proceeds from Financial Investments		173,450,326	895,515	37,830	59,737	174,443,408
Acquisition of Property , Plant & Equipment		(657,012)	(574)	9,070	(8,421)	(656,937)
Proceeds from Disposal of Property , Plant & Equipment		79,308	1,000	-	3,671	83,980
Acquisition /Disposal of Intangible Assets		(256,110)	(280)	-	(116,788)	(373,178)
Net Cash Flows from Investing Activities		(11,731,364)	283,882	24,849	(38,107)	(11,460,739)
Cash Flows from Financing Activities						
Proceeds from short-term borrowing		-	(263,334)	-	(42,316)	(305,651)
Proceeds from short-term borrowing		-	(12,342)	(906)	13,247	-
Dividends Paid to Equity holders		(583,033)	-	-	-	(583,033)
Net Cash Flows from Financing Activities		(583,033)	(275,676)	(906)	(29,069)	(888,684)
Increase / (Decrease) in Cash & Cash Equivalents	Note B	(171,160)	49,681	478	71	(120,930)

For the Year Ended 31 December		Life Insurance	Ceylinco Healthcare Services Limited	Serene Resort Limited	Adjustments and Eliminations	Group
	Notes	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000

Note A.**Reconciliation of Profit before tax with Net Cash Flows from Operating Activities**

Profit before tax		8,211,938	40,280	6,628	(157,698)	8,101,149
<i>Adjustments for:</i>						
Depreciation		291,321	57,419	6,125	(7,574)	347,292
Provision for Gratuity & Pension		(354,449)	2,429	413	(85,498)	(437,105)
Amortisation of Intangible Assets		59,780	27	-	850	60,657
Change in Trade and Other Receivables		(1,686,747)	(7)	(1,510)	(56,005)	(1,744,269)
Change in Reinsurance Receivable		(4,233)	-	-	-	(4,233)
Increase in Life Insurance Funds		7,189,811	-	-	-	7,189,811
Increase in Unit-linked Fund		(6,822)	-	-	-	(6,822)
Increase in Takaful Fund		(679)	-	-	-	(679)
Increase in Individual Investment Fund (IFS)		70,731	-	-	-	70,731
Change in Trade and Other Payables		(444,561)	(52,014)	(35,422)	359,163	(172,834)
Realised Gains/(Losses)		(195,300)	435	-	(42,737)	(237,602)
Fair value Gain recorded in Income Statement		(276,130)	-	-	104,500	(171,630)
Income Tax Paid		(41,428)	(5,772)	-	-	(47,200)
Interest Paid		-	-	906	(43,222)	(42,316)
Payment to gratuity and pension funds		(669,995)	(1,322)	(607)	(4,534)	(676,458)
Net Cash Flows from Operating Activities		12,143,236	41,475	(23,466)	67,245	12,228,491

Note B.

Cash and Cash Equivalents at 1st January		264,827	(42,858)	-	(579)	221,440
Cash and Cash Equivalents at 31st December	Note C	93,667	6,823	529	(508)	100,509
Increase / (Decrease) in Cash and Cash Equivalents		(171,161)	49,681	529	71	(120,931)

Note C.

Cash at Bank and in Hand		510,436	2,919	50	-	528,149
Bank Overdraft		(416,770)	(45,777)	-	-	(427,639)
		93,667	(42,858)	50	-	100,510

5.(d). Summarised information of Significant Subsidiaries

Summarised Income Statement

	Ceylinco Healthcare Services Limited	
	2020	2019
	Rs.'000	Rs.'000
Revenue	277,467	320,038
Cost of Sales	(171,005)	(196,680)
Other Income	4,198	3,512
Administrative Expenses	(111,581)	(125,125)
Selling & Distribution Expenses	(9,209)	(9,332)
Finance Income/ (Cost)	38,586	47,396
Change in Fair Value of FVTPL Financial Assets	3,066	472
Profit Before Tax	31,521	40,280

Summarised Statement of Financial Position

	2020	2019
	Rs.'000	Rs.'000
Current Assets	573,712	466,281
Non-Current Assets	658,344	694,000
Total Assets	1,232,056	1,160,281
Current Liabilities	74,284	39,350
Non-Current Liabilities	87,540	127,484
Total Equity	1,070,232	993,447
Total Equity and Liabilities	1,232,056	1,160,281

Summarised Statement of Cash Flows

	2020	2019
	Rs.'000	Rs.'000
Operating Cash Flows	41,707	41,475
Investing Cash Flows	(101,653)	140,618
Financing Cash Flows	19,733	(132,412)
Net Increase /(Decrease) In Cash and Cash Equivalents	(40,213)	49,681
Cash and Cash Equivalent at the Beginning of the Year	6,823	(42,858)
Cash and Cash Equivalent at the End of the Year	(33,390)	6,823

6. Intangible Assets

ACCOUNTING POLICY

An intangible asset is recognised if it is probable that the future economic benefits that are attributable to the asset will flow to the Group and the cost of the asset can be measured reliably. An intangible asset is initially measured at cost. The cost of intangible assets acquired in a business combination is the 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. Internally generated intangibles are not capitalised and the related expenditure is reflected in profit or loss in the year in which the expenditure is incurred.

Subsequent expenditure is capitalised only when it increases the future economic benefits embedded in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss as incurred.

Intangible assets with finite useful lives

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 Intangible Assets are as follows:

Item	Useful Life
Computer software	3-5 years

Intangible assets with indefinite useful lives

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at cash generating unit level, irrespective of whether there is an indication of impairment. 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.

The Group or the Company does not have intangible assets with indefinite useful life for the year under review.

Derecognition

The carrying amount of an intangible asset is de-recognised on disposal or when no future economic benefits are expected from its use. Gain or loss arising from de-recognition of an intangible asset is calculated as the difference between the net disposal proceeds and the carrying amount of the asset as at the date of disposal, and are recognised in the Income Statement when the asset is de-recognised.

	Page	Note	Group		Company	
			Computer Software & License	Total	Computer Software & License	Total
	No		Rs.'000	Rs.'000	Rs.'000	Rs.'000

Cost

At 1 January 2019			341,901	341,901	330,478	330,478
Addition During the Year			373,178	373,178	372,898	372,898
At 1 January 2020			715,079	715,079	703,376	703,376
Addition During the Year			99,294	99,294	99,294	99,294
At 31 December 2020			814,373	814,373	802,670	802,670

Accumulated Amortisation and Impairment

At 1 January 2019			304,543	304,543	293,120	293,120
Amortisation for the Year	250	33	59,807	59,807	59,780	59,780
Amortization Adjustment			850	850	850	850
At 1 January 2020			365,200	365,200	353,750	353,750
Amortisation for the Year	250	33	86,129	86,129	86,082	86,082
At 31 December 2020			451,329	451,329	439,832	439,832

Carrying amount

At 1 January 2020			349,879	349,879	349,626	349,627
At 31 December 2020			363,044	363,044	362,838	362,838

6.(a). Acquisition of Intangible Assets during the year

During the year, the Group acquired intangible assets amounting to Rs. 99.29 Million (2019 - Rs. 373.1 Million).

During the year, the Company acquired intangible assets amounting to Rs. 99.29 Million (2019 - Rs. 372.9 Million).

6.(b). Fully Amortised Intangible Assets in use

Group/Company

Intangible Assets includes fully amortized Computer software which are in the use of normal business activities having a cost of Rs. 283.28 Million (2019 - Rs. 280.49 Million).

6.(c). Title Restriction on Intangible Assets

There were no restrictions that existed on the title of the Intangible Assets of the Group/Company as at the reporting date.

6.(d). Assessment of impairment of Intangible Assets

The Group has assessed potential impairment indicators of intangible assets including impact from COVID-19 as at 31st December 2020. Based on the assessment, no impairment indicators were identified.

6.(e). Capitalisation of Borrowing Costs

There were no capitalised borrowing costs related to the acquisition of Intangible Assets during the year. (2019 - Nil)

7. Property, Plant and Equipment

ACCOUNTING POLICY

Property, plant and equipment are tangible items that are held for use in the production or supply of goods or services, for rental to others or for administrative purposes and are expected to be used during more than one period.

Basis of Recognition

Property, plant and equipment are recognised if it is probable that future economic benefits associated with the asset will flow to the Group and the cost of the asset can be measured reliably in accordance with "LKAS 16 - *Property, Plant and Equipment*".

Basis of Measurement

Items of property, plant and equipment are stated at cost or revalued amount less accumulated depreciation and accumulated impairment losses.

Initial Measurement

Initially items of property, plant and equipment are measured at its cost. Cost includes expenditure that is directly attributable to the acquisition or construction 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 assets to a working condition for their 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 construction of qualifying assets are also 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.

Subsequent Measurement

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 de-recognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in the Income Statement as incurred.

Revaluation

Revaluation is performed on freehold land and buildings by professionally qualified valuers using the open market value. Land and buildings are revalued with sufficient regularity so that the carrying value does not differ materially from the fair value at the reporting date. The revaluation surplus is recognised on the net carrying value of the asset.

Any revaluation gain or loss attributable to policyholders is recognised in the Life Insurance Fund, whereas any revaluation gain or loss attributable to shareholders is recognised in revaluation reserve.

Depreciation

Depreciation is recognised in Statement of Comprehensive Income on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Depreciation is not charged on freehold land and capital work in progress. The assets are depreciated from the month it is available for use and cease to depreciate from the month of disposal. Depreciation methods, useful lives and residual values are reviewed at each reporting date.

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

After considering disruption to the business from COVID-19, the management is confident that there is no any asset or component of an asset remains idle for a significant period of time and hence, no indication of potential impairment or demonstrate the need to reassess the asset's useful life. Therefore, the Group or the Company have not reassessed the useful life of any assets or components of an asset.

	2020	2019
Item	Useful Life	Useful Life
Buildings	50-70 years	50-70 years
Furniture and fittings	5-10 years	5-10 years
Office equipment	3-10 years	3-10 years
Computer equipment	2-5 years	2-5 years
Motor vehicles	4-5 years	4-5 years
Plant and machinery - Medical equipment	5 years	5 years
Plant and machinery - Electrical equipment	5 years	5 years
Plant and machinery - Other	4-33 years	4-33 years

Reclassification to investment property

When the use of a property changes from owner-occupied to investment property, the property is remeasured to fair value and reclassified accordingly. Any gain arising on this remeasurement is recognised in profit or loss to the extent that it reverses a previous impairment loss on the specific property, with any remaining gain recognised in OCI and presented in the revaluation reserve. Any loss is recognised in the Statement of Comprehensive Income.

Impairment

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. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit on a pro rata basis.

For assets excluding goodwill, 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.

The impairment analysis is principally based upon discounted estimated cash flows from the use and eventual disposal of the assets. Factors like lower than anticipated sales and resulting decreases of net cash flows and changes in the discount rates could lead to impairment.

Capital work-in-progress

Capital work-in-progress is stated at cost. Capital expenses incurred during the year which are not completed as at the reporting date are shown as capital work in progress, whilst the capital assets which have been completed during the year and available to use have been transferred to property, plant and equipment.

Borrowing Cost

Borrowing Cost that are directly attributable to the acquisition, construction or production of a qualifying asset is capitalised as part of the cost of the asset as per the Sri Lanka Accounting Standard - LKAS 23 *Borrowing Costs*. A qualifying asset is an asset which takes a substantial period of time to get ready for its intended use or sale. Capitalisation ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use are completed. Other borrowing cost are recognized in the income statements in the period in which expense incur.

Derecognition

An item of property, plant and equipment is de-recognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition 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 a previously revalued asset is de-recognised, the revaluation reserve pertaining to such asset is transferred to retained earnings.

Group	Page		Freehold Land	Building	Plant & Machinery	Motor Vehicles	Office Equipment	Computer Equipment	Furniture & Fittings	Capital WIP	Total
	No	Note	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000

At Cost/Valuation

At 1 January 2019			5,253,911	2,730,212	969,201	616,481	659,934	511,140	386,997	37,691	11,165,567
Additions during the Year			-	86,756	6	326,986	69,868	24,151	5,710	145,483	658,960
Adjustment			-	(2,010)	-	-	(6)	32	(39)	-	(2,023)
Revaluation			893,689	173,864	-	-	-	-	-	-	1,067,553
Disposals			-	-	(5,480)	(128,313)	(2,706)	-	(91)	-	(136,590)
At 1 January 2020			6,147,600	2,988,822	963,727	815,154	727,090	535,323	392,577	183,174	12,753,467
Additions during the Year			60,100	93,193	16,076	71,816	66,540	80,161	8,986	44,286	441,157
Revaluations			696,000	3,123	-	-	-	-	-	(75,342)	623,781
Disposals during the year			-	(14,000)	(1,214)	(52,330)	(2,522)	(6,810)	(6)	-	(76,882)
Transfers to during the Year			146,000	614,441	-	-	-	-	-	(32,941)	727,500
At 31 December 2020			7,049,700	3,685,580	978,589	834,640	791,108	608,674	401,557	119,177	14,469,024

Accumulated Depreciation at Cost/Valuation

At 1 January 2019			-	96,554	259,387	284,265	378,470	410,754	275,149	-	1,704,579
Depreciation for the Year	250	33	-	55,265	50,193	70,624	48,255	37,232	21,968	-	283,537
Adjustment			-	385	-	(3,907)	(303)	-	(25)	-	(3,850)
Disposals during the year			-	-	(4,045)	(88,577)	(2,205)	-	(86)	-	(94,913)
Revaluation			-	(125,963)	-	-	-	-	-	-	(125,963)
At 1 January 2020			-	26,241	305,535	262,405	424,217	447,986	297,006	-	1,763,389
Depreciation for the Year	250	33	-	62,788	49,147	91,093	62,866	46,351	18,353	-	330,598
Disposals during the year			-	(502)	(1,214)	(35,982)	(1,309)	(6,400)	(5)	-	(45,413)
Revaluation			-	(61,940)	-	-	-	-	-	-	(61,940)
At 31 December 2020			-	26,587	353,468	317,516	485,773	487,937	315,354	-	1,986,634

Carrying Amount

At 1 January 2020			6,147,600	2,962,581	658,192	552,749	302,873	87,337	95,571	183,174	10,990,078
At 31 December 2020			7,049,700	3,658,993	625,121	517,124	305,335	120,737	86,203	119,177	12,482,390

Company	Page		Freehold Land	Building	Motor Vehicles	Office Equipment	Computer Equipment	Furniture & Fittings	Capital WIP	Total
	No	Note	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000

At Cost/Valuation

At 1 January 2019			4,684,911	2,165,421	616,481	594,995	491,936	309,372	34,812	8,897,928
Additions during the Year			-	86,568	326,986	68,989	23,924	5,062	145,483	657,012
Adjustment			-	(2,010)	-	(6)	32	(39)	-	(2,023)
Revaluation			893,689	173,864	-	-	-	-	-	1,067,553
Disposals during the year			-	-	(128,313)	(2,706)	-	(91)	-	(131,110)
At 1 January 2020			5,578,600	2,423,843	815,154	661,272	515,892	314,304	180,295	10,489,360
Additions during the Year			60,100	93,193	71,816	62,137	80,127	7,230	44,286	418,889
Revaluation			586,600	(2,377)	-	-	-	-	(75,342)	508,881
Disposals during the year			-	(14,000)	(52,330)	(2,522)	(6,810)	(6)	-	(75,668)
Transfers to during the Year			(579,000)	32,941	-	-	-	-	(32,941)	(579,000)
At 31 December 2020			5,646,300	2,533,600	834,640	720,887	589,209	321,529	116,298	10,762,462

Accumulated Depreciation at Cost/Valuation

At 1 January 2019			-	82,152	284,264	359,112	398,808	205,783	-	1,330,119
Depreciation for the Year	250	33	-	43,426	70,624	42,626	35,490	16,316	-	208,482
Adjustment			-	385	(3,907)	(303)	-	(25)	-	(3,850)
Disposals during the year			-	-	(88,577)	(2,205)	-	(86)	-	(90,868)
Revaluation				(125,963)	-	-	-	-	-	(125,963)
At 1 January 2020			-	-	262,404	399,230	434,298	221,988	-	1,317,920
Depreciation for the Year	250	33	-	50,812	91,093	57,214	44,600	14,760	-	258,478
Disposals during the year			-	(502)	(35,982)	(1,309)	(6,400)	(5)	-	(44,199)
Revaluation			-	(50,310)	-	-	-	-	-	(50,310)
At 31 December 2020			-	-	317,515	455,134	472,497	236,743	-	1,481,889

Carrying Amount

At 1 January 2019			5,578,600	2,423,843	552,750	262,042	81,594	92,316	180,295	9,171,436
At 31 December 2020			5,646,300	2,533,600	517,125	265,752	116,711	84,786	116,298	9,280,573

Capital work in progress includes, construction and improvement cost incurred to the branches at Ja-Ela, Negombo, Nugegoda and Piliyandala.

7.(a). Valuation of Freehold Land and Building

The Company performed the valuation as of 31 December 2020 for the freehold land and buildings and significant changes in the market value of the properties as of reporting period have been recognized in revaluation reserve.

As at 31 December 2020, the fair values of the freehold land and building are based on valuations performed by an accredited independent valuator, Mr. Chandrasena Weerasinghe.

The Effective date of valuation of the freehold land and buildings is 31 December 2020.

Valuation models used for valuation include Cost Basis method, Investment Method and Comparison Method are in compliance with the SLFRS/LKAS and also in accordance with the 8th Edition of International Valuation Standards recommended by the International Valuation Standards Committee.

There were no transfers between Levels 1 and 2 or to Level 3 during the year.

7.(b). Acquisition of Property, Plant and Equipment's during the year

Group

During the financial year Group has acquired Property, Plant & Equipment to the aggregate value of Rs. 441 million (2019 - Rs. 659 million). Cash payments amounting to Rs. 441 mln (2019 - Rs. 659 million) were made for the purchase of Property, Plant and Equipment.

Company

During the financial year, the Company acquired property, plant and equipment to the aggregate value of Rs. 419 million (2019 - Rs. 657 million) - Cash payments amounting to Rs. 419 million (2019 - Rs. 657 million) were made during the year for purchase of Property, Plant and Equipment.

7.(c). Capital Commitments and Assets Pledged

The Company has committed to pay an amount of Rs. 98,920,830/- (2019 - Rs.155,531,937/-) as at the reporting date under contract entered into on Capital expenditure projects.

7.(d). Title Restrictions on Property, Plant and Equipment

There are no restriction that existed on the title of the Property, Plant and Equipment of the Group and Company as at reporting date.

7.(e). Temporarily idle Property, Plant and Equipment

There are no temporarily idle Property, Plant and Equipment's as at year ended 31 December 2020.

7.(f). Assessment of Impairment

The Group has assessed the potential Impairment indicators of Property, Plant and Equipment's as at 31 December 2020 including economic implication from COVID-19. Based on the assessment conducted, no impairment indicators were identified concluded that no impairment is necessary for any of the Group's Property, Plant and Equipments as at the reporting date.

7.(g). Capitalization of Borrowing Cost

There are no capitalised borrowing costs relating to the acquisition of Property, Plant and Equipment during the year (2019 Nil).

7.(h). 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		Company	
	2020	2019	2020	2019
	Rs:'000	Rs:'000	Rs:'000	Rs:'000
Plant and Machinery	122,515	119,274	-	-
Computer Equipment	374,488	350,672	363,913	340,097
Office Equipment	284,059	167,308	272,600	160,094
Furniture and Fittings	205,478	219,800	169,157	183,479
Motor Vehicles	184,722	198,175	184,722	198,175
	1,171,262	1,055,229	990,392	881,845

7.(i). Details of Freehold Land & Buildings of Company

Company

Addresses	Building Sq. Ft.	Land Extent	Method of Valuation	Significant Unobservable Inputs	2020				
					Estimation for Unobservable Inputs	Value of Land	Value of Buildings	Cost/ Revaluation	Date of the Valuation
						Rs.'000	Rs.'000	Rs.'000	
No.115, Greens Road, Negombo	13,169	A-0-R-0-P-15.00	Contractor's Test Method	Price per perch	Rs. 3,000,000	45,000	100,000	145,000	12/31/20
				Price per Sq ft	Rs. 9,500				
No.60, Colombo Road, Kaluwella, Galle	11,385	A-0-R-0-P-15.00	Contractor's Test Method	Price per perch	Rs. 3,750,000	56,000	57,000	113,000	12/31/20
				Price per Sq ft	Rs. 7,400				
No.54, Dharmapala Mawatha, Anuradhapura	22,015	A-0-R-1-P-10.68	Contractor's Test Method	Price per perch	Rs. 2,500,000	126,700	122,500	249,200	12/31/20
				Price per Sq ft	Rs. 7,150				
No.144 ,Hambanthota Road, Kachcheriyagama, Tissamaharama	8,130	A-0-R-1-P-0.00	Replacement Cost Method	Price per perch	Rs. 500,000 - Rs. 1,700,000	44,000	50,000	94,000	12/31/20
				Price per Sq ft	Rs. 7,250				
No .45,Dharmapala Mawatha , Rathnapura	2,560	A-0-R-0-P-35.50	Contractor's Test Method	Price per perch	Rs. 2,200,000	78,000	10,000	88,000	12/31/20
				Price per Sq ft	Rs. 5,000				
No .45,Dharmapala Mawatha , Rathnapura (New Building)	8,102	-	Contractor's Test Method	Price per Sq ft	Rs. 8,650	-	70,000	70,000	12/31/20
No. 401, Main street , Panadura	7,116	A-0-R-1-P-4.12	Contractor's Test Method	Price per perch	Rs. 3,750,000	165,500	60,500	226,000	12/31/20
				Price per Sq ft	Rs. 9,000				
No. 423, Main Street , Kalutara	12,000	A-0-R-0-P-32.75	Contractor's Test Method	Price per perch	Rs. 2,200,000	72,000	86,000	158,000	12/31/20
				Price per Sq ft	Rs. 8,700				
No, 327, Badulla Road , Bandarawela	8,970	A-0-R-0-P-17.01	Market Comparable Method	Price per perch	Rs. 1,350,000	23,000	86,000	109,000	12/31/20
				Price per Sq ft	Rs. 9,600				
No. 106, Havelock Road, Colombo 05	61,630	A-0-R-0-P-35.27	Contractor's Test Method	Price per perch	Rs. 14,000,000	493,000	680,000	1,173,000	12/31/20
				Price per Sq ft	Rs. 11,250				
No. 32, Mistry Hills, Nuwara Eliya	5,227	A-0-R-0-P-26.9	Direct Comparison Method	Price per perch	Rs. 700,000	18,800	25,000	43,800	12/31/20
				Price per Sq ft	Rs. 4,800				
No15 , Rxdias Mawatha, Wennappuwa	8,664	A-0-R-0-P-37.40	Contractor's Test Method	Price per perch	Rs. 1,100,000	41,000	62,000	103,000	12/31/20
				Price per Sq ft	Rs.7,250				
No 91, Baudhaloka Mawatha, Gampaha	9,458	A-0-R-0-P-32.5	Contractor's Test Method	Price per perch	Rs. 3,200,000	104,000	70,000	174,000	12/31/20
				Price per Sq ft	Rs. 8,500				
No. 40, Rajapihilla Road, Kurunegala	10,485	A-0-R-0-P-15.5	Contractor's Test Method	Price per perch	Rs. 2,750,000	42,500	89,500	132,000	12/31/20
				Price per Sq ft	Rs. 9,000				

					2020				
Addresses	Building Sq. Ft.	Land Extent	Method of Valuation	Significant Unobservable Inputs	Estimation for Unobservable Inputs	Value of Land	Value of Buildings	Cost/ Revaluation	Date of the Valuation
						Rs.'000	Rs.'000	Rs.'000	
No.90/4, Kurunegala Road, Chilaw	6,385	A-0-R-0-P-30.0	Contractor's Test Method	Price per perch	Rs. 500,000 - Rs. 1,300,000	27,000	55,000	82,000	12/31/20
				Price per Sq ft	Rs. 8,650				
No 406, Galle Road, Rawatawatta, Moratuwa	6,874	A-0-R-0-P.39.73	Contractor's Test Method	Price per perch	Rs. 3,300,000	131,000	18,000	149,000	12/31/20
				Price per Sq ft	Rs. 4,250 - Rs. 5,200				
No. 37,39 & 41, Kannarthiddy Road, Jaffna	4,144	A-0-R-1-P-7.9	Contractor's Test Method	Price per perch	Rs. 2,250,000	107,900	15,500	123,400	12/31/20
				Price per Sq ft	Rs. 6,000				
No.22 (New 32), Lloyd's Avenue, Batticaloa	12,317	A-0-R-0-P-23.83	Contractor's Test Method	Price per perch	Rs. 1,800,000	43,000	77,000	120,000	12/31/20
				Price per Sq ft	Rs. 6,800				
No.2, Gower Street, Colombo-05	2,600	A-0-R-1-P-67.25	Market Comparable Method	Price per perch	Rs. 14,000,000	941,500	8,000	949,500	12/31/20
				Price per Sq ft	Rs. 5,900				
No. 20 & 22/3 Kandy Road, Trincomalee	11,310	A-0-R-1-P-20	Contractor's Test Method	Price per perch	Rs. 1,000,000	60,000	91,000	151,000	12/31/20
				Price per Sq ft	Rs. 8,500				
No.38,38/B Rajapilla Road, Kurunegala	-	A-0-R-0-P-23.93	Market Comparable Method	Price per perch	Rs. 2,750,000	65,800	-	65,800	12/31/20
No.92 & 98 Jampettah Street, Colombo - 13	18,480	A-0-R-1-P-11.22	Market Comparable Method	Price per perch	Rs. 3,000,000	154,000	71,000	225,000	12/31/20
				Price per Sq ft	Rs. 6,000 - Rs. 6,800				
No.70, Park Street, Colombo 02	4,510	A-0-R-1-P-32.4	Replacement Cost Method	Price per perch	Rs.15,000,000	1,086,000	126,200	1,212,200	12/31/20
				Price per Sq ft	Rs. 28,000				
No.615, Galle Road, Mount Lavinia	4,315	A-0-R-1-P-12.5	Market Comparable Method	Price per perch	Rs. 4,250,000	222,500	19,000	241,500	12/31/20
				Price per Sq ft	Rs. 5,500				
No.274, Panadura Road, Horana	5,860	A-0-R-0-P-25.5	Contractor's Test Method	Price per perch	Rs. 3,000,000	76,500	46,500	123,000	12/31/20
				Price per Sq ft	Rs. 8,000				
No.65, King Street, Kandy	14650	A-0-R-1-P-1.25	Contractor's Test Method	Price per perch	Rs. 6,250,000	257,000	50,000	307,000	12/31/20
				Price per Sq ft	Rs. 5,300				
No.45, Anagarika Dharmapala Mawatha, Matara	7232	A-0-R-0-P-26.44	Replacement Cost Method	Price per perch	Rs. 6,750,000	178,400	25,900	204,300	12/31/20
				Price per Sq ft	Rs. 6,500				
No.213, Highlevel Road, Nugegoda	-	A-0-R-0-P-23.75	Market Comparable Method	Price per perch	Rs. 3,500,000	83,000	-	83,000	12/31/20
No.15A, Jaya Mawatha, Kadawatha	5,914	A-0-R-0-P-19.5	Contractor's Test Method	Price per perch	Rs. 1,600,000	31,000	50,000	81,000	12/31/20
				Price per Sq ft	Rs. 8,500				

Addresses	Building Sq. Ft.	Land Extent	Method of Valuation	Significant Unobservable Inputs	2020				Date of the Valuation
					Estimation for Unobservable Inputs	Value of Land	Value of Buildings	Cost/ Revaluation	
						Rs.'000	Rs.'000	Rs.'000	
No.26 Gammedda Road, Jaela	-	A-0-R-0-P-32	Market Comparable Method	Price per perch	Rs. 1,600,000	51,000	-	51,000	12/31/20
190, Horana Road, Mampe, Kesbewa	-	A-0-R-0-P-25.35	Market Comparable Method	Price per perch	Rs. 3,000,000	76,000	-	76,000	12/31/20
No 43 & 45, Galle Road, Wellawatta, Colombo 6	12,676	A-0-R-0-P-25.31	Contractor's Test Method	Price per perch	Rs. 15,000,000	379,500	40,000	419,500	12/31/20
				Price per Sq ft	Rs. 1,765 - Rs. 7,500	-	-	-	12/31/20
No.582 Malabe Road Malabe	5,600	A-0-R-0-P-29	Contractor's Test Method	Price per perch	Rs. 3,600,000	104,000	57,000	161,000	12/31/20
				Price per Sq ft	Rs. 10,200				
No 301, point pedro Rd, Nelliady, Karaveddy	9,462	A-0-R-0-P-44.32	Market Comparable Method	Price per perch	Rs. 500,000	22,000	77,000	99,000	12/31/20
				Price per Sq ft	Rs. 8,150				
Mirigama Road, Wewagedara, Divulapitiya.	5,229	A-0-R-0-P-40	Market Comparable Method	Price per perch	Rs. 800,000	32,000	53,000	85,000	12/31/20
				Price per Sq ft	Rs. 10,150				
No.301/A, Point Pedro Road, Nelliayddy,Jaffna		A-0-R-0-P-53.92	Market Comparable Method	Price per perch	Rs. 200,000	10,700	-	10,700	12/31/20
No. 37,39 & 41, Kannarthiddy Road, Jaffna (Jaffna New Building)	13,710		Contractor's Test Method	Price per Sq ft	Rs. 6,200	-	85,000	85,000	12/31/20
No.746/1/1, Trincomalee Street, Madandawela, Matale		A-0-R-0-P-31	Contractor's Test Method		Rs. 2,000,000	62,000	-	62,000	12/31/20
No.115, Greens Road, Negombo		A-0-R-1-P-37.5	Market Comparable Method	Price per perch	Rs. 3,600,000	135,000	-	135,000	12/31/20
Total						5,646,300	2,533,600	8,179,900	

Addresses	Building Sq. Ft.	Land Extent	Method of Valuation	Significant Unobservable Inputs	2019				
					Estimation for Unobservable Inputs	Value of Land	Value of Buildings	Cost/ Revaluation	Date of the Valuation
						Rs.'000	Rs.'000	Rs.'000	
No.115, Greens Road, Negombo	13,169	A-0-R-0-P-15.00	Contractor's Test Method	Price per perch	Rs. 2,467,000	37,000	74,000	111,000	31/12/19
				Price per Sq ft	Rs. 5,000				
No. 63, Janadhipathi Mawatha, Colombo 1	-	A-0-R-0-P-13.84	Residual Method	Price per perch	Rs. 11,127,000	154,000	-	154,000	31/12/19
No.60, Colombo Road, Kaluwella, Galle	11,385	A-0-R-0-P-15.00	Contractor's Test Method	Price per perch	Rs. 3,230,000	52,000	53,000	105,000	31/12/19
				Price per Sq ft	Rs. 7,500				
No.54, Dharmapala Mawatha, Anuradhapura	22,015	A-0-R-1-P-10.68	Contractor's Test Method	Price per perch	Rs. 2,250,000	114,000	120,000	234,000	31/12/19
				Price per Sq ft	Rs. 7,000				
No.144 ,Hambanthota Road, Kachcheriyagama, Tissamaharama	8,130	A-0-R-1-P- 01.00	Contractor's Test Method	Price per perch	Rs. 1025,000	41,000	48,000	89,000	31/12/19
				Price per Sq ft	Rs. 7,000				
No .45,Dharmapala Mawatha , Rathnapura	2,560	A-0-R-0-P-35.50	Contractor's Test Method	Price per perch	Rs. 2,100,000	74,000	10,000	84,000	31/12/19
				Price per Sq ft	Rs. 4,750				
No .45,Dharmapala Mawatha , Rathnapura (New Building)	8,102	-	Contractor's Test Method	Price per Sq ft	Rs. 8,750	-	71,000	71,000	31/12/19
No. 401, Main street , Panadura	7,116	A-0-R-1-P-4.12	Contractor's Test Method	Price per perch	Rs. 3,500,000	154,000	59,000	213,000	31/12/19
				Price per Sq ft	Rs. 8,750				
No. 423, Main Street , Kalutara	12,001	A-0-R-0-P-32.75	Contractor's Test Method	Price per perch	Rs. 2,000,000	65,000	89,000	154,000	31/12/19
				Price per Sq ft	Rs. 9,000				
No, 327, Badulla Road , Bandarawela	8,970	A-0-R-0-P-17.01	Market Comparable Method	Price per perch	Rs. 1200,000	20,500	89,500	110,000	31/12/19
				Price per Sq ft	Rs. 10,000				
No. 106, Havelock Road, Colombo 05	61,630	A-0-R-0-P-35.27	Contractor's Test Method	Price per perch	Rs. 12,000,000	423,000	693,000	1,116,000	31/12/19
				Price per Sq ft	Rs. 12,500				
No. 32, Mistry Hills, Nuwara Eliya	5,227	A-0-R-0-P-26.9	Direct Comparison Method	Price per perch	Rs. 558,000	15,000	22,000	37,000	31/12/19
				Price per Sq ft	Rs. 2,000 - 5,500				
No15 , Rexdias Mawatha, Wennappuwa	9,114	A-0-R-0-P-37.40	Contractor's Test Method	Price per perch	Rs. 1,000,000	37,000	61,000	98,000	31/12/19
				Price per Sq ft	Rs. 7,000				
No 91, Baudhdhaloka Mawatha, Gampaha	9,458	A-0-R-0-P-32.5	Contractor's Test Method	Price per perch	Rs. 3,000,000	97,000	70,000	167,000	31/12/19
				Price per Sq ft	Rs. 8,500				
No. 40, Rajapihilla Road, Kurunegala	10,485	A-0-R-0-P-15.5	Contractor's Test Method	Price per perch	Rs. 2,500,000	38,500	89,500	128,000	31/12/19
				Price per Sq ft	Rs. 9,000				
No.90/4, Kurunegala Road, Chilaw	6,150	A-0-R-0-P-30.0	Contractor's Test Method	Price per perch	Rs. 833,000	25,000	55,000	80,000	31/12/19
				Price per Sq ft	Rs. 8,650				

Addresses	Building Sq. Ft.	Land Extent	Method of Valuation	Significant Unobservable Inputs	2019				
					Estimation for Unobservable Inputs	Value of Land	Value of Buildings	Cost/ Revaluation	Date of the Valuation
						Rs.'000	Rs.'000	Rs.'000	
No 38, Abdul Gafoor Mawatha, Colombo 03	-	A-0-R-1-P-4.5	Income Capitalization Method	Price per perch	Rs. 12,494,000	556,000	-	556,000	31/12/19
No 406, Galle Road, Rawatawatta, Moratuwa	6,874	A-0-R-0-P:39.73	Contractor's Test Method	Price per perch	Rs. 3,250,000	129,000	16,000	145,000	31/12/19
				Price per Sq ft	Rs. 4,000 - 4,500				
No. 37,39 & 41, Kannarthiddy Road, Jaffna	4,144	A-0-R-1-P-7.9	Contractor's Test Method	Price per perch	Rs. 2,000,000	96,000	78,000	174,000	31/12/19
				Price per Sq ft	Rs. 5,500				
No.22 (New 32), Lloyd's Avenue, Batticaloa	11,690	A-0-R-0-P-23.83	Contractor's Test Method	Price per perch	Rs. 1,750,000	41,500	79,500	121,000	31/12/19
				Price per Sq ft	Rs. 7,000				
No.2, Gower Street, Colombo-05	5,210	A-0-R-1-P-67.25	Market Comparable Method	Price per perch	Rs. 12,000,000	807,000	14,000	821,000	31/12/19
				Price per Sq ft	Rs. 5,000				
No. 20 & 22/3 Kandy Road, Trincomalee	11,310	A-0-R-1-P-20	Contractor's Test Method	Price per perch	Rs. 850,000	51,000	91,000	142,000	31/12/19
				Price per Sq ft	Rs. 8,500				
No.38,38/B Rajapilla Road, Kurunegala	-	A-0-R-0-P-23.93	Market Comparable Method	Price per perch	Rs. 2,507,000	60,000	-	60,000	31/12/19
No.92 & 98 Jampettah Street, Colombo - 13	18,480	A-0-R-1-P-11.22	Market Comparable Method	Price per perch	Rs. 2,875,000	147,000	72,000	219,000	31/12/19
				Price per Sq ft	Rs. 6,000 - Rs.7,000.				
No.70, Park Street, Colombo 02	4,510	A-0-R-1-P-32.4	Replacement Cost Method	Price per perch	Rs.12,000,000	869,000	121,500	990,500	31/12/19
				Price per Sq ft	Rs. 27,000				
No.615, Galle Road, Mount Lavinia	4,315	A-0-R-1-P-12.5	Market Comparable Method	Price per perch	Rs. 4,000,000	210,000	19,000	229,000	31/12/19
				Price per Sq ft	Rs. 5,500				
No.274, Panadura Road, Horana	5,860	A-0-R-0-P-25.5	Contractor's Test Method	Price per perch	Rs. 2,750,000	70,000	44,000	114,000	31/12/19
				Price per Sq ft	Rs. 7,500				
No.65, King Street, Kandy	14650	A-0-R-1-P-1.25	Contractor's Test Method	Price per perch	Rs. 6,000,000	247,500	47,500	295,000	31/12/19
				Price per Sq ft	Rs. 5,000				
No.45, Anagarika Dharmapala Mawatha, Matara	7232	A-0-R-0-P-26.44	Replacement Cost Method	Price per perch	Rs. 6,500,000	171,500	25,500	197,000	31/12/19
				Price per Sq ft	Rs. 6,500				
No.213, Highlevel Road, Nugegoda	-	A-0-R-0-P-23.75	Market Comparable Method	Price per perch	Rs. 3,500,000	83,000	-	83,000	31/12/19
No.15A, Jaya Mawatha, Kadawatha	5,914	A-0-R-0-P-19.5	Contractor's Test Method	Price per perch	Rs. 1,500,000	29,000	50,000	79,000	31/12/19
				Price per Sq ft	Rs. 8,500				

Addresses	Building Sq. Ft.	Land Extent	Method of Valuation	Significant Unobservable Inputs	Estimation for Unobservable Inputs	2019			Date of the Valuation
						Value of Land Rs.'000	Value of Buildings Rs.'000	Cost/ Revaluation Rs.'000	
No.26 Gammedda Road, Jaela	-	A-0-R-0-P-32	Market Comparable Method	Price per perch	Rs. 1,575,000	50,000	-	50,000	31/12/19
190, Horana Road, Mampe, Kesbewa	-	A-0-R-0-P-25.35	Market Comparable Method	Price per perch	Rs. 3,000,000	76,000	-	76,000	31/12/19
No 43 & 45, Galle Road, Wellawatta, Colombo 6	12,676	A-0-R-0-P-25.31	Contractor's Test Method	Price per perch	Rs. 15,000,000	379,000	39,000	418,000	31/12/19
				Price per Sq ft	Rs. 7,200	-	-	31/12/19	
No.582 Malabe Road Malabe	5,600	A-0-R-0-P-29	Contractor's Test Method	Price per perch	Rs. 3,500,000	101,500	47,500	149,000	31/12/19
				Price per Sq ft	Rs. 8,500	-	-	31/12/19	
No 301, point pedro Rd, Nelliady, Karaveddy		A-0-R-0-P-44.32	Contractor's Test Method	Price per perch	Rs. 475,000	21,000	-	21,000	31/12/19
				Price per Sq ft	Rs. 6,500	-	-	31/12/19	
Mirigama Road, Wewagedara, Divulapitiya.	2,865	A-0-R-0-P-40	Contractor's Test Method	Price per perch	Rs. 700,000	28,000	-	28,000	31/12/19
				Price per Sq ft	Rs. 3,000	-	-	31/12/19	
No.301/A, Point Pedro Road, Nelliyaddy,Jaffna		A-0-R-0-P-53.92	Contractor's Test Method	Price per perch	Rs. 160,000	8,600	75,342	83,942	31/12/19
					Rs. 6,500	-	-	31/12/19	
Total						5,578,600	2,423,842	8,002,442	

7.(j). Movement of Revalued Freehold Land & Buildings, if Accounted on Cost.

	Freehold land	Building
At Cost		
As at 1 January 2019	3,282,473	2,019,404
Addition during the year	-	86,568
As at 31 December 2019	3,282,473	2,105,972
Addition during the year	60,100	93,193
Disposal during the year		
Transfers during the year	(393,000)	32,941
As at 31 December 2020	2,949,573	2,232,106
Depreciation		
As at 1 January 2019	-	177,099
Charge for the year	-	42,119
As at 31 December 2019	-	219,218
Charge for the year	-	3,886
As at 31 December 2020	-	223,104
Carrying amount		
As at 31 December 2019	3,282,473	1,886,754
As at 31 December 2020	2,949,573	2,009,002

8. Right-of-use Assets

ACCOUNTING POLICY

SLFRS 16 supersedes LKAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model. The Company has adopted SLFRS 16 using full retrospective method from 1 January 2019, without restating comparatives for 2018 reporting period, as permitted under the specific transitional provisions in the standard.

"At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether:

- ⊙ the contract involves the use of an identified asset
- ⊙ the Company has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- ⊙ the Company has the right to direct the use of the asset

The Company recognises a right-of-use asset and a lease liability at the lease commencement date. The right of use assets of the Company consist of branches premises taken on rent which were previously recognised as operating leases under LKAS 17.

Initial Measurement

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

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

Where a subsidiary company has a right-of-use assets and lease liability as result of property rented out by the Company to the subsidiary, such right-of-use asset and lease liability are eliminated in the Consolidated Financial Statements.

Subsequent Measurement

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

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

8.(a). Assets hold under lease have been recognized as Right-of Use Assets under SLFRS 16

	Group		Company	
	2020	2019	2020	2019
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Assets as at 1 January	229,878	158,391*	229,878	158,391*
Impact of new leases	51,574	140,685	51,574	140,685
Removal of Right to Used Assets from Group	(7,982)	-	-	-
Preclosure of Leases	(3,220)	-	(3,220)	-
Amortization charge for the year	(80,469)	(69,198)	(80,469)	(69,198)
Asset as at 31 December	189,781	229,878	197,763	229,878

8.(b). Corresponding Liability for the Right-of-use assets has recognized under other liabilities

	Group		Company	
	2020	2019	2020	2019
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Liabilities as at 1 January	241,908	227,491*	241,908	227,491*
Impact of new leases	51,574	135,735	51,574	135,735
Removal of Lease Liabilities from Group	(14,700)	-	-	-
Preclosure of Leases	(7,894)	-	(7,894)	-
Accretion of Interest	20,722	19,102	20,018	19,102
Rental paid during the year	(90,055)	(114,405)	(86,305)	(114,405)
Rental paid in Advance	(8,411)	(26,016)	(8,411)	(26,016)
Lease Liability as at 31 December	193,144	241,908	210,890	241,908

* The balances as at 1 January 2019 represent the effect of adoption of SLFRS 16.

8.(c). Maturity analysis - contractual undiscounted cash flows

The Company has entered into commercial leases on certain properties. These leases have an average life of between three and five years, with no renewal option included in the contracts. There are no restrictions placed upon the Group by entering into the leases.

Future minimum rentals payable under non-cancellable operating leases as at 31 December are, as follows:

	Group		Company	
	2020	2019	2020	2019
	Rs.' 000	Rs.' 000	Rs.' 000	Rs.' 000
Within one year	80,928	85,006	80,928	85,006
After one year but not more than three years	123,413	130,041	123,413	130,041
After three years but not more than five years	35,119	59,155	35,119	59,155
More than five years	3,237	1,427	3,237	1,427
Total operating lease rentals payable	242,697	275,629	242,697	275,629

8.(d). Amounts recognised in the Income Statement

	Group		Company	
	2020	2019	2020	2019
	Rs.' 000	Rs.' 000	Rs.' 000	Rs.' 000
Amortization charge for the year	80,469	69,198	80,469	69,198
Interest on lease liabilities	20,722	19,102	20,018	19,102

8.(e). Impairment of right-of-use assets

The Group does not foresee any impairment of right-of-use assets due to the economic implication of COVID-19 and does not anticipate discontinuation of any assets for which the Group has the right to use.

8.(f). Lease Liability Reassessment

Lease liabilities are not assessed as there are no known moratorium received for the lease payments during the year.

9. Investment Properties

ACCOUNTING POLICY

Investment properties are properties held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, used in the production of supply of goods or services or for administrative purposes.

Initial Measurement

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.

Where a subsidiary company occupies a significant portion of the investment property of the Company, such investment properties are treated as property, plant and equipment in the Consolidated Financial Statements and accounted using Group accounting policy for property, plant and equipment.

Subsequent Measurement

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 including the corresponding tax effect.

Fair values are evaluated annually by an accredited external independent valuator applying the relevant valuation models.

Transfers

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 investment property, the Company and the Group account for such property in accordance with the policy stated under property, plant and equipment up to the date of the change in use.

Derecognition

Investment properties are de-recognised 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.

			Group		Company	
	Page		2020	2019	2020	2019
	No	Note	Rs.'000	Rs.'000	Rs.'000	Rs.'000
At 1 January			1,164,000	1,103,000	2,470,500	2,304,500
Additions During the Year			218,431	-	218,431	-
Transfers			(727,000)	-	579,000	-
Fair Value Gains	249	30	132,369	61,000	247,769	166,000
At 31 December			787,800	1,164,000	3,515,700	2,470,500

9.(a). Valuation of Investment Properties

As at 31 December 2020, the fair values of the land and building held for investment purpose are based on valuations performed by an accredited independent valuator, Mr. Chandrasena Weerasinghe.

Valuation models used for valuation include Cost Basis method, Investment Method and Comparison Method, which are in compliance with the SLFRS/LKAS and also in accordance with the 8th Edition of International Valuation Standards recommended by the International Valuation Standards Committee.

The Effective date of valuation of the land and building held for investment purpose is 31 December 2020.

There were no transfers between Levels 1 and 2 or to Level 3 during the year.

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;

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</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>

The fair value measurement for all of the Land and Building held the as investment purpose has been categorized as a Level 3 based on the inputs to the valuation techniques used.

9.(b). Temporarily Idle Investment Property

There are no temporarily idle Investment property as at year ended 31 December 2020.

9.(c). Assessment of Impairment

The Group has assessed the potential Impairment indicators of Investment Properties as at 31 December 2020 especially considering possible impacts coming from COVID-19 pandemic on Group’s Investment Properties. Based on the assessment, no impairment indicators were identified and concluded that no impairment is necessary for any of the Group’s Investment Property as at year end.

9.(d). Capital commitments and assets pledged

There are no capital commitments as at reporting date under contract entered into on Capital expenditure projects.

9.(e). Title restriction on Investment Property.

There are no restriction that existed on the title of the Investment Property of the Group and Company as at reporting date.

9.(f). Capitalization of Borrowing Cost

There are no capitalised borrowing costs relating to the acquisition of Investment Property during the year (2019 Nil).

9.(g). Details of Investment Properties of Company

	Building Sq. Ft.	Land Extent	Method of Valuation	Significant Unobservable Inputs	2020				Date of the Valuation
					Estimation for Unobservable Inputs	Value of Land Rs.'000	Value of Buildings Rs.'000	Cost/ Revaluation Rs.'000	
No. 36, Talbot Town, Galle	6,668	A-0-R-0-P-20	Replacement Cost Method	Rent per Sq.ft per month	Rs. 100 - Rs. 150	100,000	18,000	118,000	12/31/20
No.24A, New Galle Road, Nambimulla, Ambalangoda	4,614	A-0-R-0-P-20	Investment Method	Rent per Sq.ft per month	Rs. 100 - Rs. 120	72,000	18,400	90,400	12/31/20
No. 428, 428/2/1, R. A. De Mel Mawatha, Colombo 03	8,249	Condominium	Market Comparable Method	Rent per Sq.ft per month	Rs. 90 - Rs. 200	-	136,000	136,000	12/31/20
No. 60, Park Street, Colombo 02	34,854	A-0-R-1-P-2.82	Investment Method	Rent per Sq.ft per month	Rs. 200 - Rs. 220	599,400	215,000	814,400	12/31/20
No. 70, Park Street, Colombo 02	4,510		Market Comparable Method	Rent per Sq.ft per month	Rs.125 - Rs. 160	-	130,000	130,000	12/31/20
No. 06, Railway Station Road, Matara	2,982	A-0-R-0-P-25.88	Investment Method	Rent per Sq.ft per month	Rs. 60 - Rs.130	82,800	6,300	89,100	12/31/20
Ceylinco House, No.69. Janadhipathi Mawatha, Colombo 01 (5th Floor)	11,323		Investment Method	Rent per Sq.ft per month	Rs.160 - Rs. 170	-	240,000	240,000	12/31/20
Ceylinco House, No.69. Janadhipathi Mawatha, Colombo 01 (6th Floor)	11,323		Investment Method	Rent per Sq.ft per month	Rs.160 - Rs. 175	-	250,000	250,000	12/31/20
Ceylinco House, No.69. Janadhipathi Mawatha, Colombo 01 (7th Floor)	5,318		Investment Method	Rent per Sq.ft per month	Rs.160 - Rs. 180	-	118,000	118,000	12/31/20
Serene Resorts, Bopitiya Road, Uswetakeiyawa	37,184	A-2-R-3-P-30	Market Comparable Method	Price per perch	Rs. 500,000	235,000	242,000	477,000	12/31/20
No 38 Abdul Gafoor Mawatha Colombo 03	-	A-0-R-1-P-4.5	Investment Method	Rent per Sq.ft per month	Rs. 15,000,000	667,500	-	667,500	12/31/20
No 02 Gower Street Colombo 05	2,610		Investment Method	Rent per Sq.ft per month		-	8,400	8,400	12/31/20
No.09 1&9A,Layards Road,Colombo 05	4,120	A-0-R-0-P14.26	Investment Method	Rent per Sq.ft per month		206,800	16,100	222,900	12/31/20
63 Janadhipathi Mawatha Colombo 1		A-0-R-0-P-13.84	Investment Method	Rent per Sq.ft per month	Rs. 12,000,000	154,000	-	154,000	12/31/20
Total						2,117,500	1,398,200	3,515,700	

	Building Sq. Ft.	Land Extent	Method of Valuation	Significant Unobservable Inputs	Estimation for Unobservable Inputs	2019			
						Value of Land	Value of Buildings	Cost/ Revaluation	Date of the Valuation
						Rs.'000	Rs.'000	Rs.'000	
No. 36, Talbot Town, Galle	6,668	A-0-R-0-P-20	Investment Method	Rent per Sq.ft per month	Rs.120 - Rs. 140	100,000	18,000	118,000	12/31/19
No.24A, New Galle Road, Nambimulla, Ambalangoda	4,614	A-0-R-0-P-20	Investment Method	Rent per Sq.ft per month	Rs.90 - Rs. 120	70,000	18,000	88,000	12/31/19
No. 115, Green Road, Negombo		A-0-R-0-P-37.5	Market Comparable Method	Price per perch	Rs.2,750,000	131,000	-	131,000	12/31/19
No. 428, 428/2/1, R. A. De Mel Mawatha, Colombo 03	8,249	Condominium	Investment Method	Rent per Sq.ft per month	Rs.160 - Rs. 200	-	136,000	136,000	12/31/19
No. 60, Park Street, Colombo 02	34,854	A-0-R-1-P-2.82	Investment Method	Rent per Sq.ft per month	Rs.150 - Rs. 210	514,000	211,000	725,000	12/31/19
No. 70, Park Street, Colombo 02	4,510		Market Comparable Method	Rent per Sq.ft per month	Rs.125 - Rs. 160	-	128,500	128,500	12/31/19
No. 06, Railway Station Road, Matara	2,982	A-0-R-0-P-25.88	Investment Method	Rent per Sq.ft per month	Rs.50 - Rs. 100	77,500	5,500	83,000	12/31/19
Ceylinco House, No.69. Janadhipathi Mawatha, Colombo 01 (5th Floor)	11,323		Investment Method	Rent per Sq.ft per month	Rs.160 - Rs. 220	-	240,000	240,000	12/31/19
Ceylinco House, No.69. Janadhipathi Mawatha, Colombo 01 (6th Floor)	11,323		Investment Method	Rent per Sq.ft per month	Rs.160 - Rs. 220	-	250,000	250,000	12/31/19
Ceylinco House, No.69. Janadhipathi Mawatha, Colombo 01 (7th Floor)	5,318		Investment Method	Rent per Sq.ft per month	Rs.160 - Rs. 220	-	118,000	118,000	12/31/19
Serene Resorts, Bopitiya Road, Uswetakeiyawa	37,184	A-2-R-3-P-30	Market Comparable Method	Price per perch	Rs.375,000	211,000	242,000	453,000	12/31/19
Total						1,103,500	1,367,000	2,470,500	

The fair value of investment property reflects the actual market value as at reporting date.

No Depreciation/Amortization recognized for the investments properties carried at Fair Value.

9.(h). Rental Income

	Page	Note	Group		Company	
			2020	2019	2020	2019
			Rs.'000	Rs.'000	Rs.'000	Rs.'000
Rental Income Derived from Investment Properties	248	28.(a)	75,579	76,642	81,609	78,742
Direct operating Expenses Generating Rental Income			(5,726)	(1,746)	(5,726)	(1,746)
Direct operating Expenses that did not Generating Rental Income			(198)	(4,619)	(198)	(4,619)
Net Profit Arising From Investment Properties			69,655	70,277	75,685	72,377

9.(i). Maturity analysis - contractual undiscounted cash flows

The Company has entered into operating lease agreements with various parties including its subsidiaries. Cash flows from operating leases from subsidiaries are eliminated in the Group figures. The remaining period of these lease arrangements varies between one to six years.

Future minimum rentals receivable under operating leases as at 31 December are, as follows:

	Group		Company	
	2020	2019	2020	2019
	Rs:'000	Rs:'000	Rs:'000	Rs:'000
Within one year	66,339	72,970	75,868	81,570
After one year but not more than three years	75,983	107,651	86,242	124,448
After three years but not more than five years	52,096	60,480	56,501	66,582
More than five years	2,194	28,480	2,194	29,775
	196,611	269,580	220,805	302,375

10. Investment in Subsidiaries-Company**ACCOUNTING POLICY**

Business combinations are accounted for using the acquisition method. Transaction costs directly attributable to the acquisition form part of the acquisition costs. Non-controlling interests are measured at the proportionate share of the acquirer's identifiable net assets.

The cost of an acquisition is measured as the aggregate of the consideration transferred measured at acquisition date fair value and the amount of any non-controlling interest in the acquire. For each business combination, the Group measures the non-controlling interest in the acquire at fair value or at the proportionate share of the acquirer's identifiable net assets. Transaction costs, other than those associated with the issue of debt or equity securities that the Group incurs in connection with a business combinations are expensed 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. Subsequent changes in the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognised in accordance with LKAS 39 either in Income Statement or as a change to Other Comprehensive Income. If the contingent consideration is classified as equity, it will not be remeasured. Subsequent settlement is accounted for within equity. In instances where the contingent consideration does not fall within the scope of LKAS 39, it is measured in accordance with the appropriate SLFRS/LKAS.

Subsidiary Companies

Serene Resorts Limited

Ceylinco Healthcare Services Limited

Associate Company

Citizens Development Business Finance PLC

The above transaction is considered as a common control business combination. A business combination involving entities or businesses under common control is a business combination in which all of the combining entities or businesses are ultimately controlled by the same party or parties both before and after the business combination, and that control is not transitory.

As common control business combinations are scoped out in SLRFS 3 - Business Combinations, management used the guidance available in LKAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors and the guidance issued under the Statement of Recommended Practice ('SoRP') - 'Merger Accounting for Common Control Business Combinations' issued by The Institute of Chartered Accountants of Sri Lanka.

In applying merger accounting, Financial Statement items of the combining entities or businesses for the reporting period in which the common control combination occurs, and for any comparative periods disclosed, are included in the Consolidated Financial Statements of the combined entity as if the combination had occurred from the date when the combining entities or businesses first came under the control of the controlling party or parties.

Accordingly, the comparative figures of the Consolidated Financial Statements were restated as if the combination had occurred from the date when the combining entities or businesses first came under the control of the controlling party or parties of Ceylinco Life Insurance Limited.

Transactions Eliminated on Consolidation

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

Subsidiaries

Subsidiaries are entities controlled by the parent company. Control is achieved when the Group is exposed or has the right, to variable returns from its involvement with the investee and when it has the ability to affect those returns through its power over the investee. Specially, the Group controls an investee if, and only if, the Group has:

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

- ⊙ The contractual agreement with the other vote holders of the investee
- ⊙ Rights arising from other contractual agreements
- ⊙ The Group's voting rights and potential voting rights

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

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the Financial Statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

The Financial Statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies.

Unquoted Shares

	% of Direct Holding		Number of Shares		Cost	
	2020	2019	2020	2019	2020	2019
					Rs.'000	Rs.'000
Serene Resorts Ltd.	98.65%	98.44%	36,500,000	31,500,000	365,000	315,000
Ceylinco Healthcare Services Ltd.	99.45%	99.45%	77,100,000	77,100,000	771,000	771,000
					1,136,000	1,086,000

During the year, the Company has made an investment of 50Mn (2019-Nil) in the share capital of Serene Resorts Ltd.

Transactions with Non-Controlling Interests

The profit or loss and net assets of a subsidiary attributable to equity interests that are not owned by the parent, directly or indirectly through subsidiaries, is disclosed separately under 'Non-Controlling Interest'. Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance.

Assessment of Impairment

Having evaluated the business continuity plans and the cash flows (where necessary) of each subsidiary, the Group determined that no impairment provision is required for investment made in its subsidiaries due to the COVID-19 pandemic as at 31 December 2020.

11. Investment in Associates

ACCOUNTING POLICY

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but it is not control or joint control over those policies. The considerations made in determining significant influence is similar to those necessary to determine control over subsidiaries.

The Group's investments in its associate is accounted for using the equity method. Under the equity method, the investment in an associate is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the associate since the acquisition date.

The Income Statement reflects the Group's share of the results of operations of the associate. Any change in Other Comprehensive Income of those investees is presented as part of the Group's Other Comprehensive Income. In addition, when there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes and discloses this, when applicable, in the Statement of Changes in Equity. Unrealised gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.

The aggregate of the Group's share of profit or loss of an associate is shown on the face of the Income Statement outside operating profit and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associate.

The Financial Statements of the associate is prepared for the same Reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

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. At each Reporting date, the Group determines whether there is any objective evidence that the investment in the associate is impaired. If there is such evidence, 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.

Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

11.(a). Company / Group Investments in Associates

	% Holding		Number of Shares		2020	2019
	2020	2019	2020	2019		
					Rs.'000	Rs.'000
Company						
Quoted Investments						
Citizens Development Business Finance PLC						
Cost as at 31 December	30.80%	30.80%	21,498,096	21,498,096	807,672	457,370
New Investment Made During the Year					-	350,302
Company Investments in Associates (At Cost)					807,672	807,672
Group						
Negative Goodwill on Acquisition over Consideration						
Citizens Development Business Finance Ltd					103,749	103,749
Group's Share of Associates Companies Retained Assets						
Citizens Development Business Finance PLC						
Cumulative Equity Changes					2,310,982	1,851,778
Share of Profit					702,824	470,242
Share of Other Comprehensive Income					(9,471)	33,958
Adjustment in Changes in Equity					(332)	-
Dividend					-	(44,996)
Group Investment in Associates Equity Basis					3,915,423	3,222,402

11.(b). Summarized Financial Information of the Associates

	Total -Associate		Share of Associate	
	2020	2019	2020	2018
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Citizens Development Business Finance PLC				
Associate's Statement of Financial Position				
Total Assets	94,805,630	90,275,961	29,200,132	27,804,996
Total Liabilities	82,093,220	79,813,617	25,284,711	24,582,594
Net Assets	12,712,410	10,462,344	3,915,423	3,222,402

	Total -Associate		Share of Associate	
	2020	2019	2020	2018
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Associate's Revenue and Profit				
Revenue	14,811,197	14,878,321	4,561,849	4,572,812
Profit Before Tax	3,078,978	1,941,585	948,325	596,741
Profit After Tax	2,281,896	1,658,673	702,824	470,242
Other Comprehensive Income	(30,751)	110,486	(9,471)	33,958
Dividend	-	271,528	-	44,996

	Total -Associate		Share of Associate	
	2020	2019	2020	2018
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Above summarized financials includes share of following account balances				
Cash and Cash Equivalent	4,007,852	962,129	1,234,418	296,336
Non Current Financial Liabilities	25,008,671	26,264,772	7,702,671	8,089,550
Interest Expenses	(7,852,617)	(9,046,681)	(2,418,606)	(2,780,473)
Income Tax Expense	(797,082)	(282,912)	(245,501)	(86,952)

Citizens Development Business Finance PLC (CDB) is a public limited liability company incorporated and domiciled in Sri Lanka, which is also listed in Colombo Stock Exchange. The principle activity of the Company is to provide a vast range of Financial Services including accepting deposits, leasing, hire purchase, and loan facilities etc.

11.(c). Fair Value of the Investment

Fair Value of the Company's investments in the associate as at reporting date Rs.1,915.48 Mln (2019 Rs. 1,806 Mn).

11.(d). Impairment of Investment in Associates

Having evaluated the business continuity plans and the cash flows of the investment in associate, the Group determined that no impairment provision is required for the carrying value of investment in associate due to the COVID-19 pandemic as at 31 December 2020.

12. Financial Instruments and Fair Values of Financial Instruments

ACCOUNTING POLICY

Depending on the intention and ability to hold the invested assets, the Company classifies its non-derivative financial assets into following categories:

- ⊙ Financial assets at fair value through profit or loss (FVTPL)
- ⊙ Held-to-maturity (HTM)
- ⊙ Loans and receivables (L&R) and
- ⊙ Available-for-sale (AFS) financial assets as appropriate.

Initial Recognition

The Group/Company initially recognises loans and receivables and deposits on the date that they are originated. All other financial assets (including assets designated at fair value through profit or loss) are recognised initially on the trade date at which the Group/Company becomes a party to the contractual provisions of the instrument. In the case of financial assets not at fair value through profit or loss, a financial asset is measured initially at fair value plus transaction costs that are directly attributable to its acquisition or issue.

Income and expenses are presented on a net basis only when permitted under SLFRS/LKAS, or for gains and losses arising from a group of similar transactions such as in the Group/Company's trading activity.

The following table consists of the fair values of the financial investments together with their carrying values.

Fair Value through Profit or Loss investments and Available-For-Sale investments are valued at fair value. Held to maturity investments and loans and receivable investments are valued at amortised cost.

As at 31 December			Group		Company	
	Page		2020	2019	2020	2019
	No	Note	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Held to maturity financial assets	218	12.(a)	51,485,457	56,889,866	51,485,457	56,889,866
Loans and receivables	218	12.(b)	61,374,737	46,413,045	60,633,154	45,769,731
Available-for-sale financial assets	219	12.(c)	13,198,829	7,657,812	13,032,168	7,576,619
Financial assets at fair value through profit or loss	220	12.(d)	3,097,684	2,317,923	3,097,684	2,317,923
Total Financial Instruments			129,156,706	113,278,647	128,248,463	112,554,139

The following table compares the fair values of the financial instruments to their carrying values:

As at 31 December	Group				Company			
	2020		2019		2020		2019	
	Carrying value	Fair value	Carrying value	Fair value	Carrying value	Fair value	Carrying value	Fair value
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Held to maturity financial assets	51,485,457	63,157,993	56,889,866	57,662,522	51,485,457	63,157,993	56,889,866	57,662,522
Loans and receivables	61,374,737	61,374,737	46,413,045	46,413,045	60,633,154	60,633,154	45,769,731	45,781,779
Available-for-sale financial assets	13,198,829	13,198,829	7,657,812	7,657,812	13,032,168	13,032,168	7,576,619	7,576,619
Financial assets at fair value through profit or loss	3,097,684	3,097,684	2,317,923	2,317,923	3,097,684	3,097,684	2,317,923	2,317,923
Total Financial Instruments	129,156,706	140,829,243	113,278,647	114,051,303	128,248,463	139,920,999	112,554,139	113,338,843

Impairment of Financial Assets

The Group assesses, at each Reporting date, whether there is any objective evidence that a financial asset or a 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, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial re-organisation and when 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.

Offsetting

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

Derecognition of Financial Assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is de-recognised when:

- ⊙ The rights to receive cash flows from the asset have expired; or
- ⊙ The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a '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 rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

12.(a). Held to Maturity Financial Assets

ACCOUNTING POLICY

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 it to maturity. Held-to-maturity financial assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, held-to-maturity financial assets are measured at amortised cost using the effective interest method, less any impairment losses.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate (EIR). The EIR amortisation is included in finance income in the Income Statement.

The losses arising from impairment are recognised as finance cost in the Income Statement.

As at 31 December	Note	Group		Company	
		2020 Rs.'000	2019 Rs.'000	2020 Rs.'000	2019 Rs.'000
Fair value					
Treasury Bills & Bonds		41,795,175	38,825,574	41,795,175	38,825,574
Debentures - Quoted		21,362,819	18,836,948	21,362,819	18,836,948
Total Held to Maturity Financial Assets at Fair Value		63,157,993	57,662,522	63,157,993	57,662,522
Amortised Cost					
Treasury Bonds		36,964,353	37,689,470	36,964,353	37,689,470
Debentures - Quoted	12.(j).(1)	14,521,104	19,200,396	14,521,104	19,200,396
Total Held to Maturity Financial Assets at Amortised Cost		51,485,457	56,889,866	51,485,457	56,889,866

12.(a).1. Impairment of Financial Investments at HTM

The Group/ Company has not experienced any indication for impairment in respect of HTM financial assets.

12.(a).2. Re-Classification

During the Year Group/Company did not reclassify any financial assets under this category.

12.(a).3. Fair Value Measurement

The Group/Company measures the fair value using fair value hierarchy which reflects the significance of level of inputs used in making the fair value measurement which is described in the Note 12.(g).

12.(b). Loans and Receivables

ACCOUNTING POLICY

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently 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 fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the Income Statement. The losses arising from impairment are recognised in the Income Statement in finance costs for loans and in other operating expenses for receivables.

As at 31 December	Page		Group		Company	
	No	Note	2020 Rs.'000	2019 Rs.'000	2020 Rs.'000	2019 Rs.'000
Staff Vehicle Hire			749,906	718,566	749,906	718,566
Staff Loans other than vehicle Hire Purchase			186,793	332,938	186,793	332,938
Repo Investment			395,000	59,186	395,000	59,186
Debentures - Unquoted	224	12.(j).(2)	5,430,754	5,432,180	5,430,754	5,432,180
Quoted Debentures	224	12.(j).(3)	6,703,742	6,703,775	6,703,742	6,703,775
Term Deposits	225	12.(j).(4)	47,908,541	33,166,401	47,166,959	32,523,087
Total Loans and Receivables at Amortised Cost			61,374,736	46,413,045	60,633,154	45,769,731

The carrying value of the staff loan and the Car hire to sales agents have been computed based on the market interest rates prevailed at the time of granting the loan/hire.

12.(b).1. Impairment of Financial Assets Carried at Amortised Cost

For financial assets carried at amortised cost, the Group first assesses 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 has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is 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 EIR.

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 finance 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 realised 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 finance costs in the Income Statement.

12.(b).2. Re-Classification

During the Year Group/Company did not reclassify any financial assets under this category.

12.(b).3. Fair Value Measurement

The Group/Company measures the fair value using fair value hierarchy which reflects the significance of level of inputs used in making the fair value measurement which is described in the Note 12.(g).

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

ACCOUNTING POLICY

Available-for-sale financial assets are financial assets that are designated as Available-for-Sale and that are not classified in any of the previous categories. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses on available-for sale equity instruments are recognised in Other Comprehensive Income and presented within equity in the available-for-sale reserve. When an investment is derecognized, the cumulative gain or loss in Other Comprehensive Income is transferred to the Income Statement.

Available-for-sale financial investments include equity and debt securities. Equity investments classified as available-for-sale are those that 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.

The Group evaluates 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. There classification to held-to-maturity is permitted only when the entity has the ability and intention to hold the financial asset until maturity.

As at 31 December			Group		Company	
	Page		2020	2019	2020	2019
	No	Note	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Treasury Bills & Bonds			12,661,203	7,159,730	12,661,203	7,159,730
Quoted debentures	225	12.(j).(5)	266,149	294,237	266,149	294,237
Quoted Share Investment	225	12.(j).(6)	102,291	120,126	102,291	120,126
Unquoted Share Investment	226	12.(j).(7)	2,525	2,525	2,525	2,525
Unit Trust Investments			166,661	81,193	-	-
Total Available-For-Sale Financial Assets at Fair Value			13,198,829	7,657,812	13,032,168	7,576,619

12.(c).1. Impairment of 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 evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost. When 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 recognised 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 amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised 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.

The determination of what is 'significant' or 'prolonged' requires judgment. In making this judgment, the Group evaluates among other factors, the duration or extent to which the fair value of the investment is less than its cost.

12.(c).2. Re-Classification

During the Year Group/Company did not reclassify any financial assets under this category.

12.(c).3. Fair Value Measurement

The Group/Company measures the fair value using fair value hierarchy which reflects the significance of level of inputs used in making the fair value measurement which is described in the Note 12.(g).

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

ACCOUNTING POLICY

A financial asset is classified as fair value through profit or loss if it is held for trading or is designated as such upon initial recognition. Financial assets are designated at fair value through profit or loss if the Group manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Group's investment strategy. Attributable transaction costs are recognised in Income Statement as incurred.

Financial assets at fair value through profit or loss are carried in the Statement of Financial Position at fair value with changes in fair value recognised in the Income Statement. Financial assets designated at fair value through profit or loss comprises quoted equity instruments and Treasury Bonds unless otherwise have been classified as available-for-sale.

As at 31 December	Page	Note	Group		Company	
			2020	2019	2020	2019
	No		Rs.'000	Rs.'000	Rs.'000	Rs.'000
Fair value						
Treasury Bills & Bonds			3,096,757	2,305,764	3,096,757	2,305,764
Short Term Investment - Quoted	226	12.(j).(8)	927	12,158	927	12,158
Total Financial Assets at Fair Value Through Profit or Loss			3,097,684	2,317,923	3,097,684	2,317,923

12.(d).1. Re-Classification

During the Year Group/Company did not reclassify any financial assets under this category.

12.(d).2. Fair Value Measurement

The Group/Company measures the fair value using fair value hierarchy which reflects the significance of level of inputs used in making the fair value measurement which is described in the Note 12.(g).

12.(e). Accrued Income

As at 31 December	Group		Company	
	2020	2019	2020	2019
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Held to Maturity Investments	1,709,268	1,785,885	1,709,268	1,785,885
Financial assets at fair value through profit or loss	76,591	66,925	76,591	66,925
Loans & Receivables	599,435	605,219	572,422	572,002
Available for sale investments	272,941	194,732	272,941	194,732
	2,658,235	2,652,761	2,631,222	2,619,544

Accrued Income of Financial Instruments are amalgamated to the each instruments and shown under each class of financial instruments above.

12.(f). Pledged Financial Instruments

Details of pledged assets held under Financial assets have been disclosed under note 43 in page number 268.

12.(g). Determination of Fair Value and Fair Value Hierarchy

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:

- ⊙ In the principal market for the asset or liability or;
- ⊙ In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use. The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. All assets and liabilities for which fair value is measured or disclosed in the Financial Statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: Quoted (unadjusted) prices in active markets for identical assets or liabilities

Level 2: Other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly and

Level 3: Techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data

For assets and liabilities that are recognised in the Financial Statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each Reporting period. 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 and the level of the fair value hierarchy as explained above.

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 and the level of the fair value hierarchy as explained above.

Fair Value Basis - Instrument Wise

Instrument	Measurement Basis
Government Securities	
Treasury Bonds/Bills	Average buying yield as per secondary market daily report published by the Central Bank of Sri Lanka plus accrued interest
Investment in listed shares	Closing Price
Corporate Debt	
Listed	Closing price plus accrued interest
Unlisted fixed rate	Amortized cost
Fixed and term deposits	Amortized cost
REPO Lendings	Amortized Cost

The following table shows an analysis of Assets & Liabilities recorded at fair value by level of the fair value hierarchy:

Company	2020				2019			
	Level 1 Rs.'000	Level 2 Rs.'000	Level 3 Rs.'000	Total fair value Rs.'000	Level 1 Rs.'000	Level 2 Rs.'000	Level 3 Rs.'000	Total fair value Rs.'000
Financial assets								
Financial Assets at Fair Value Through Profit/Loss								
Equity securities	927	-	-	927	12,158	-	-	12,158
Debt securities	3,096,757	-	-	3,096,757	2,305,764	-	-	2,305,764
	3,097,684	-	-	3,097,684	2,317,923	-	-	2,317,923
Available-For-Sale Financial Assets:								
Equity securities	104,816	-	-	104,816	120,126	-	2,525	122,651
Debt securities	12,927,351	-	-	12,927,351	7,453,968	-	-	7,453,968
	13,032,168	-	-	13,032,168	7,576,619	-	2,525	7,576,619
Held to Maturity Financial Assets	41,795,175	21,362,819	-	63,157,993	38,825,574	18,836,948	-	57,662,522
Total Financial Assets	57,925,026	21,362,819	-	79,287,845	48,717,591	18,836,948	2,525	67,557,064
Property Plant and Equipment's								
Land	-	-	5,646,300	5,646,300	-	-	5,578,600	5,578,600
Buildings	-	-	2,533,600	2,533,600	-	-	2,423,842	2,423,842
	-	-	8,179,900	8,179,900	-	-	8,002,442	8,002,442
Investment Properties	-	-	3,515,700	3,515,700	-	-	2,471,500	2,471,500
Total Assets	57,925,026	21,362,819	11,695,600	90,983,445	48,717,591	18,836,948	10,476,467	78,031,006

*Listed corporate debt has been classified under level two in the above fair value hierarchy as there is no active market for those corporate debts, even though such corporate debts are listed.

12.(h). Carrying Values of Financial Instruments

The movement of carrying value of above financial instruments as of Reporting date is as follows:

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 1 January 2019	60,575,394	38,205,439	1,469,786	565,829	100,816,449
Purchases	789,676	156,379,793	18,065,351	9,372,889	184,607,709
Maturities	(4,350,780)	(149,877,407)	-	-	(154,228,187)
Disposals	-	-	(12,180,942)	(7,838,979)	(20,019,921)
Fair value gains recorded in the income statement	-	-	-	110,130	110,130
Fair value gains recorded in other comprehensive income	-	-	(28,052)	-	(28,052)
Interest Accrual Adjustment	213,823	(1,321,072)	(163,760)	(38,336)	(1,309,346)
Amortisation adjustment	89,400	3,026,292	495,429	146,389	3,329,863
At 1 January 2020	56,889,866	46,413,045	7,657,813	2,317,923	113,278,647
Purchases	-	69,891,123	26,246,158	12,593,092	108,730,373
Maturities	(5,291,407)	(56,941,437)	-	-	(62,232,845)
Disposals	-	-	(22,015,319)	(12,122,657)	(34,137,976)
Fair value gains recorded in the income statement	-	-	-	32,853	32,853
Fair value gains recorded in other comprehensive income	-	-	707,647	-	707,647
Interest Accrual Adjustment	76,618	5,784	(78,210)	(9,667)	(5,474)
Amortisation adjustment	(189,620)	2,006,221	680,739	286,142	2,783,482
At 31 December 2020	51,485,457	61,374,737	13,198,829	3,097,684	129,156,707

Company	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 1 January 2019	60,575,394	37,446,065	1,309,787	565,828	99,897,074
Purchases	789,676	155,769,658	18,065,351	9,372,889	183,997,574
Maturities	(4,350,780)	(149,158,430)	-	-	(153,509,210)
Disposals	-	-	(12,102,137)	(7,838,979)	(19,941,116)
Fair value gains recorded in the income statement	-	-	-	110,130	110,130
Fair value gains recorded in other comprehensive income	-	-	(28,052)	-	(28,052)
Interest Accrual Adjustment	213,823	(1,313,854)	(163,760)	(38,336)	(1,302,128)
Amortisation adjustment	(338,247)	3,026,292	495,429	146,389	3,329,863
At 1 January 2020	56,889,866	45,769,731	7,576,619	2,317,923	112,554,136
Purchases	-	69,809,245	26,141,557	12,593,092	108,543,893
Maturities	(5,291,407)	(56,888,094)	-	-	(62,179,501)
Disposals	-	-	(21,996,184)	(12,122,657)	(34,118,841)
Fair value gains recorded in the income statement	-	-	-	32,853	32,853
Fair value gains recorded in other comprehensive income	-	-	707,647	-	707,647
Interest Accrual Adjustment	76,618	(420)	(78,210)	(9,667)	(11,678)
Amortisation adjustment	(189,620)	1,942,692	680,739	286,142	2,719,953
At 31 December 2020	51,485,457	60,633,154	13,032,168	3,097,684	128,248,463

12.(l). 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.

12.(j). Entity wise details of Financial Instruments**12.(j).(1). Held to Maturity Financial Assets -Debentures (Quoted)**

As at 31 December	Group		Company	
	2020	2019	2020	2019
	Carrying Value	Carrying Value	Carrying Value	Carrying Value
	(Rs. '000)	(Rs. '000)	(Rs. '000)	(Rs. '000)
Bank of Ceylon	1,305,915	1,306,802	1,305,915	1,306,802
Central Finance PLC	-	45,111	-	45,111
Commercial Bank of Ceylon PLC	1,407,945	1,399,633	1,407,945	1,399,633
Commercial Credit & Finance PLC	-	14,353	-	14,353
DFCC Bank PLC	1,928,844	2,743,853	1,928,844	2,743,853
Hatton National Bank PLC	3,145,894	3,132,570	3,145,894	3,132,570
National Development Bank PLC	701,988	1,605,711	701,988	1,605,711
Nations Trust Bank PLC	661,000	660,866	661,000	660,866
Peoples' Leasing & Finance PLC	304,605	507,483	304,605	507,483
Sampath Bank PLC	3,485,121	5,709,501	3,485,121	5,709,501
Seylan Bank PLC	1,579,792	2,074,514	1,579,792	2,074,514
Total	14,521,104	19,200,396	14,521,104	19,200,396

12.(j).(2). Loans and Receivables -Debentures (Unquoted)

As at 31 December	Group		Company	
	2020	2019	2020	2019
	Carrying Value	Carrying Value	Carrying Value	Carrying Value
	(Rs. '000)	(Rs. '000)	(Rs. '000)	(Rs. '000)
Regional Development Bank	299,438	299,462	299,438	299,462
National Savings Bank	5,131,315	5,132,717	5,131,315	5,132,717
Total	5,430,754	5,432,180	5,430,754	5,432,180

12.(j).(3). Loans and Receivables -Debentures (Quoted)

As at 31 December	Group		Company	
	2020	2019	2020	2019
	Carrying Value	Carrying Value	Carrying Value	Carrying Value
	(Rs. '000)	(Rs. '000)	(Rs. '000)	(Rs. '000)
ABANS PLC	175,781	175,739	175,781	175,739
Citizens Development Business Finance PLC	114,186	114,113	114,186	114,113
Commercial Bank of Ceylon PLC	4,210,638	4,210,824	4,210,638	4,210,824
DFCC Bank PLC	2,203,137	2,203,099	2,203,137	2,203,099
Total	6,703,742	6,703,775	6,703,742	6,703,775

12.(j).(4). Loans and Receivables - Fixed Deposits

As at 31 December	Group		Company	
	2020	2019	2020	2019
	Carrying Value	Carrying Value	Carrying Value	Carrying Value
	(Rs. '000)	(Rs. '000)	(Rs. '000)	(Rs. '000)
Bank of Ceylon	11,905,904	9,301,582	11,693,475	9,301,582
Central Finance Company PLC	500,000	-	500,000	-
Citizens Development Business Finance PLC	534,797	519,968	534,797	519,968
Commercial Bank of Ceylon PLC	-	259,011	-	259,011
Commercial Credit & Finance PLC	259,055	-	259,055	-
DFCC Bank PLC	1,177,960	1,450,554	1,123,966	1,383,054
Hatton National Bank PLC	32,438	21,600	27,010	21,600
Housing Development Finance Corporation (HDFC) Bank of Sri Lanka	-	3,576	-	3,576
National Development Bank PLC	10,715,155	9,847,583	10,594,792	9,508,943
National Savings Bank	3,921,251	3,750,352	3,898,736	3,750,352
Nations Trust Bank PLC	-	103	-	103
Pan Asia Banking Corporation PLC	200,518	323,278	200,518	323,278
People's Bank	5,592,447	3,918,587	5,289,399	3,681,413
People's Leasing & Finance PLC	1,039,084	1,039,007	1,039,084	1,039,007
Sampath Bank PLC	10,303,075	1,589,302	10,303,075	1,589,302
Seylan Bank PLC	1,714,772	1,130,921	1,690,969	1,130,921
Union Bank of Colombo PLC	12,082	10,979	12,082	10,979
Total	47,908,541	33,166,401	47,166,959	32,523,087

12.(j).(5). Available-for-Sale Financial Assets - Quoted Debentures

As at 31 December	Group		Company	
	2020	2019	2020	2019
	Carrying Value	Carrying Value	Carrying Value	Carrying Value
	(Rs. '000)	(Rs. '000)	(Rs. '000)	(Rs. '000)
Bank of Ceylon	7,272	7,074	7,272	7,074
Central Finance PLC	-	10,125	-	10,125
Commercial Bank of Ceylon PLC	48,080	48,077	48,080	48,077
DFCC Bank PLC	50,676	50,823	50,676	50,823
Hatton National Bank PLC	58,234	54,480	58,234	54,480
National Development Bank PLC	50,940	72,713	50,940	72,713
Nations Trust Bank PLC	50,947	50,944	50,947	50,944
Total	266,149	294,237	266,149	294,237

12.(j).(6). Available-For-Sale Financial Assets - Quoted Shares

As at 31 December	Group		Company	
	2020	2019	2020	2019
	Carrying Value	Carrying Value	Carrying Value	Carrying Value
	(Rs. '000)	(Rs. '000)	(Rs. '000)	(Rs. '000)
Blue Diamonds Jewellery Worldwide PLC	1,920	1,680	1,920	1,680
Commercial Credit and Finance PLC	100,371	118,438	100,371	118,438
Merchant Bank of Sri Lanka	-	8	-	8
Total	102,291	120,126	102,291	120,126

12.(j).(7). Available-For-Sale Financial Assets - Unquoted Shares

As at 31 December	Group		Company	
	2020	2019	2020	2019
	Carrying Value	Carrying Value	Carrying Value	Carrying Value
	(Rs. '000)	(Rs. '000)	(Rs. '000)	(Rs. '000)
CEG Education Holdings (Pvt.) Ltd.	2,525	2,525	2,525	2,525
Total	2,525	2,525	2,525	2,525

12.(j).(8). Financial Assets at Fair Value Through Profit or Loss - Quoted Shares

As at 31 December	Group		Company	
	2020	2019	2020	2019
	Carrying Value	Carrying Value	Carrying Value	Carrying Value
	(Rs. '000)	(Rs. '000)	(Rs. '000)	(Rs. '000)
Banking, Finance and Insurance				
National Development Bank PLC	9	11	9	11
Commercial Bank of Ceylon PLC	28	32	28	32
DFCC Bank PLC	118	165	118	165
Central Finance PLC	18	22	18	22
Manufacturing, Plantations				
Chevron Lubricants Lanka PLC	54	37	54	37
Tokyo Cements Company PLC	89	56	89	56
Dipped Products PLC	122	29	122	29
Chemical Industries Colombo PLC	15	11,424	15	11,424
Hayleys PLC	41	17	41	17
Kotagala Plantation	1	1	1	1
Service				
John Keels Holdings PLC	62	70	62	70
Aitken Spense PLC	129	104	129	104
Hemas Holdings PLC	126	101	126	101
Dialog Axiata PLC	43	43	43	43
Royal Palms Beach Hotels PLC	2	2	2	2
Asiri Surgical Hospital Holdings PLC	52	30	52	30
Ceylon Hospitals PLC	17	13	17	13
Total	927	12,158	927	12,158

13/14. Pensions, Gratuity and Other Post-Employment Benefits**ACCOUNTING POLICY****(a) 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 as recommended by LKAS 19 - 'Employee Benefits'. Actuarial gains and losses are recognised immediately in retained earnings through other comprehensive income (OCI) in the period in which they occur. Re-measurements are not reclassified to profit or loss in subsequent periods. The Group recognises the changes in the defined benefit liability attributable to the service costs (current service costs and any past service costs) and interest expense in the profit or loss as Income Statement.

Past service costs are recognised in profit or loss 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 expected 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'. 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 Group. The provision is externally funded.

The present value of the defined benefit obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. Key assumptions used in determining the defined retirement benefit obligations are given in Note 13 and 14 to the Financial Statements. Any changes in these assumptions will impact the carrying amount of defined benefit obligations.

(b). 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.

13. Gratuity Benefit Liability/(Asset)

The amounts recognised in the income statement are as follows:

	Group		Company	
	2020	2019	2020	2019
	Rs:'000	Rs:'000	Rs:'000	Rs:'000
Current service cost	54,945	42,718	54,945	42,718
Interest cost on benefit obligation	126,566	124,080	126,566	124,080
Expected return on plan assets	(472,437)	(521,247)	(472,437)	(521,247)
	(290,926)	(354,449)	(290,926)	(354,449)
Net actuarial gain/ (loss) recognised in other comprehensive income	(424,121)	(909,940)	(424,121)	(909,940)

The amounts recognised in the statement of financial position at the reporting date are as follows:

	Page	Note	Group		Company	
			2020	2019	2020	2019
	No		Rs:'000	Rs:'000	Rs:'000	Rs:'000
Present value of the defined benefit obligation	228	13.(a)	(1,409,404)	(1,237,202)	(1,409,404)	(1,237,202)
Fair value of plan assets	228	13.(b)	5,284,270	4,618,155	5,284,270	4,618,155
Net defined benefit obligation	229	13.(e)	3,874,866	3,380,953	3,874,866	3,380,953
Total Net Defined Benefit Asset			3,874,866	3,380,953	3,874,866	3,380,953

13.(a). The Movement in the Defined Benefit Liability is as follows:

	Group		Company	
	2020	2019	2020	2019
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Defined Gratuity Benefit obligation of the company				
At 1 January	1,237,202	1,034,001	1,237,202	1,034,001
Current service cost	54,945	42,718	54,945	42,718
Interest cost	126,566	124,080	126,566	124,080
Benefits paid	(62,105)	(82,321)	(62,105)	(82,321)
Actuarial (gains)/ losses	52,796	118,724	52,796	118,724
At 31 December	1,409,404	1,237,202	1,409,404	1,237,202
Gratuity Liability -Subsidiaries	13,051	13,970		

As at 31 December 2020, the gratuity liability was actuarially valued under the Projected Unit Credit (PUC) Method by Consultant Actuary Mr K A Pandit as required by Sri Lanka Accounting Standard (LKAS) 19 - 'Employee Benefits'.

According to LKAS 19 - *Employee Benefits*, the re-measurements of the net defined benefit liability, assets, which comprise actuarial gains and losses are recognised in Other Comprehensive Income.

13.(b). The movement in the plan assets:

	Group		Company	
	2020	2019	2020	2019
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
At 1 January	4,618,156	4,343,724	4,618,156	4,343,724
Contribution Paid by employer	627,108	626,722	627,108	626,722
Expected return on plan assets	472,437	521,247	472,437	521,247
Actuarial gains /(Loss)	(371,325)	(791,216)	(371,325)	(791,216)
Benefit Paid	(62,105)	(82,321)	(62,105)	(82,321)
At 31 December	5,284,270	4,618,155	5,284,270	4,618,155

13.(c). Details of Plan Assets:

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

	Group		Company	
	2020	2019	2020	2019
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
As at 31 December				
Investment in shares	3,956,106	3,662,179	3,956,106	3,662,179
Commercial Papers & Other Short Term Investments	-	16,958	-	16,958
Fixed Deposits	1,275,232	893,639	1,275,232	893,639
Other Assets	52,933	45,380	52,933	45,380
Total Plan Assets	5,284,270	4,618,155	5,284,270	4,618,155

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.

13.(d). Principal Actuarial Assumptions

The principal actuarial assumptions used in determining the gratuity benefit obligation for the Group's plan assets are as follows:

	2020	2019
Future salary increases	10.00%	10.00%
Discount rate	10.23%	12.00%
Expected rate of return on plan assets	10.23%	12.00%
Retirement Age	55 Yrs	55 Yrs
Attrition Rate	1%	1%
Mortality Table	IALM2006-08	IALM2006-08

13.(e). Changes in the defined benefit obligation and fair value of plant assets

Group/ Company

	As at 01 January	Service cost	Amounts charged to Profit or Loss				Remeasurement gains/(Losses) in other comprehensive income					
			Net interest	Sub total included in profit or loss	Benefit paid	Return on plan assets (Excluding amounts included in net interest expenses)	Actuarial changes arising from changes in demographic assumptions	Actuarial changes arising from changes in financial assumptions	Experience adjustments	Actuarial Gains/(Losses)	Contribution by employers	As at 31 December
2020	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000
Defined Benefit Obligation	(1,237,202)	(54,945)	(126,566)	(181,511)	62,105	-	-	(163,317)	110,521	(52,796)		(1,409,404)
Fair value of plan assets	4,618,155	-	-	-	(62,105)	472,437	-	-	(371,325)	(371,325)	627,108	5,284,270
Benefit assets/ (Liability)	3,380,953	(54,945)	(126,566)	(181,511)	-	472,437	-	(163,317)	(260,804)	(424,121)	627,108	3,874,866

	As at 01 January	Service cost	Amounts charged to Profit or Loss				Remeasurement gains/(Losses) in other comprehensive income					
			Net interest	Sub total included in profit or loss	Benefit paid	Return on plan assets (Excluding amounts included in net interest expenses)	Actuarial changes arising from changes in demographic assumptions	Actuarial changes arising from changes in financial assumptions	Experience adjustments	Actuarial Gains/(Losses)	Contribution by employers	As at 31 December
2019	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000
Defined Benefit Obligation	(1,034,001)	(42,718)	(124,080)	(166,798)	82,321	-	-	(107,982)	(10,742)	(118,724)		(1,237,202)
Fair value of plan assets	4,343,723	-	-	-	(82,321)	521,247	-	-	(791,216)	(791,216)	626,722	4,618,155
Benefit assets/ (Liability)	3,309,722	(42,718)	(124,080)	(166,798)	-	521,247	-	(107,982)	(801,958)	(909,940)	626,722	3,380,953

Gratuity benefit asset has been in excess of the Gratuity benefit liability due to share investment which has share appreciation annually.

13.(f). A quantitative sensitivity analysis for significant assumptions as at 31 December 2020 is shown below:

Sensitivity level	Discount Rate		Rate of Future salary increase rate		Rate of Employee Turnover	
	Increase	Decrease	Increase	Decrease	Increase	Decrease
	1%	1%	1%	1%	1%	1%
Impact on defined benefit obligation (Rs. Mn) 2020	(79,785)	91,507	88,879	(79,114)	(10,940)	12,200
Impact on defined benefit obligation (Rs. Mn) 2019	(63,867)	72,528	71,992	(64,543)	798	(912)

13.(g). Following payments are expected contributions to the defined benefit plan obligation in the future years

	2020	2019
	Rs.'000	Rs.'000
Within the next 12 Months	425,818	352,461
2nd Following Year	32,848	80,224
3rd Following Year	96,072	74,479
4th Following Year	116,996	101,245
5th Following Year	125,727	123,232
Between 5 and 10 Years	552,580	614,181

14. Pension Benefit Obligation

The Company 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.

As at 31 December 2020, and as at the end of the comparative period the pension liability was actuarially valued under the Projected Unit Credit (PUC) method by Consultant Actuary K A Pandit, as required by Sri Lanka Accounting Standard (LKAS) 19 - 'Employee Benefits'.

Pension benefit obligation is valued by K A Pandit Actuarial Valuers.

According to LKAS 19 - *Employee Benefits*, the re-measurements of the net defined benefit liability, assets, which comprise actuarial gains and losses are recognised in Other Comprehensive Income.

14.(a). Change in the defined benefit obligation and fair value of the plan asset

Pension benefit asset has been excess over the Pension benefit liability due to share investment which has share appreciation annually.

Group/ Company

2020	Amount Charged to Profit or Loss							Remeasurement gains/(losses) in other comprehensive income						
	As at 01 January	Current Service cost	Interest cost on benefit obligation	Sub total included in Profit/Loss	Benefit paid	Return on plan assets (excluding amounts in net interest expenses)	Past service costs recognised	Recognised in Income Statement Note	Actuarial changes arising from changes in demographic assumptions	Actuarial changes arising from changes in financial assumptions	Experience adjustments	Actuarial Gains/(Losses)	Contributions by employer	As at 31 December
Defined benefit Obligation	(724,805)	(178)	(60,551)	(60,729)	4,768	-	-	(55,961)	-	(45)	6,674	6,629	-	(774,136)
Fair value of plan assets	1,224,658	-	-	-	(4,768)	125,282	-	120,514	-	-	(102,239)	(102,239)	44,793	1,287,726
Total recognised benefit (liability) / Asset	499,853	(178)	(60,551)	(60,729)	-	125,282	-	64,554	-	(45)	(95,565)	(95,610)	44,793	513,590

	Amount Charged to Profit or Loss							Remeasurement gains/(losses) in other comprehensive income						
	As at 01 January	Current Service cost	Interest cost on benefit obligation	Sub total Included in Profit/Loss	Benefit paid	Return on plan assets (excluding amounts in net interest expenses)	Past service costs recognised	Recognised in Income Statement Note	Actuarial changes arising from changes in demographic assumptions	Actuarial changes arising from changes in financial assumptions	Experience adjustments	Actuarial Gains/(Losses)	Contributions by employer	As at 31 December
2019														
Defined benefit Obligation	(671,856)	(161)	(56,178)	(56,340)	4,768	-	-	(51,571)	-	(36)	(1,341)	(1,377)	-	(724,805)
Fair value of plan assets	1,178,057	-	-	-	(4,768)	141,838	-	137,070	-	-	(138,276)	(138,276)	47,808	1,224,658
Total recognised benefit (liability) / Asset	506,201	(161)	(56,178)	(56,340)	-	141,838	-	85,498	-	(36)	(139,617)	(139,653)	47,808	499,853

14.(b). Distribution of Plan Asset

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

As at 31 December	Group		Company	
	2020	2019	2020	2019
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Investment in shares	700,088	643,541	700,088	643,541
Other Assets	587,636	581,116	587,636	581,116
Total Plan Assets	1,287,725	1,224,656	1,287,725	1,224,656

Plan Assets include investment in equity shares of Ceylinco Insurance PLC , market value amounting to Rs. 700,088,000 /- at the Reporting date. (2019 - Rs. 643,540,895 /-)

14.(c). Principal Actuarial Assumptions

The principal assumptions used in determining pension and post-employment medical benefit obligations for the Company's plans are shown below:

	2020	2019
Discount rate	10.23%	12.04%
Rate of return on Plan Assets	10.23%	12.04%
Salary Escalation rate	10%	10%
Attrition rate	1% p.a	1% p.a
Retirement age	55Yrs	55Yrs
Mortality Table	IALM2006-08	IALM2006-08

A quantitative sensitivity analysis for significant assumption as at 31 December 2020 as shown below

Sensitivity level	Discount Rate (Obligation @ Discount Rate : 10.23%)	
	Increase	Decrease
	1%	1%
Impact on defined benefit obligation (Rs. Mn) 2020	(20,894)	22,247
Impact on defined benefit obligation (Rs. Mn) 2019	(20,449)	21,729

15. Reinsurance Receivables

ACCOUNTING POLICY

Reinsurance receivables consist of short term balances due from reinsurers that are dependent on the expected claims and benefits arising under the related reinsured insurance contracts. Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision or settled claims associated with the reinsurer's policies and are in accordance with the related reinsurance contract. Reinsurance is recorded gross in the Statement of Financial Position unless a right to offset exists.

Impairment

Reinsurance assets are reviewed for impairment at each Reporting date or more frequently when an indication of impairment arises during the reporting year. Impairment occurs when there is objective evidence as a result of an event that occurred after initial recognition of the reinsurance asset that the Group/Company may not receive all outstanding amounts due under the terms of the contract and the event has a reliably measurable impact on the amounts that the Group/Company will receive from the reinsurer. The impairment loss is recorded in the Income Statement.

Derecognition

Reinsurance assets are de-recognised when the contractual rights are extinguished or expired or when the contract is transferred to another party.

	Group		Company	
	2020	2019	2020	2019
	Rs:'000	Rs:'000	Rs:'000	Rs:'000
Reinsurance Receivable - Swiss Re	76,890	129,199	76,890	129,199
Reinsurance Receivable - Munich Re	105,939	119,517	105,939	119,517
Reinsurance Receivable - RGA	97,180	24,693	97,180	24,693
Total Reinsurance Receivables	280,009	273,408	280,009	273,408

The carrying amounts disclosed above is in respect of the reinsurance of insurance contracts approximate fair value at the reporting date.

15.(a). The age analysis of the reinsurance receivable

	Group		Company	
	2020	2019	2020	2019
	Rs:'000	Rs:'000	Rs:'000	Rs:'000
Up to 90 Days	74,147	71,523	74,147	71,523
91-180 Days	64,273	46,653	64,273	46,653
181- 365 Days	85,835	93,109	85,835	93,109
More than 365 Days	55,754	62,123	55,754	62,123
Total	280,009	273,408	280,009	273,408

15.(b). Fair Value Measurement

The carrying value of reinsurance receivables approximate the fair value at the reporting date.

15.(c). Impairment Losses on Reinsurance Receivables

The Company has assessed potential impairment loss of reinsurance receivables as at 31st December 2020 and the Company does not identify any objective evidences which require an impairment to its reinsurance receivable due to the economic implication of COVID-19. Based on the assessment, no impairment provision is required to be made in the Financial Statements as at the reporting date.

16. Taxation

ACCOUNTING POLICY

Income Tax Expense

Income tax expense comprises current and deferred tax. It is recognised in the Income Statement except to the extent that it relates to a business combination, or items recognised directly in equity or in OCI.

(i) Current Tax

Current tax is the expected tax payable or receivable on the taxable income or loss 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 amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date.

The Company is liable to pay income tax in accordance with the provisions of the Inland Revenue Act, No.24 of 2017 and subsequent amendments thereto. Applicable income rates as per the act are stipulated as follows:

1. Surplus distributed to shareholders from Life Insurance business as certified by appointed actuary @ 28%
2. Investment Income of Shareholder fund less any expenses incurred in the production of such income @ 28%
3. Bonus Distributed to policyholders @ 14%

Ceylinco Health Care Services Limited is taxable under concessionary rates at 14% on its business income and under 28% on its investment income.

(ii) Deferred Tax

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and amounts used for taxation purposes. Deferred tax is not recognized for:

- ⊙ Temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- ⊙ Temporary differences related to investments in subsidiaries, associates and jointly-controlled entities to the extent that the Group/Company is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and

The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Group/Company expects, at the end of the Reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

Deferred tax assets are recognized for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognized 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 utilized, except:

- ⊙ When 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, equity accounted investee and interests in joint ventures, deferred tax assets are recognized 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 utilized.

The carrying amount of deferred tax assets is reviewed at each Reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

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

Deferred tax items are recognized in correlation to the underlying transaction either in Other Comprehensive Income or directly in equity.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, would be recognized subsequently if new information about facts and circumstances changed.

Uncertainties exist with respect to the interpretation of complex tax regulation, changes in tax laws and the amount and timing of future taxable income. Given the long term nature and the complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded. The Group establish provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority.

Significant Judgment

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits, together with future tax planning strategies.

Transfer pricing

As prescribed in Inland Revenue Act No. 24 of 2017 and gazette notification on transfer pricing Group and Company have complied with the arm's length principles relating to transfer pricing.

Withholding Tax on Dividends

Withholding tax that arises from the distribution of dividends by the Company is recognized at the time the liability to pay the related dividend is recognized. Deducting WHT on dividend has been removed by Department of Inland Revenue with effective from 01.01.2020.

16.(a). Movement of Tax Receivable

	Group		Company	
	2020	2019	2020	2019
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
At 1 January	12,541	261,503	-	244,051
Amounts recorded in the Income Statement	(1,789,307)	(1,496,163)	(1,786,883)	(1,496,163)
Tax Payable Recognized	1,196,888	521,640	1,199,489	526,667
Notional Tax/ WHT recognized	587,393	818,301	587,393	812,413
Payments made on-account during the year	-	(5,772)	-	-
Tax on Dividend Distribution	-	(86,968)	-	(86,968)
At 31 December	7,515	12,541	-	-

16.(b). Details of Tax Receivables

	Group		Company	
	2020	2019	2020	2019
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Income Tax Paid In Advance	2,603	-	-	-
WHT Receivable	3,773	9,696	-	-
ESC Receivable	1,139	2,846	-	-
At 31 December	7,515	12,541	-	-

16.(c). Deferred Tax Assets- Group

	Consolidated Other Comprehensive Income Statement		Consolidated Income Statement		Consolidated Statement of Financial Position	
	2020	2019	2020	2019	2020	2019
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Losses carried forward	-	(357)	6,749	-	1,991	8,740
Temporary Difference from Retirement Benefit Liability - Gratuity	9	317	1,703	-	(304)	1,408
Temporary Difference from Property Plant and Equipment	-	-	(37,552)	18,671	(53,768)	(91,320)
Temporary Difference from Investment Properties	-	-	26,890	30,250	(57,140)	(30,250)
Revaluation reserve	64,218	78,213	-	-	(142,431)	(78,213)
Available for sale financial assets	35,334	4,468	-	-	(39,802)	(4,468)
Deferred Tax on Share of profit of Associate	-	-	97,023	46,607	(435,085)	(338,062)
Deferred Tax Expense/(Income)	99,561	82,641	94,813	95,528	-	-
Deferred Tax Liability	-	-	-	-	(726,540)	(532,165)

Total Deferred Tax Liability

	Group	
	2020	2019
	Rs.'000	Rs.'000
At 1 January	532,165	353,996
Amounts recorded in the income statement	(2,210)	48,921
Amounts recorded in other comprehensive income	99,561	82,641
Deferred Tax on Share of profit of Associate	97,023	46,607
At 31 December	(726,540)	532,165

16.(d). Deferred Tax Asset- Company

	Other Comprehensive Income Statement		Income Statement		Statement of Financial Position	
	2020	2019	2020	2019	2020	2019
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Temporary Difference from Property Plant and Equipment	-	-	18,619	13,855	(32,474)	(13,855)
Temporary Difference from Investment Properties	-	-	26,890	30,250	(57,140)	(30,250)
Revaluation Reserve	64,218	78,213	-	-	(142,431)	(78,213)
Available for sale financial assets	35,334	4,468	-	-	(39,802)	(4,468)
Deferred Tax Expense/(Income)	99,552	82,681	45,509	44,105	-	-
Deferred Tax Liabilities	-	-	-	-	(271,847)	(126,786)

Total Deferred Tax Assets/Liability

	Company	
	2020	2019
	Rs:'000	Rs:'000
At 1 January	126,787	-
Amounts recorded in the Income Statement	45,509	44,105
Amounts recorded in Other Comprehensive Income	99,552	82,681
At 31 December	271,847	126,786

Subsequent Changes in Income Tax Rates

As per the notice (PN/IT/2020-03) issued by Inland Revenue Department on 18th February 2020 (revised on 08th April 2020) "Implementation of proposed changes to the Inland Revenue Act No. 24 of 2017"; the income tax rates of companies will be reduced from 28% to 24% with effect from 1st January 2020. However, the proposed amendments are yet to formally approve in the Parliament. Accordingly, no adjustments have been made in the Financial Statements as at the reporting date. However, resulting financial impact of this amendment is amounting Rs 30.6 Mn as a reduction to the Group deferred tax liability.

17. Loans to Policy Holders**ACCOUNTING POLICY**

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.

17.(a). Movement of Policy Loans

	Group		Company	
	2020	2019	2020	2019
	Rs:'000	Rs:'000	Rs:'000	Rs:'000
Balance as of 1 January	1,335,469	1,190,274	1,335,469	1,190,274
Loans Granted During the Period	1,163,021	1,414,928	1,163,021	1,414,928
Repayment During the Period	(1,215,765)	(1,269,733)	(1,215,765)	(1,269,733)
Total Policy Holder Loans as at 31 December	1,282,725	1,335,469	1,282,725	1,335,469

17.(b). 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.(c). Concentration risk of loans to life policyholders

There is lower concentration of credit risk with respect to policyholders, as the company 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 Company has a first lien on all policies which are subject to policy loans. This mitigates the Company's credit exposure on Policy Loans.

17.(d). Impairment of loans to life policyholders

The Group has assessed the potential impairment loss of Loans to Life Policyholders as at 31st December 2020 considering economic implication of COVID-19 pandemic. 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.(e). Number of Policy Loans

Number of policy loans due as at 31 December 2020 was 33,841 (2019 - 35,948).

17.(f). Collateral Details

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

18. Premium Receivables

ACCOUNTING POLICY

Premium receivables are recognised when due and measured on initial recognition at the fair value of the consideration 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 de-recognised when the de-recognition criteria for financial assets have been satisfied.

As at 31 December	Group		Company	
	2020	2019	2020	2019
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Premium Receivables	288,720	275,881	288,720	275,881
Total	288,720	275,881	288,720	275,881

18.(a). Premium Receivables from Related Parties

There is no premium receivables from related parties as at the reporting date.

18.(b). Fair value of Premium Receivable

The carrying value of premium receivable approximates Fair Value at the reporting date.

18.(c) Concentration Risk of Premium Receivable

There is lower concentration of credit risk with respect to premium receivables, as the company has a large number of dispersed receivables.

18.(d). Impairment of Premium Receivable

The Group has assessed the potential impairment loss of Premium Receivables as at 31st December 2020 considering economic implication of COVID-19 pandemic. Based on the assessment, no impairment provision is required to be made in the Financial Statements as at the reporting date in respect of Premium Receivables.

18.(e). Collateral Details

The company does not hold any collateral as security against potential default by policyholders.

19. Other Assets

ACCOUNTING POLICY - 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 of the inventories include all expenses incurred in bringing inventories to the present location and condition.

As at 31 December	Group		Company	
	2020	2019	2020	2019
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Advances, Deposits & Prepayments	432,430	189,768	149,857	161,079
Inventories	24,227	15,365	21,739	12,957
Deferred staff benefits	72,317	92,113	72,317	92,113
	528,975	297,247	243,914	266,149

Having evaluated the nature of the inventories held by the Group, the Group has assessed whether there is any impact to net realizable value of the inventories due to implications of the COVID-19 and assessed whether it was required to adjust the carrying value of the inventory. The Group has not identified any circumstances where adjustments are required to reduce the carrying value of the inventories.

20. Cash and Cash Equivalents

ACCOUNTING POLICY

Cash and cash equivalents comprise cash in hand and cash at bank. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the Statement of Cash Flows.

As at 31 December	Group		Company	
	2020	2019	2020	2019
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Cash in hand and at Bank	769,939	528,149	768,553	510,436
Bank Overdraft	(531,849)	(427,639)	(497,141)	(416,770)
Total Cash and Cash Equivalents	238,089	100,510	271,411	93,667

20.(a). Cash Pledged as Security for Liabilities

The company has obtained a Bank Guarantee facility from Seylan Bank PLC and National Development Bank PLC, being the 25% of sum assessed by the Commissioner General of Inland Revenue.

21. Equity

As at 31 December	Page No	Note	Group		Company	
			2020	2019	2020	2019
			Rs.'000	Rs.'000	Rs.'000	Rs.'000
Ordinary Shares - Voting	238	21.(a)	500,001	500,001	500,001	500,001
Other Reserves	238	21.(b)	40,480,812	33,143,257	37,645,035	30,992,078
			40,980,812	33,643,258	38,145,035	31,492,079

21.(a). Ordinary Shares - Voting (Stated Capital)

ACCOUNTING POLICY

Ordinary Shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognized as a deduction from equity, net of any tax effects.

As at 31 December	Group		Company	
	2020	2019	2020	2019
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
50,000,050 Ordinary Shares Voting	500,001	500,001	500,001	500,001

All issued shares are fully paid. There is one class of ordinary shares. All shares issued carry equal voting rights. 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 annual general meeting of the Company.

21.(b). Other Reserves

As at 31 December	Page No	Note	Group		Company	
			2020	2019	2020	2019
			Rs.'000	Rs.'000	Rs.'000	Rs.'000
Retained Earnings	239	21.(c)	28,984,774	22,012,313	26,408,326	19,993,932
Available for Sale Reserve	239	21.(d)	102,622	802	102,622	802
Revaluation Reserve	239	21.(e)	625,581	362,308	366,251	229,508
Restricted Regulatory Reserve	239	21.(g)	3,456,184	3,456,184	3,456,184	3,456,184
Special Reserve	239	21.(f)	7,311,651	7,311,651	7,311,651	7,311,651
Total			40,480,812	33,143,257	37,645,035	30,992,078

21.(c). Retained Earnings

As at 31 December	Group		Company	
	2020	2019	2020	2019
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Balance as at 1 January	22,012,313	16,731,978	19,993,934	15,057,036
Profit for the Period	7,499,475	6,979,436	6,934,121	6,671,670
Other Comprehensive Income for the period	(529,134)	(1,015,734)	(519,729)	(1,049,593)
Dividend Paid Equity Holder for Current Year	-	(670,001)	-	(670,001)
Adjustment due to Recognition of right to use assets	2,462	(13,366)	-	(15,178)
Associate's Changes in Equity	(332)	-	-	-
Total	28,984,774	22,012,314	26,408,326	19,993,932

21.(d). Available for Sale Reserve

As at 31 December	Group		Company	
	2020	2019	2020	2019
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Balance as at 1 January	802	212	802	212
Other Comprehensive Income for the period	672,313	(32,520)	672,313	(32,520)
Transferred to Long Term Insurance Fund	(570,492)	33,109	(570,492)	33,109
Total	102,622	802	102,622	802

The Available for Sale reserves comprises the cumulative net change in the fair value of Available for Sale financial instrument held by the Group and the Company as at 31 December 2020.

21.(e). Revaluation Reserve

As at 31 December	Group		Company	
	2020	2019	2020	2019
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Balance as at 1 January	362,308	233,301	229,508	100,501
Other Comprehensive Income for the period	621,503	1,115,300	494,973	1,115,300
Transferred to Long Term Insurance Fund	(358,230)	(986,294)	(358,230)	(986,294)
Total	625,581	362,308	366,251	229,508

The Revaluation Reserve relates to the gain of revaluation of property, plant and equipments recognised in Equity through OCI.

21.(f). Special Reserve

As at 31 December	Group		Company	
	2020	2019	2020	2019
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Special Reserve	7,311,651	7,311,651	7,311,651	7,311,651
Total	7,311,651	7,311,651	7,311,651	7,311,651

The special reserve represents the value (net book value) of net assets transferred from Ceylinco Insurance PLC on 1 June 2015 as a result of the segregation.

21.(g). Restricted Regulatory Reserve

As at 31 December	Group		Company	
	2020	2019	2020	2019
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Restricted Regulatory Reserve	3,456,184	3,456,184	3,456,184	3,456,184
Total	3,456,184	3,456,184	3,456,184	3,456,184

Restricted Regulatory reserve was created as a 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 Direction 16 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 Shareholders' Fund will remain invested in assets in below note as per directions of IRCSL.

One-off surplus of participating business amounting 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, held to support the Restricted Regulatory Reserves (One-off Surplus for other than participating business) as at 31 December 2020 are disclosed below at their market values:

Assets	Market Value (Rs. 000)	Market Value (Rs. 000)
Government Debt Securities		1,519,172
Deposits with licensed commercial banks		
a) National Development Bank PLC	743,251	
b) Sampath Bank PLC	1,402,017	2,145,268
Total		3,664,440

22. Insurance Contract Liabilities

ACCOUNTING POLICY

(a) Classification of Insurance Contracts

SLFRS 4 requires contracts written by insurers to be classified as either 'insurance contracts' or 'investment contracts' depending on the level of insurance risk transferred.

Insurance contracts are contracts under which one party (the Insurer) accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder. The classification of contracts identifies both, the insurance contracts that the Company issues and reinsurance contracts that the Company holds.

Investment contracts are those contracts that transfer significant financial risk and no significant insurance risk. Financial risk is the risk of a possible future change in one or more of a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of price or rates, credit rating or credit index or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract.

Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its lifetime, even if the insurance risk reduces significantly during this period, unless all rights and obligations are extinguished or expired. Investment contracts can, however, be reclassified as insurance contracts after inception, if insurance risk becomes significant. Insurance and investment contracts are further classified as being either with or without discretionary participating features (DPF).

(b) 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.

(c) Unit-Linked Contracts

Unit-Linked contracts are those contracts that do not meet the definition of insurance or investment contracts with discretionary participating features. For these Unit-Linked contracts, the liabilities are valued at current unit value, i.e., on the basis of the fair value of the financial investments backing those contracts at the reporting date together with rights to future management fees.

(d) Life Insurance Contract Liabilities

These liabilities are calculated as the total of best estimate liability and a risk margin for adverse deviation. The best estimate liabilities are measured by using the gross premium method. The liability is determined as the sum of the discounted value of the expected future benefits, claims handling and policy administration expenses, policyholder options and guarantees, investment income from assets backing such liabilities and investment management expenses, which are directly related to the contract, less the discounted value of the expected premiums that would be required to meet the future cash outflows, based on the valuation assumptions used, charges and fees. Adjustments to the liabilities at each Reporting date are recorded in the Income Statement in 'Increase in life insurance contract liabilities'.

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

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

22.(a). Liability Adequacy Test (LAT)

At each Reporting date, an assessment is made of whether the recognised life insurance liabilities are adequate by using an existing liability adequacy test as laid out under SLFRS 4. The liability value is adjusted to the extent that it is sufficient to meet future benefits and expenses. In performing the adequacy test, current best estimates of future contractual cash flows, including related cash flows such as claims handling and policy administration expenses, policyholder options and guarantees, as well as investment income from assets backing such liabilities, are used. A number of valuation methods are applied, including discounted cash flows to the extent that the test involves discounting of cash flows, the interest rate applied based on management's prudent expectation of current market interest rates. Any deficiency shall be recognised in the Income Statement by setting up a provision for liability adequacy.

As at 31 December			Group		Company	
	Page		2020	2019	2020	2019
	No	Note	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Insurance Contract Liability - Long Term	242	22.(b)	106,739,757	96,206,469	106,737,377	96,204,089
Insurance Contract Liability - Unit Linked			329,257	328,869	329,257	328,869
Insurance Contract Liability - Takaful			14,698	18,869	14,698	18,869
Individual Investment Fund (ISF)			313,434	235,187	313,434	235,187
Total Insurance Contract Liabilities			107,397,146	96,789,394	107,394,766	96,787,014

The Company's actuaries have performed Liability Adequacy Test in accordance with SLFRS -4 Insurance Contracts requirements.

The valuation of the Life Insurance business as at 31 December 2020 was carried out by our Consulting Actuary, Mr Vivek Jalan, FIA, on behalf of Willis Towers Watson. In the opinion of the Consulting Actuary, proper reserves have been provided for all known liabilities in respect of the Life Insurance business and the Company has adequate financial resources to cover its capital requirements in accordance with the Solvency Margin (risk-based capital) Rules 2015 dated 15th December 2015.

Following the actuarial valuation as at 31 December 2020 the Consulting Actuary has approved a transfer of Rs. 4.1 Bn (2019 - Rs.3.9 Bn) from the Life Fund to the Shareholder's Retained Profit Account.

The Company's Capital Adequacy Ratio (CAR) as at 31 December 2020 is 424% (2019- 347%) and is well above the minimum requirement of 120%.

Impact from Covid-19

During 2020, due to COVID-19, there has been one death claim of amount Rs. 0.49 million and 137 hospitalisation claims of total amount Rs. 3.13 million reported to the Company. These claims are not observed to be material and the impacts of these claims are already reflected within the Statement of Financial Position as at 31 December 2020.

Further, SLFRS 4 requires an insurer to assess whether its recognized insurance liabilities are adequate at the end of each reporting period. Observed impact of COVID-19 pandemic was considered for the Liability Adequacy Test performed as at 31 December 2020 and the same was conducted to reflect most probable estimates of assumptions (with some degree of prudence) and using professional judgment liaising with company's appointed Actuaries (Willis Towers Watson India Private Limited). As at the reporting date, liability adequacy test was performed by the appointed Actuary Mr. Vivek Jalan FIA, FIAI of Willis Towers Watson India Private Limited, and concluded that the liability value has been determined on a "going concern" basis and assumes a continuation of current economic, regulatory and legal environment prevailing in Sri Lanka; and are considered sufficient to meet future benefits and expenses under what is believed to be a view of the "most probable" future experience.

Effect of taxation on Surplus/Bonus Transferred to Policyholders

According to the Section 67 (2) of new Inland Revenue Act No. 24 of 2017 which is effective from 1st April 2018, the surplus distributed to the Life Policyholders shall be deemed as gains and profit from the life insurance business and will be taxed at concessionary rate of 14% for three years of assessments commencing from 01 April 2018. Company declared and paid a bonus of Rs. 485.9 Mn (2019 - Rs. 143.9 Mn) to Life Policyholders participating in the profits of the Life Insurance Business. The Company has charged a tax of Rs. 68 Mn (2019-Rs. 20.1 Mn) on the said bonus which is payable to the Department of Inland Revenue as of the reporting date.

Key Assumption

Key Assumptions used for liability adequacy test of life insurance contracts liabilities are discussed under note 22.(a) in page 241.

22.(b). Life Insurance Contract Liabilities

The following tables shows the concentration of life insurance contract liabilities by type of contracts.

	Insurance Contract Liabilities with DPF	Insurance Contract Liabilities without DPF	Total Gross Insurance Contract Liabilities
	Rs.'000	Rs.'000	Rs.'000
At 1 January 2020	57,712,485	38,491,604	96,204,088
Gross Premium Income	6,052,857	16,023,394	22,076,250
Net Reinsurance Cost	(3,234)	(502,229)	(505,463)
Liabilities paid for death, maturities, surrenders, benefits and claims	(5,564,143)	(6,702,369)	(12,266,513)
Investment return	6,827,355	5,328,620	12,155,975
Other operating and Admin Expenses Including Income Tax	(2,371,507)	(3,440,255)	(5,811,762)
Underwriting and net Acquisition Cost	(624,962)	(1,498,683)	(2,123,644)
Net Transfer to Shareholder	(200,849)	(3,900,000)	(4,100,849)
Increase in Pension Saver Fund	-	180,573	180,573
Reevaluation Reserve and AFS Reserve Transferred to Life Fund	656,449	272,273	928,721
At 31 December 2020	62,484,449	44,252,927	106,737,377

	Insurance Contract Liabilities with DPF Rs.'000	Insurance Contract Liabilities without DPF Rs.'000	Total Gross Insurance Contract Liabilities Rs.'000
At 1 January 2019	51,879,174	36,170,028	88,049,201
Gross Premium Income	6,386,674	12,331,879	18,718,553
Premiums ceded to reinsurers	(20,692)	(529,430)	(550,122)
Liabilities paid for death, maturities, surrenders, benefits and claims	(4,694,784)	(5,909,282)	(10,604,066)
Investment return	6,363,491	4,376,171	10,739,662
Reinsurance commission income	6,125	110,517	116,642
Other operating and Admin Expenses Including Income Tax	(2,252,105)	(3,115,961)	(5,368,067)
Underwriting and net Acquisition Cost	(727,011)	(1,235,780)	(1,962,792)
Net Transfer to Shareholder	(186,979)	(3,713,021)	(3,900,000)
Increase in Pension Saver Fund	-	11,891	11,891
Reevaluation Reserve and AFS Reserve Transferred to Life Fund	958,592	(5,408)	953,184
At 31 December 2019	57,712,485	38,491,604	96,204,089

23. Financial liabilities

ACCOUNTING POLICY

(i) Initial Recognition and Measurement

Financial liabilities within the scope of LKAS 39 are classified as Financial Liabilities at Fair Value through Profit or Loss, loans and borrowings as appropriate. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognized initially at fair value plus, in the case of loans and borrowings, directly attributable transaction costs. The Group's financial liabilities include trade and other payables, bank overdrafts, loans and borrowing and amounts due to equity accounted investees.

(ii) Subsequent Measurement

The measurement of financial liabilities depends on their classification as described below:

(a) Financial Liabilities at Fair Value Through Profit or Loss

Financial liabilities at Fair Value through Profit or Loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at Fair Value through Profit or Loss. Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. Gains or losses on liabilities held for trading are recognized in the Income Statement.

Financial liabilities designated upon initial recognition at Fair Value through Profit and Loss are so designated at the initial date of recognition, if and only if the criteria of LKAS 39 are satisfied.

(b) Loans and Borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in the Income Statement when the liabilities are derecognized as well as through the EIR amortization process. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included in finance costs in the Income Statement.

(iii) De-recognition of Financial Liabilities

A financial liability is de-recognized when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the de-recognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the Income Statement.

(iv) Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount is reported in the Consolidated Statement of Financial Position if, and only if, there is a currently enforceable legal right to offset de-recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

23.(a). Interest Bearing and Borrowings

	Group		Company	
	2020	2019	2020	2019
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
As at 1 January	-	120,070	-	-
Addition During the Year	20,000	126,400	-	-
Settlement During the Year	-	(246,470)	-	-
As at 31 December	20,000	-	-	-

24. Reinsurance Payables**ACCOUNTING POLICY**

Reinsurance liabilities represent balances due to reinsurance companies. Amounts payable are estimated in a manner consistent with the related reinsurance contract. Reinsurance assets or liabilities are de-recognised when the contractual rights are extinguished or expired or when the contract is transferred to another party.

	Group		Company	
	2020	2019	2020	2019
As at 31 December	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Reinsurance payables - Swiss Re	148,011	319,992	148,011	319,992
Reinsurance payables - Munich Re	252,560	246,617	252,560	246,617
Reinsurance payables - RGA	77,169	37,284	77,169	37,284
	477,740	603,893	477,740	603,893

25. Trade and other payables**ACCOUNTING POLICY****(a) Insurance Payables**

Insurance payables are recognised when due and measured on initial recognition at the fair value of the consideration payable less directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost using the effective interest rate method.

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

(b) Provisions

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. When the Group expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the Income Statement net of any reimbursement.

As at 31 December			Group		Company	
	Page		2020	2019	2020	2019
	No	Note	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Policyholders payment in advance			863,553	654,058	863,553	654,058
Agency commission payable			404,714	371,126	404,714	371,126
Tax Payable	245	25.(b).l	856,092	526,667	856,092	526,667
Trade Creditors & Accrued Expenses			1,251,022	1,249,380	960,379	1,212,133
Unclaimed Death Benefit Payable			125,105	119,727	125,105	119,727
Unclaimed Other Benefits Payable			594,121	659,240	594,122	659,240
			4,094,608	3,580,197	3,803,966	3,542,950

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

All amounts are payable within one year.

25.(b).1. Tax Payable

As at 31 December			Group		Company	
	Page		2020	2019	2020	2019
	No	Note	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Income Tax Payable	245	25.(b).1.(a)	818,066	397,913	818,066	397,913
Other Taxes and Levies			38,027	128,753	38,027	128,753
			856,092	526,666	856,092	526,666

25.(b).1.(a). Movement of Income Tax Payable

As at 31 December			Group		Company	
			2020	2019	2020	2019
			Rs.'000	Rs.'000	Rs.'000	Rs.'000
As at January			397,913	-	397,913	-
Amounts recorded in the income statement			1,786,883	1,496,163	1,786,883	1,496,163
Notional Tax / WHT Recovered			(583,957)	(1,056,822)	(583,957)	(1,056,822)
Payments made on-account during the year			(789,208)	(41,428)	(789,208)	(41,428)
WHT Adjustment			6,434	-	6,434	-
As 31 December,			818,066	397,913	818,066	397,913

26. Net Premiums

26.(a). Gross Premiums

ACCOUNTING POLICY

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

For the Year Ended 31 December			Group		Company	
	Page		2020	2019	2020	2019
	No	Note	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Life insurance Premium	246	26.(b)	22,076,215	18,718,518	22,076,250	18,718,553
Gross Written Premiums			22,076,215	18,718,518	22,076,250	18,718,553

All product sold during the reporting period by the Company are insurance contracts and therefore, classified as Insurance Contracts as per SLFRS 4. The Company has not sold pure investment contracts for the Reporting Period.

26.(b). Life Insurance Premium

For the Year Ended 31 December	Group		Company	
	2020	2019	2020	2019
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
New Businesses Premium	4,868,611	4,256,370	4,868,611	4,256,370
Single Premium	2,967,291	2,104,212	2,967,291	2,104,212
Renewal Premium	12,151,212	11,453,231	12,151,247	11,453,266
Group Life Premium	2,089,102	904,705	2,089,102	904,705
Total	22,076,215	18,718,518	22,076,250	18,718,553

26.(c). Premiums Ceded to Reinsurers on Insurance Contracts**ACCOUNTING POLICY**

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

Reinsurance premiums are decided based on rates agreed with reinsurer and accounted an accrual basis.

For the Year Ended 31 December	Page	Note	Group		Company	
			2020	2019	2020	2019
	No	Note	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Life insurance	246	26.(d)	505,463	550,122	505,463	550,122
Premiums ceded to Reinsurers			505,463	550,122	505,463	550,122

26.(d). Premiums Ceded to Reinsurers

For the Year Ended 31 December	Group		Company	
	2020	2019	2020	2019
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Reinsurance Receivable - Swiss Re	268,764	319,813	268,764	319,813
Reinsurance Receivable - Munich Re	196,814	194,861	196,814	194,861
Reinsurance Receivable - RGA	39,885	35,448	39,885	35,448
Total	505,463	550,122	505,463	550,122

	2020	2019
26.(e) Annualised New Business Life Premium - Rs.	7,626,838,093	6,054,290,662

26.(f) Revenue From Subsidiaries

For the Year Ended 31 December	2020	2019
	Rs.'000	Rs.'000
Ceylinco Healthcare Services Limited		
Revenue from Treatments	272,840	296,443
Medical Tests	16,241	26,655
Registration Fees	517	547
Refunds (Packages and Test) and Discounts	(12,131)	(3,606)
	277,468	320,039
Serene Resorts		
Resident Income	7,168	3,360
Group Adjustments	(750)	(2,485)
Total Revenue from Subsidiaries	283,886	320,913

27. Fees and commission income

ACCOUNTING POLICY

Reinsurance Commission Income

Commission received or receivable in respect of premium paid or payable to a Reinsurer. Reinsurance commission income on outwards reinsurance contracts are recognised as revenue when receivable.

For the Year Ended 31 December	Group		Company	
	2020	2019	2020	2019
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Reinsurance commission income	90,798	116,642	90,798	116,642
Other fees	40,227	61,293	40,227	61,293
Total Fees and Commission Income	131,025	177,935	131,025	177,935

28. Investment Income

ACCOUNTING POLICY

Finance Income

Finance income comprises interest income on funds invested Interest income is recognised in the Income Statement as it accrues and is calculated by using the effective interest rate method (EIR). Fees and commissions that are an integral part of the effective yield of the financial asset or liability are recognised as an adjustment to the effective interest rate of the instrument.

Dividend Income

Dividend income is recognised when the Company's right to receive the payment is established.

Rental income

Rental income from property is recognised in the Income Statement on a straight line basis over the term of the lease.

Other Income

Other income comprises fees charged for policy administration services, and miscellaneous income.

28.(a). Investment Income

For the Year Ended 31st December	Group		Company	
	2020	2019	2020	2019
	Rs:'000	Rs:'000	Rs:'000	Rs:'000
Rental income from investment properties	75,579	76,642	81,609	78,742
Financial assets at fair value through profit or loss (held for trading purposes)				
Interest income	298,048	283,059	298,048	283,059
Held to maturity financial assets interest income	6,451,446	5,085,706	6,451,446	5,085,706
Available-for-sale financial assets				
Interest income	1,161,855	741,834	1,161,855	741,834
Dividend income	5,555	8,353	5,555	8,353
Loans and receivables interest income	5,539,439	6,464,108	5,467,143	6,416,712
Interest Income from Staff Loan	76,517	23,732	76,517	23,732
Investment income Excluding Dividend Income of Associate	13,608,440	12,683,434	13,542,174	12,638,138

Dividend Income from Associate

For the Year Ended 31 December	Group		Company	
	2020	2019	2020	2019
	Rs:'000	Rs:'000	Rs:'000	Rs:'000
Citizens Development Business Finance PLC	-	-	-	44,996
Total Investment Income	13,608,440	12,683,434	13,542,174	12,683,134

29. Realised Gains**ACCOUNTING POLICY**

Realised gains and losses recorded in the Income Statement include gains and losses from proprietary trading of financial assets and disposal of property, plant and equipment. Gains and losses on the sale of investments are calculated as the difference between net sales proceeds and the original or amortised cost and are recorded on occurrence of the sale transaction.

Gains and losses on disposal of property, plant and equipment are calculated as the difference between net sales proceeds and the carrying amount on the date of disposal.

For the Year Ended 31st December	Group		Company	
	2020	2019	2020	2019
	Rs:'000	Rs:'000	Rs:'000	Rs:'000
Property, Plant and equipment				
Realised gains	18,287	42,302	18,287	42,302
Available-for-sale financial assets				
Realised gains				
Debt securities	930,000	195,300	930,000	195,300
Realised losses				
Equity securities	-	-	-	-
Total realised gains for available-for-sale financial assets	930,000	195,300	930,000	195,300
Total Realised Gains	948,287	237,602	948,287	237,602

30. Fair value gains and losses

ACCOUNTING POLICY

Fair value gains and losses recorded in the Income Statement on investments include fair value gains and losses on financial assets at fair value through profit or loss, and on investment property.

For the Year Ended 31st December	Page	Notes	Group		Company	
			2020	2019	2020	2019
	No		Rs.'000	Rs.'000	Rs.'000	Rs.'000
Fair value gains on investment properties	208	9	132,369	61,000	247,269	166,000
Fair value gains on financial assets at fair value through profit or loss (held for trading purposes)			35,920	110,603	32,853	110,130
Total fair value gains and losses			168,289	171,603	280,122	276,130

31. Net benefits and claims

ACCOUNTING POLICY

Gross Benefits and Claims Expense

Gross benefits and claims for life insurance contracts include the cost of all claims arising during the year, including internal and external claims handling costs that are directly related to the processing and settlement of claims and policyholder bonuses. Death claims and surrenders are recorded on the basis of notifications received. Maturities, annuity payments and interim payments are recorded when due.

Reinsurance Claims Recoveries

Reinsurance claims are recognised when the related gross insurance claim is recognised according to the terms of the relevant contract.

For the Year Ended 31st December	Page	Notes	Group		Company	
			2020	2019	2020	2019
	No		Rs.'000	Rs.'000	Rs.'000	Rs.'000
31.(a). Gross benefits and claims paid	249	31.(d)	12,510,505	10,769,988	12,510,505	10,769,988
31.(b). Claims ceded to reinsurers	249	31.(d)	(243,992)	(165,923)	(243,992)	(165,923)
31.(c). Gross change in contract liabilities			9,423,994	7,189,811	9,423,994	7,189,811
Net benefits and claims			21,690,507	17,793,877	21,690,507	17,793,877
			21,690,507	17,793,877	21,690,507	17,793,877
Net benefits and claims			21,690,507	17,793,877	21,690,507	17,793,877

31.(d). Gross claims and benefits (Excluding Life fund increase)

For the Year Ended 31st December	Group		Company	
	2020	2019	2020	2019
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Claims - death, disability and hospitalisation	1,196,758	909,224	1,196,758	909,224
Policy Maturities	8,611,773	6,949,340	8,611,773	6,949,340
Interim payments on Anticipated Endowment plans	1,056,412	1,093,305	1,056,412	1,093,305
Surrenders	1,443,211	1,648,033	1,443,211	1,648,033
Encashment of bonus to policyholders				
Cash & Loyalty Bonus expenses	149,877	144,593	149,877	144,593
Annuities	52,473	25,492	52,473	25,492
Total	12,510,505	10,769,988	12,510,505	10,769,988
Share of Claim	(243,992)	(165,923)	(243,992)	(165,923)
Life Insurance Net Claims and Benefits	12,266,513	10,604,065	12,266,513	10,604,065

32. Acquisition costs**ACCOUNTING POLICY**

Commission expense is charged to the period in which it is 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.

For the Year Ended 31st December	Group		Company	
	2020	2019	2020	2019
	Rs:'000	Rs:'000	Rs:'000	Rs:'000
Fees and commission expenses	2,123,644	1,962,792	2,123,644	1,962,792
Total	2,123,644	1,962,792	2,123,644	1,962,792

33. Other Operating and Administrative Expenses**ACCOUNTING POLICY****Expenditure Recognition**

Expenses are recognised in the Income Statement on the basis of a direct association between the cost incurred and the earning of specific items of income. All expenditure incurred in the running of the business and in maintaining the property, plant and equipment in a state of efficiency has been charged to the Income Statement.

For the Year Ended 31st December	Page	Notes	Group		Company	
			2020	2019	2020	2019
	No		Rs:'000	Rs:'000	Rs:'000	Rs:'000
Amortisation of intangible assets	194	6	86,129	59,807	86,082	59,780
Depreciation on property and equipment	197	7	330,598	283,537	258,478	208,480
Amortization on Right-to use Assets	206	8.(a)	80,469	69,198	80,469	69,198
Other Operating Expenses			1,158,955	1,132,894	1,146,547	1,114,666
Auditors' remuneration	251	33.(b)	6,397	10,994	6,063	10,914
Employee benefits expense	250	33.(a)	1,643,785	1,598,359	1,586,632	1,539,117
Selling expenses			658,897	543,553	648,687	531,758
Legal Expenses			10,401	16,296	10,371	16,296
Total other operating and administrative expenses			3,972,729	3,714,637	3,823,330	3,550,209

33.(a). Employee Benefits Expense

For the Year Ended 31st December	Group		Company	
	2020	2019	2020	2019
	Rs:'000	Rs:'000	Rs:'000	Rs:'000
Wages and salaries including bonus & incentives	1,748,576	1,770,678	1,700,578	1,720,901
Employees' Provident Fund 12%	114,915	115,719	109,857	110,220
Employees' Trust Fund 3%	28,729	28,679	27,464	27,555
Defined gratuity benefit & Pension costs	(288,348)	(351,607)	(290,926)	(354,449)
Other staff related cost	39,912	34,890	39,659	34,890
Total employee benefits expense	1,643,785	1,598,359	1,586,632	1,539,117

33.(b). Auditor's Fee and Expenses

For the Year Ended 31st December	Group		Company	
	2020	2019	2020	2019
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Audit Fees	6,397	10,994	6,063	10,914
Total	6,397	10,994	6,063	10,914

33.(c). Other Operating Expenses In Respect of Investment Properties

The operating expenses incurred in respect of investment property which does not earn rental income is Rs.198,000/- (2019 - Rs. 4,619,000/-) and incurred in respect of investment property which earns rental income is Rs. 5,726,000/- (2019 - Rs. 1,746,000/-).

33.(d). Defined gratuity benefit & Pension costs

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.

34. Finance Costs

ACCOUNTING POLICY

Finance cost mainly includes the charges on financial services provided by financial institutions, particularly bank charges, commission paid for premium collection and lease interest expense.

For the Year Ended 31st December	Group		Company	
	2020	2019	2020	2019
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Interest expense	80,557	42,316	78,995	42,170
Total Finance Cost	80,557	42,316	78,995	42,170

35. Income tax expense

ACCOUNTING POLICY

Income tax expense comprises current and deferred tax. Refer Accounting Policy under Taxation Note 35 in Page 251.

The major components of income tax expense for the years ended 31 December 2020 and 2019 are:

35.(a). Current Year Tax Charge

	Page No	Note	Group		Company	
			2020	2019	2020	2019
			Rs.'000	Rs.'000	Rs.'000	Rs.'000
Current tax						
Income tax	252	35.(c)	1,848,953	1,695,839	1,848,953	1,695,839
Over/under provision in respect of previous year			(59,646)	(199,676)	(62,070)	(199,676)
Total current tax			1,789,307	1,496,163	1,786,883	1,496,163
Deferred tax						
Origination of temporary differences	235	16.(c)	94,813	95,528	45,509	44,105
Total income tax expense			1,884,120	1,591,691	1,832,391	1,540,269

35.(b) Tax Recorded in Other Comprehensive Income

	Page No	Note	Group		Company	
			2020	2019	2020	2019
			Rs.'000	Rs.'000	Rs.'000	Rs.'000
Deferred tax	254	39	99,561	82,642	99,561	82,642
Total tax charge to other comprehensive income			99,561	82,642	99,561	82,642

35.(c). Computation of Tax Charge**Company**

The computation of income tax is as follows;

	2020		2019		
		Rs:'000		Rs:'000	
Investment Income from the business		2,796,338		2,448,135	
Less-Exempted Interest Income		(98,368)		(82,667)	
Add- Taxable Gain		7,521		-	
Less-Management Expenses		(445,905)		(280,866)	
Total Statutory Income		2,259,587		2,084,602	
Tax Losses Utilised during the year		-		-	
Taxable income		2,259,587		2,084,602	
Income Tax @ 28%		632,684		583,689	
Income Tax for Bonuses distributed/declared to policyholders	@ 14%	485,930	68,030	143,934	20,151
Income Tax for Surplus distributed to Shareholders	@ 28%	4,100,849	1,148,238	3,900,000	1,092,000
Total Tax Expense for the Company		1,848,953		1,695,839	

The Company is liable to pay income tax in accordance with the provisions of the Inland Revenue Act, No.24 of 2017 and subsequent amendments thereto. Applicable income rates as per the act are stipulated a follows:

1. Surplus distributed to shareholders from Life Insurance business as certified by appointed actuary @ 28%
2. Investment Income of Shareholder fund less any expenses incurred in the production of such income @ 28%
2. Bonuses Distributed to policyholders @ 14%

Ceylinco Healthcare Services Ltd is liable to pay 14% on its business income & 28% on its investment income.

Refer note 42 Provisions, Commitments and Contingencies for detailed explanation on the tax assessments received by the Company.

36. Non Controlling Interests (NCI)

Non-controlling interest is measured at their proportionate share of the acquires identifiable net assets at the date of acquisition.

The total profit and loss for the year of the Company and its subsidiaries included in consolidation are shown in the Income Statement with the proportion of profit and loss after taxation pertaining to Non-controlling shareholders of subsidiaries being deducted as "Non-controlling Interest". All assets and liabilities of the Company and of its subsidiaries included in consolidation are shown in the Statement of Financial Position. The interest of Non-controlling shareholders of subsidiaries in the net assets of the Group is indicated separately in the statement of financial position under the heading "Non-controlling interests". Changes in the Group's interest in subsidiary that do not result in loss of controls are accounted for as transactions with owners in their capacity as owners. Adjustments to non-controlling interests are based on proportionate amount of the net assets of the subsidiary.

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

Name of Company	2020	2019	Effective ownership by NCI %
Ceylinco Healthcare Services Ltd	4,071	3,621	0.55%
Serene Resorts Ltd	2,519	2,335	1.35%
Total	6,590	5,956	

36.(b). Profit Allocated to Non-Controlling Interest

Name of the Company	2020	2019
Ceylinco Healthcare Services Ltd	450	68
Serene Resorts Ltd	185	195
Total	635	263

37. Basic/Diluted Earnings per share

Earnings Per Share (EPS)

ACCOUNTING POLICY

The Company presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period.

Basic 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.

37.(a). Earnings Per Share

For the Year Ended 31 December	Group		Company	
	2020	2019	2020	2019
Profit for the year (Rs.'000)	7,499,475	6,979,436	6,934,121	6,671,669
Weighted Average Number of Ordinary Shares ('000)	50,000	50,000	50,000	50,000
Basic Earnings per Ordinary Share (Rs.)	149.99	139.59	138.68	133.43

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.

38. Dividends Paid and Proposed

For the Year Ended 31 December	Company	
	2020	2019
	Rs.'000	Rs.'000
Interim Dividend - Paid (Rs.'000)	-	670,001
Final Dividend - Proposed (Rs.'000)	782,500	-
Total Dividend (Rs.'000)	782,500	670,001
No. of Shares in issue for the year ('000)	50,000	50,000
Dividend per share (Rs.)		
Final Dividend	15.65	13.40

The Board of Directors has proposed a final dividend of Rs.15.65 per share amounting to a total of Rs. 782.5 million on 24 February 2021 for the year ended 31 December 2020 (2019 - Rs.13.40 per share) subject to the approval of shareholder at the Annual General Meeting.

As required by Section 56 of the Companies Act No. 07 Of 2007, the Board of Directors of the Company has satisfied the solvency test in accordance with Section 57, prior to recommending the final dividend for the year ended 31 December 2020. A statement of solvency was completed and duly signed by the Directors and has been audited by Messrs. Ernst & Young Chartered Accountants.

39. Income Tax Effects Relating to Other Comprehensive Income

Group	2020			2019		
	Before tax amount	Tax (expense) benefit	Net of tax amount	Before tax amount	Tax (expense) benefit	Net of tax amount
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Net gain/(loss) on Available-for-sale financial assets	707,647	(35,334)	672,313	(28,052)	(4,468)	(32,520)
Actuarial gain on defined benefit plans	(519,663)	(9)	(519,672)	(1,049,732)	39	(1,049,593)
Share of other comprehensive income of equity accounted investees	(9,471)	-	(9,471)	33,958	-	33,958
Revaluation surplus/(Deficit) during the year	685,721	(64,218)	621,503	1,193,513	(78,213)	1,115,300
Total	864,234	(99,561)	764,673	149,688	(82,642)	67,046

Company	2020			2019		
	Before tax amount	Tax (expense) benefit	Net of tax amount	Before tax amount	Tax (expense) benefit	Net of tax amount
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Net gain/(loss) on Available-for-sale financial assets	707,647	(35,334)	672,313	(28,052)	(4,468)	(32,520)
Actuarial gain on defined benefit plans	(519,729)	(9)	(519,729)	(1,049,593)	39	(1,049,554)
Revaluation surplus/(Deficit) during the year	559,191	(64,218)	494,973	1,193,513	(78,213)	1,115,300
Total	747,109	(99,561)	647,557	115,869	(82,642)	33,227

40. Risk Management Framework**40.(a). Governance framework**

The primary objective of the Group's financial risk management is to manage financial risks within its risk appetite and provide reasonable assurance on the achievement of financial objectives.

Financial risk management is embedded into the Group's broader Risk Management Framework and spans across the Group with clear objectives, duties and responsibilities specified at each level. The Board of Directors, with the assistance of the Board Risk Committee, bears the overall responsibility for establishment and oversight of the risk management framework. The Executive Risk Management Committee, headed by the Chief Risk Officer, is responsible for developing, facilitating and monitoring the control framework and execution of proper risk management strategies. The line management and staff are responsible for day-to-day risk management and are represented at the Sub-committee level. Regular review of risks and effective risk mitigation strategies ensure consistent corporate performance, while risks are managed within the risk appetite of the Group.

40.(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 return on capital employed meet the requirements of its capital providers
- ⊙ To retain financial flexibility by maintaining strong liquidity and access to a range of capital markets

- ⊙ To align the profile of assets and liabilities taking account of risks inherent in the business
- ⊙ To maintain financial strength to support new business growth and to satisfy the requirements of the policyholders, regulators and stakeholders

Operations of the Group are also subject to regulatory requirements within the jurisdictions in which it operates. Such regulations not only prescribe approval and monitoring of activities, but also impose certain restrictive provisions (e.g., capital adequacy) to minimise the risk of insolvency on the part of the insurance companies to meet unforeseen liabilities as these arise.

The Company maintains capital, investments and solvency as per the regulations prescribed by Insurance Regulatory Commission of Sri Lanka. (IRCSL). New changes in regulations are timely adopted and necessary changes are made to internal processes.

40.(c). Approach to capital management

The Group allocates capital to businesses as required and ensures sufficient returns to shareholders and policyholders. The asset and liability management establishes the required level of liquidity and reduces the risks of the company and achieves the required capital levels of the company.

The primary source of capital used by the Company is equity shareholders' funds.

The return expectations are regularly forecasted and comparisons are made in order to ensure the requirements of stakeholders are achieved.

The Group had no significant changes in its policies and processes relating to its capital structure during the past year from previous years.

Ceylinco Life Insurance Ltd has following capital resources.

	2020	2019
	Rs.'000	Rs.'000
Total equity as per the Statement of Financial Position	38,145,035	31,492,079
Adjustments to the capital under the RBC Framework	33,591,988	29,903,365
Available capital resources under the RBC Framework	71,737,023	61,395,444

The adjustments to the capital under the RBC Framework includes the following.

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 deductions from the capital under the RBC Framework.

40.(d). Regulatory framework

Regulators are primarily interested in protecting the rights of policyholders and monitor them closely to ensure that the Group manages its business affairs in a manner that benefits the policyholders. At the same time, regulators are also interested in ensuring that the Group maintains an appropriate Capital Adequacy position to meet unforeseen liabilities arising from economic shocks or natural disasters.

The Company is regulated by Insurance Regulatory Commission of Sri Lanka (IRCSL) with the objective of protecting shareholders and policyholders.

There are various regulations and directives the company is expected to adhere to in order to achieve the expected norms, which leads the company to maintain required solvency and maintain sufficient capital.

Financial risks arise due to movements in market variables. The risks mainly involve interest rate risk and equity price risk. The company manages these risks through various strategies adopted at the Investment Committee and Financial Risk Committee.

The new Risk Based Capital framework or RBC is focused on managing the risks rather than complying with solvency margin rules. The RBC framework was tested and refined since 2011 and full implementation started from January 2016. RBC reporting to the regulator consists of templates and questionnaires developed over the past years. RBC is a flexible framework for maintenance of minimum capital requirements based on riskiness of respective insurance company. It consist of risk factors insurance companies are exposed to such as Credit Risk, Concentration Risk, Market Risk, Operational Risk and Liability Risk. It also includes quantified capital charges for those risk factors and

valuation methodology for assets and liabilities of insurance companies. The implementation of RBC was intended to increase transparency and establish appropriate risk management systems. It was expected to create a more stable industry with greater public confidence. This framework helps to develop a culture of risk awareness in the industry while encouraging efficient use of capital to improve returns based on the risk exposure. This will be advantageous to the companies with good risk management practices.

The Company operates according to the requirements set by IRCSL. The Capital Adequacy Ratio of the Company is as follows:

		31st December 2020	31st December 2019
Total Available Capital (TAC)	Rs. Mn	71,737	61,948
Risk Based Capital Requirement (RCR)	Rs. Mn	16,918	17,865
Risk Based Capital Adequacy Ratio (CAR)	%	424%	347%
Regulatory Minimum CAR	%	120%	120%

40.(e). Asset Liability Management (ALM) Framework

ALM framework is used to manage the risks arising due to mismatches of asset and liability cash flows. ALM is the ongoing process of formulating, implementing, monitoring and revising strategies related to management of assets and liabilities to achieve our financial objectives, given our risk appetite, tolerance and other constraints. ALM deals with optimal investment of assets in view of meeting current and future goals as well as liabilities.

Various financial risks arise from open positions in interest rates, currency and equity instruments, all of which are exposed to general and specific market movements.

The Board Investment Committee (BIC), along with inputs from Operational Investment Committee (OIC), identifies the nature of liabilities arising from the product portfolio and evaluates investment options that best suit to hedge/manage the same. The Company manages these selected positions prudently, within a strategically crafted ALM framework that has been developed considering the cyclical nature of the domestic interest rates, in order to achieve risk-adjusted investment returns in excess of its obligations, in the long term.

41. Insurance and Financial Risk

41.(a). Insurance Risk

The principal insurance risk the Company faces is that the actual claims and benefit payments or the timing thereof, may 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 Company is to ensure that sufficient financial and reinsurance protection is available to cover these liabilities.

This risk is mitigated by careful selection and implementation of underwriting strategy guidelines, as well as the use of reinsurance arrangements.

The Company has entered into long term reinsurance treaties with the world's leading reinsurers as a part of its risks mitigation program. The reinsurance program is designed to mitigate the Company's exposure to a single claim as well as to catastrophic losses. More details on how we mitigate underwriting, claims and reinsurance risk are described under Risk Management Report on page 137.

41.(a).1. Reinsurers' Credit Ratings

The following table shows the credit ratings of reinsurance companies with whom the Company has entered in to the reinsurance arrangements as of 31st December 2020

Reinsurer	Country of Origin	Ratings	Rating Agency
Munich-Re	Germany	AA	Fitch Rating
Munich-Re takaful	Malaysia (Retakaful branch)	AA	Fitch Rating
Swiss-Re	Switzerland	AA-	Standard & Poor
RGA	U.S.A.	AA-	Standard & Poor

The below note shows the re insurances receivables as of 31st December, with the respective ratings of each reinsurer, company has engaged with.

	Ratings	Group		Company	
		2020	2019	2020	2019
Reinsurance Receivable		Rs.'000	Rs.'000	Rs.'000	Rs.'000
Swiss Re	AA-	76,890	129,199	76,890	129,199
Munich Re	AA	105,939	119,517	105,939	119,517
RGA	AA-	97,180	24,693	97,180	24,693
Total		280,009	273,408	280,009	273,408

41.(a).(2). Life Insurance Contracts

Life insurance contracts offered by the Company include: whole life, term assurance, endowment plans, retirement plans, critical illness benefit, disability insurance, daily hospital cash, and major surgery benefit.

The main risks that the Company 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 on investments 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 decisions (lapses and surrenders) being different than expected

The Company's underwriting strategy is designed to ensure that risks are properly assessed and correct premium is charged.

The use of scientifically designed proposal forms and medical screening ensures that appropriate data related to the risks to be covered are collected to arrive at a premium which takes into account current health conditions and additional risks of the life to be insured.

The strategy also addresses regular review of actual claim experience and product pricing, as well as detailed claims handling procedures. Underwriting limits are in place to enforce appropriate risk selection criteria.

For contracts in which 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.

Key Assumptions

The company exercises significant judgment in determining the policy liabilities and in selecting assumptions. The key assumptions for 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 Company 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 Company's 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 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 Company over the last four calendar years. Each expense is classified as acquisition/maintenance/termination and then classified as fixed/variable.

41.(a).3. Sensitivity of assumptions used for Liability Adequacy Test of Life Insurance Contracts Liabilities.

Sensitivity of the Value of Insurance Liabilities as at 12/31/20	Changes in Assumptions	Impact on the Net Best Estimate Liabilities
Expenses	+10%	1.58%
Mortality	+10%	0.59%
Mortality	-10%	-0.59%
Morbidity	+20%	0.40%
Morbidity	-20%	-0.43%
Withdrawal Rate	+20%	-0.23%
Withdrawal Rate	-20%	0.33%

41.(b). Credit Risk

Credit risk (in ALM context) is the risk that an issuer or counterparty failing to meet its contractual obligations towards the Company, due to various reasons such as its declining financial strength.

The sub-categories of credit risk include;

- i. Default risk: the risk that the issuer failing to make timely interest or principal payments.
- ii. Downgrade risk: the risk that the rating of the issuer/debt instrument will be downgraded.
- iii. Credit spread risk: the risk that credit spreads will widen.

To minimize credit risk, financial investments (such as term deposits, debentures, etc.) are placed, investment transactions (such as government securities purchases and sales, repurchase/reverse repurchase agreements) are entered, strictly adhering to guidelines set by the Board Investment Committee.

In addition, individual exposures to such approved counterparties are set and monitored based on the Determinations issued by Insurance Regulatory Commission of Sri Lanka (IRCSL) as well as internal limits which are set by the BIC. All regulatory and internal investment limits and exposures are monitored by Investment Middle Office on an ongoing basis, and reviewed periodically by the Board Investment Committee.

- ⊙ Reinsurance is placed with reinsurers that have a good credit rating. At each reporting date, an assessment of creditworthiness of reinsurers is performed and the outcome of this assessment is used for determining future reinsurance purchase strategy and suitable allowance for impairment, if required.
- ⊙ 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.

More details on how we mitigate Interest rate risk are described under Risk Management Report on pages 137.

41.(b).1. Credit Risk 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.

	Page	Notes	Group				Company			
			2020		2019		2020		2019	
			Rs.'000	%	Rs.'000	%	Rs.'000	%	Rs.'000	%
Financial instruments										
Held-to-maturity financial assets	218	12.(a)								
Government Securities			36,964,353	28.05	37,689,470	32.58	36,964,353	28.25	37,689,470	32.79
Corporate Debts			14,521,104	11.02	19,200,396	16.60	14,521,104	11.10	19,200,396	16.70
Loans and receivables	219	12.(b)								
Government Securities			395,000	0.30	59,186	0.05	395,000	0.30	59,186	0.05
Corporate Debts			12,134,496	9.21	12,135,954	10.49	12,134,496	9.27	12,135,954	10.56
Term Deposits			47,908,541	36.36	33,166,401	28.67	47,166,959	36.04	32,523,087	28.29
Other			936,699	0.71	1,051,504	0.91	936,699	0.72	1,051,504	0.91
Available-for-sale financial assets	220	12.(c)								
Equity securities			104,816	0.08	122,651	0.11	104,816	0.08	122,651	0.11
Debt securities			13,094,012	9.94	7,535,161	6.51	12,927,351	9.88	7,453,968	6.48
Financial assets at fair value through profit or loss	221	12.(d)								
Equity securities			927	0.00	12,158	0.01	927	0.00	12,158	0.01
Debt securities			3,096,757	2.35	2,305,764	1.99	3,096,757	2.37	2,305,764	2.01
Reinsurance assets	232	15	280,009	0.21	273,408	0.24	280,009	0.21	273,408	0.24
Loans to Policyholders	236	17.(a)	1,282,725	0.97	1,335,469	1.15	1,282,725	0.98	1,335,469	1.16
Premium Receivables	237	18	288,720	0.22	275,881	0.24	288,720	0.22	275,881	0.24
Cash and cash equivalents	238	20	769,939	0.58	528,149	0.46	768,553	0.59	510,436	0.44
Total credit risk exposure			131,778,100	100	115,691,554	100	130,868,470	100	114,949,333	100

Investments in Government securities consists of Treasury Bonds, Treasury Bills and Repo investments. Treasury Bills and Treasury Bonds are considered to be risk free instruments, which are fully backed by the Government of Sri Lanka.

41.(b).2. Industry analysis - Company

31 December 2020	Page No	Note	Financial Services Rs.'000	Government Rs.'000	Services Rs.'000	Manufacturing and Power Rs.'000	Others Rs.'000	Total Rs.'000
Held-to-Maturity Financial Assets	218	12.(a)						
Debt securities			14,521,104	36,964,353	-	-	-	51,485,457
			14,521,104	36,964,353	-	-	-	51,485,457
Loans and Receivables	219	12.(b)						
Term Deposits			47,166,959	-	-	-	-	47,166,959
Repo Investments			395,000	-	-	-	-	395,000
Unquoted Debentures			5,430,754	-	-	-	-	5,430,754
Quoted Debentures			6,703,742	-	-	-	-	6,703,742
Staff and vehicle Loans (Hire Purchase)			-	-	-	-	936,699	936,699
			59,696,455	-	-	-	936,699	60,633,154
Available-for-Sale Financial Assets	220	12.(c)						
Equity securities			100,371	-	2,525	1,920	-	104,816
Debt securities			266,149	12,661,203	-	-	-	12,927,351
			366,520	12,661,203	2,525	1,920	-	13,032,168
Financial Assets at Fair Value through Profit or Loss	221	12.(d)						
Equity securities			173	-	432	323	-	927
Debt securities			-	3,096,757	-	-	-	3,096,757
			173	3,096,757	432	323	-	3,097,684
Total credit risk exposure			74,584,251	52,722,313	2,957	2,243	936,699	128,248,464

31 December 2019	Page No	Note	Financial Services Rs.000	Government Rs. 000	Services Rs. 000	Manufacturing Rs. 000	Others Rs. 000	Total Rs. 000
Held-to-Maturity Financial Assets	218	12.(a)						
Debt securities			19,200,396	37,689,470	-	-	-	56,889,866
			19,200,396	37,689,470	-	-	-	56,889,866
Loans and Receivables	219	12.(b)						
Term Deposits			32,523,087	-	-	-	-	32,523,087
Repo Investments			59,186	-	-	-	-	59,186
Unquoted Debentures			5,432,180	-	-	-	-	5,432,180
Quoted Debentures			6,703,775	-	-	-	-	6,703,775
Staff and vehicle Loans (Hire Purchase)			-	-	-	-	1,051,504	1,051,504
			44,718,227	-	-	-	1,051,504	45,769,731
Available-for-Sale Financial Assets	220	12.(c)						
Equity securities			118,446	-	2,525	1,680	-	122,651
Debt securities			294,237	7,159,730	-	-	-	7,453,968
			412,683	7,159,730	2,525	1,680	-	7,576,619
Financial Assets at Fair Value through Profit or Loss	221	12.(d)						
Equity securities			230	-	363	11,565	-	12,158
Debt securities			-	2,305,764	-	-	-	2,305,764
			230	2,305,764	363	11,565	-	2,317,923
Total credit risk exposure			64,331,537	47,154,965	2,888	13,245	1,051,504	112,554,140

41.(b).3. Credit Ratings of Financial Instruments - Company

The below table indicates the rating of investments as at 31st December 2020 & 2019

31 December 2020	Page		AAA	AA+	AA	AA-	A+	A	A-	BBB+	BBB	BBB-	BB+	Unrated	Total
	No	Note	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
Financial instruments															
Held-to-Maturity Financial Assets															
Debt securities	218	12.(a)	36,964,353	5,859,754	-	3,485,121	2,935,437	2,240,792	-	-	-	-	-	-	51,485,457
Loans and Receivables	219	12.(b)	9,425,051	21,220,522	-	10,303,075	15,460,979	1,690,969	299,438	824,765	259,055	212,600	-	936,699	60,633,154
Available-for-Sale Financial Assets															
Equity securities	220	12.(c)	-	-	-	-	-	-	-	-	100,371	-	-	4,445	104,816
Debt securities	220	12.(c)	12,661,203	113,586	-	-	101,615	50,947	-	-	-	-	-	-	12,927,351
Financial Assets at Fair Value through Profit or Loss															
Equity securities	221	12.(d)	43	28	-	126	145	-	-	-	-	-	-	585	927
Debt securities	221	12.(d)	3,096,757	-	-	-	-	-	-	-	-	-	-	-	3,096,757
Total			62,147,408	27,193,890	-	13,788,323	18,498,177	3,982,707	299,438	824,765	359,426	-	-	941,729	128,248,463

31 December 2019	Page		AAA	AA+	AA	AA-	A+	A	A-	BBB+	BBB	BBB-	BB+	Unrated	Total
	No	Note	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
Financial instruments															
Held-to-Maturity Financial Assets															
Debt securities	218	12.(a)	37,689,470	1,306,802	1,399,633	6,383,906	7,360,322	660,866	2,074,514	-	14,353	-	-	-	56,889,866
Loans and Receivables	219	12.(b)	59,186	21,866,064	4,210,824	4,646,760	11,098,245	299,566	1,130,921	809,819	259,011	334,256	3,576	1,051,504	45,769,731
Available-for-Sale Financial Assets															
Equity securities	220	12.(c)	-	-	-	-	-	8	-	-	118,438	-	-	4,205	122,651
Debt securities	220	12.(c)	7,159,730	7,074	48,077	105,304	82,839	50,944	-	-	-	-	-	-	7,453,968
Financial Assets at Fair Value through Profit or Loss															
Equity securities	221	12.(d)	43	-	-	267	33	-	-	-	32	-	-	11,784	12,158
Debt securities	221	12.(d)	2,305,764	-	-	-	-	-	-	-	-	-	-	-	2,305,764
Total			47,214,194	23,179,941	5,658,534	11,136,236	18,541,439	1,011,384	3,205,435	809,819	391,833	334,256	3,576	1,067,493	112,554,139

41.(b).4. Corporate Debt Securities by Credit Ratings

The following table shows the credit ratings of investment in Corporate Debt.

Held to Maturity Financial Assets - Debentures (Quoted)	Group				Company			
	2020		2019		2020		2019	
	(Rs. '000)	%	(Rs. '000)	%	(Rs. '000)	%	(Rs. '000)	%
AA+	5,859,754	40.35	1,306,802	6.81	5,859,754	40.35	1,306,802	6.81
AA	-	-	1,399,633	7.29	-	-	1,399,633	7.29
AA-	3,485,121	24.00	6,383,906	33.25	3,485,121	24.00	6,383,906	33.25
A+	2,935,437	20.21	7,360,322	38.33	2,935,437	20.21	7,360,322	38.33
A	2,240,792	15.43	660,866	3.44	2,240,792	15.43	660,866	3.44
A-	-	-	2,074,514	10.80	-	-	2,074,514	10.80
BBB	-	-	14,353	0.07	-	-	14,353	0.07
Total	14,521,104	100	19,200,396	100	14,521,104	100	19,200,396	100

The Group/Company has invested 100.00% (2019- 89.12 %) of its investment in Corporate Debentures (Quoted) held under HTM category in instruments, which are rated A and above by Fitch Ratings Lanka Ltd. and ICRA Lanka Ltd.

Loans and Receivables -Debentures (Quoted)	Group				Company			
	2020		2019		2020		2019	
	(Rs. '000)	%	(Rs. '000)	%	(Rs. '000)	%	(Rs. '000)	%
AA+	4,210,638	62.81	-	-	4,210,638	62.81	-	-
AA	-	-	4,210,824	62.83	-	-	4,210,824	62.81
AA-	-	-	2,203,099	32.85	-	-	2,203,099	32.86
A+	2,203,137	32.86	-	-	2,203,137	32.86	-	-
BBB+	289,967	4.33	289,851	4.32	289,967	4.33	289,851	4.32
	6,703,742	100	6,705,992	100	6,703,742	100	6,703,775	100

The Group/Company has invested 95.67% (2019- 95.67%) of its investment in Corporate Debentures (Quoted) held under Loans and Receivables category in instruments, which are rated A+ and above by Fitch Ratings Lanka Ltd and ICRA Lanka Ltd.

Loans and Receivables -Debentures (Unquoted)	Group				Company			
	2020		2019		2020		2019	
	(Rs. '000)	%	(Rs. '000)	%	(Rs. '000)	%	(Rs. '000)	%
AAA	5,131,315	94.49	-	-	5,131,315	94.49	-	-
AA+	-	-	5,132,717	94.49	-	-	5,132,717	94.49
A	-	-	299,462	5.51	-	-	299,462	5.51
A-	299,438	5.51	-	-	299,438	5.51	-	-
	5,430,754	100	5,432,180	100	5,430,754	100	5,432,180	100

The Group/Company has invested 100 % (2019- 100%) of its investment in Corporate Debentures (Unquoted) held under Loans and Receivables category in instruments, which are rated A- and above by Fitch Ratings Lanka Ltd and ICRA Lanka Ltd.

Available for Sale -Debentures (Quoted)	Group				Company			
	2020		2019		2020		2019	
	(Rs. '000)	%	(Rs. '000)	%	(Rs. '000)	%	(Rs. '000)	%
AA+	113,586	42.68	7,074	2.40	113,586	42.68	7,074	2.40
AA	-	-	48,077	16.34	-	-	48,077	16.34
AA-	-	-	105,304	35.79	-	-	105,304	35.79
A+	101,615	38.18	82,839	28.15	101,615	38.18	82,839	28.15
A	50,947	19.14	50,944	17.31	50,947	19.14	50,944	17.31
	266,149	100	294,237	100	266,149	100	294,237	100

The Company has invested 100% (2019- 100%) of its investment in Corporate Debentures (Quoted) held under Available for Sale category in instruments, which are rated A and above by Fitch Ratings Lanka Ltd and ICRA Lanka Ltd.

41.(b).5. Fixed Deposits by Credit Ratings

The following table shows the credit ratings of investment in Fixed Deposits

Loans and Receivables -Fixed Deposits	Group				Company			
	2020		2019		2020		2019	
	(Rs. '000)	%	(Rs. '000)	%	(Rs. '000)	%	(Rs. '000)	%
AAA	3,921,251	8.18	-	-	3,898,736	8.27	-	-
AA+	17,530,790	36.59	16,733,347	50.45	17,009,884	36.06	16,733,346	51.45
AA-	10,303,075	21.51	2,748,335	8.29	10,303,075	21.84	2,443,660	7.51
A+	13,432,200	28.04	11,436,885	34.48	13,257,842	28.11	11,098,245	34.12
A	1,714,773	3.58	103	0.00	1,690,969	3.59	103	0.00
A-	-	-	1,130,921	3.41	-	-	1,130,920	3.48
BBB+	534,797	1.12	519,968	1.57	534,797	1.13	519,967	1.60
BBB	259,055	0.54	259,011	0.78	259,055	0.55	259,010	0.80
BBB-	212,600	0.44	334,256	1.01	212,600	0.45	334,256	1.03
BB+	-	-	3,576	0.01	-	-	3,575	0.01
	47,908,541	100	33,166,401	100	47,166,959	100	32,523,087	100

The Company has invested 97.87% (2019- 93.09%) of its investment in Fixed Deposits held under Loans and Receivables in instruments, which are rated A and above by Fitch Ratings Lanka Ltd and ICRA Lanka Ltd.

41.(c). Market Risk

Market risk is the risk that market value or future cash flows of a financial instrument will fluctuate due to changes in market factors which are directly/indirectly related to financial markets.

The sub-categories of market risk include;

- i. Interest rate risk: the risk that market value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. This includes reinvestment risk and inflation risk.
- ii. Currency risk: the risk that market value or future cash flows of a financial instrument will fluctuate due to changes in exchange rates.
- iii. Equity price risk: the risk that market value or future cash flows of a financial instrument will fluctuate due to changes in equity prices.
- iv. Commodity price risk: the risk that market value or future cash flows of a commodity-linked financial instrument will fluctuate due to changes in commodity prices.

In addition, due to its investments in real estate, the Company is also exposed (albeit on a marginal basis) to changes in real estate values.

41.(d). Currency Risk

The Company has no significant exposure to currency risk.

41.(e). Interest Rate Risk

Interest rate risk is the risk that market value or future cash flows of a financial instrument will fluctuate due to changes in the level of interest rates, credit spreads or shape of the yield curve. This includes reinvestment risk and inflation risk, which eventually impacts the interest rates.

Since financial investments of the Company consist mainly of fixed income securities (such as government securities, term deposits, corporate debt, etc.), interest rate risk is one of the most prominent risks faced by the Company.

Given (a) unavailability of long-term financial instruments with adequate yields, (b) cyclical and volatile nature of domestic interest rates, and (c) frequent changes to taxation and policy decisions, in order to optimize the returns on its investment portfolio, the Company diligently carries a duration gap in its asset-liability management framework.

The Company's Investment Policy recognizes the cyclical nature of the domestic financial markets. As a part of its investment decision making process, the Company closely monitors the current and future expected shifts in monetary and fiscal policy, changes in inflation expectations, movements in domestic and global interest/exchange rates, balance of payment position, changes in taxation and other key macroeconomic indicators and in turn, fine tune the investment strategies/horizons accordingly.

In addition to internal expertise, to ensure prudence and probity, the Company seeks the views of independent macro research providers in crafting and reviewing its investment strategy.

More details on how we mitigate Interest rate risk are described under Risk Management Report on pages 137.

41.(e).1. Exposure to Interest Rate Risk

The following table presents the financial assets and liabilities which are subject to interest rate risk.

31 December	2020				2019			
Group	Variable Interest Rate	Fixed Interest Rate	Non-Interest Bearing	Total	Variable Interest Rate	Fixed Interest Rate	Non-Interest Bearing	Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Financial Assets								
Held to Maturity	-	51,485,457	-	51,485,457	-	56,889,866	-	56,889,866
Loans & Receivables	-	61,374,737	-	61,374,737	-	46,413,045	-	46,413,045
Available For Sale	-	13,094,012	104,816	13,198,829	-	7,535,161	122,651	7,657,812
Fair Value through Profit & Loss	-	3,096,757	927	3,097,684	-	2,305,764	12,158	2,317,923
Loans to Life Policyholders	-	1,282,725	-	1,282,725	-	1,335,469	-	1,335,469
Cash and Cash Equivalent	-	-	769,939	769,939	-	-	528,149	528,149
Total Assets	-	130,333,689	875,682	131,209,371	-	114,479,306	662,958	115,142,264
Financial Liabilities								
Interest Bearing Borrowings	-	20,000	-	20,000	-	-	-	-
Bank Overdraft	-	-	531,849	531,849	-	-	427,639	427,639
Total Liabilities	-	20,000	531,849	551,849	-	-	427,639	427,639

31 December	2020				2019			
Company	Variable Interest Rate	Fixed Interest Rate	Non-Interest Bearing	Total	Variable Interest Rate	Fixed Interest Rate	Non-Interest Bearing	Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Financial Assets								
Held to Maturity	-	51,485,457	-	51,485,457	-	56,889,866	-	56,889,866
Loans & Receivables	-	60,633,154	-	60,633,154	-	45,769,731	-	45,769,731
Available For Sale	-	12,927,351	104,816	13,032,168	-	7,453,968	122,651	7,576,619
Fair Value through Profit & Loss	-	3,096,757	927	3,097,684	-	2,305,764	12,158	2,317,923
Loans to Life Policyholders	-	1,282,725	-	1,282,725	-	1,335,469	-	1,335,469
Cash and Cash Equivalent	-	-	768,553	768,553	-	-	510,436	510,436
Total Assets	-	129,425,445	874,296	130,299,741	-	113,754,799	645,245	114,400,045
Financial Liabilities								
Interest Bearing Borrowings	-	-	-	-	-	-	-	-
Bank Overdraft	-	-	497,141	497,141	-	-	416,770	416,770
Total Liabilities	-	-	497,141	497,141	-	-	416,770	416,770

The Company has no significant concentration of Interest rate risk during the reporting period.

41.(f). Equity Price Risk

The equity price risk is relatively negligible due to Company's diminutive exposure to equity market, except for few strategic investments which are of long-term in nature. However, the Company maintains a closer watch on movements in stock prices and indices.

Following table shows diversification of the equity investments of the Company as of 31 December 2020

	Group				Company			
	2020		2019		2020		2019	
	(Rs. '000)	%	(Rs. '000)	%	(Rs. '000)	%	(Rs. '000)	%
Banking, Finance and Insurance	100,544	95.08	118,676	88.03	100,544	95.08	118,676	88.03
Manufacturing, Plantations	2,243	2.12	13,245	9.83	2,243	2.12	13,245	9.83
Service	2,957	2.80	2,888	2.14	2,957	2.80	2,888	2.14
Total	105,744	100	134,809	100	105,744	100	134,809	100

41.(g). Operational Risks

This is the risk that the Group may not meet its objectives due to failed, inadequate or incomplete internal processes, people, systems, controls, or due to external events. In the context of financial risk management, this involves management of operational risks which could lead to financial losses.

The Group manages operational risks by initiating a rigorous control framework and by monitoring and responding to potential risks.

Controls include effective segregation of duties, access controls, authorisation and reconciliation procedures, ethical business practices and standards, staff education, training and assessment processes, including the use of internal audit.

More details on how we mitigate operational risk are described under Risk Management Report on pages 137.

41.(h). Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet both expected and unexpected current and future cash flow and collateral needs efficiently, without affecting either daily operations or financial condition of the Company.

In the context of providing financial protection to policyholders through life insurance, timely settlement of financial commitments such as policyholder benefits and claims is essential. In addition, preserving the confidence of investment counterparties is also vital for continued investment management and operations.

Since a strain on liquidity would lead to fire sale of assets which would adversely affect the profitability and policyholder/investor confidence, zero tolerance is maintained for adverse deviations. The investment strategy of the Company ensures that sufficient liquid assets/credit lines are available to comfortably meet such unforeseen cash outflows, if any.

More details on how we mitigate liquidity risk are described under Risk Management Report on pages 137.

41.(i). Maturity Profile

The following table summarises the maturity profile of the financial assets, financial liabilities and insurance contract liabilities of the Group/ Company based on remaining undiscounted contractual obligations, including interest payable and receivable.

For insurance contracts liabilities, maturity profiles are determined based on estimated timing of net cash outflows from the recognised insurance liabilities.

Group

As at December 2020	Page No	Note	Total	Less Than 1 Year	1 year to 3 Years	3 year to 5 Years	5 year to 15 Years	More than 15 Years
			Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Assets								
Financial instruments								
Held-to-maturity Financial Assets								
Debt securities	218	12.(a)	51,485,457	7,157,346	14,593,225	5,908,316	21,946,939	1,879,631
Loans and Receivables	219	12.(b)	61,374,736	8,053,709	41,547,490	11,515,604	257,933	-
Available-for-sale Financial Assets								
Equity securities			104,816	104,816	-	-	-	-
Debt securities			13,094,012	396,631	6,655,960	4,227,017	1,814,405	-
Financial assets at Fair Value through Profit or Loss								
Equity securities	221	12.(d)	927	927	-	-	-	-
Debt securities			3,096,757	273	2,671,776	175,017	249,691	-
Reinsurance Receivables	232	15	280,009	280,009	-	-	-	-
Loans to life policyholders	236	17	1,282,725	105,559	212,829	170,465	618,872	175,001
Premium receivables	237	18	288,720	288,720	-	-	-	-
Cash and Cash Equivalents	238	20	769,939	769,939	-	-	-	-
			131,778,099	17,157,929	65,681,281	21,996,418	24,887,840	2,054,632
Liabilities								
Reinsurance Payables	244	24	477,740	477,740	-	-	-	-
Lease Liabilities	207	8	193,144	48,354	105,737	36,408	2,645	-
Trade and Other Payables	245	25	4,094,608	4,094,608	-	-	-	-
Bank Overdraft	238	20	531,849	531,849	-	-	-	-
			5,297,341	5,152,551	105,737	36,408	2,645	-

As at December 2019	Page No	Note	Total	Less Than 1 Year	1 year to 3 Years	3 year to 5 Years	5 year to 15 Years	More than 15 Years
			Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Assets								
Financial instruments								
Held-to-maturity Financial Assets								
Debt securities	218	12.(a)	56,889,866	5,331,846	11,433,807	11,894,585	26,348,209	1,881,419
Loans and receivables	219	12.(b)	46,413,045	17,503,998	15,458,084	13,184,181	266,783	-
Available-for-sale Financial Assets								
Equity securities			122,651	122,651	-	-	-	-
Debt securities			7,535,161	220,912	1,053,672	4,899,046	1,361,531	-
Financial assets at Fair Value through Profit or Loss								
Equity securities	221	12.(d)	12,158	12,158	-	-	-	-
Debt securities			2,305,764	-	903,230	678,917	723,617	-
Reinsurance Receivables	232	15	273,408	273,408	-	-	-	-
Loans to life policyholders	236	17	1,335,469	127,452	199,822	173,090	661,107	173,998
Premium receivables	237	18	275,381	275,381	-	-	-	-
Cash and Cash Equivalents	238	20	528,149	528,149	-	-	-	-
			115,691,553	24,396,454	29,048,614	30,829,820	29,361,248	2,055,417
Liabilities								
Reinsurance Payables	244	24	603,893	603,893	-	-	-	-
Lease Liabilities	207	8	241,908	77,896	120,547	43,465	-	-
Trade and Other Payables	245	25	3,580,197	3,580,197	-	-	-	-
Bank Overdraft	238	20	427,639	427,639	-	-	-	-
			4,853,637	4,689,625	120,547	43,465	-	-

Company

As at December 2020	Page No	Note	Total	Less Than 1 Year	1 year to 3 Years	3 year to 5 Years	5 year to 15 Years	More than 15 Years
			Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Assets								
Financial Instruments								
Held-to-Maturity Financial Assets								
Debt securities	218	12.(a)	51,485,457	7,157,346	14,593,225	5,908,316	21,946,939	1,879,631
Loans and Receivables	219	12.(b)	60,633,154	7,312,127	41,547,490	11,515,604	257,933	-
Available-for-Sale Financial Assets								
Equity securities			104,816	104,816	-	-	-	-
Debt securities			12,927,351	229,970	6,655,960	4,227,017	1,814,405	-
Financial Assets at Fair Value through Profit or Loss								
Equity securities	221	12.(d)	927	927	-	-	-	-
Debt securities			3,096,757	273	2,671,776	175,017	249,691	-
Reinsurance Receivables	232	15	280,009	280,009	-	-	-	-
Loans to life Policyholders	236	17	1,282,725	105,559	212,829	170,465	618,872	175,001
Premium Receivables	237	18	288,720	288,720	-	-	-	-
Cash and Cash Equivalents	238	20	768,553	768,553	-	-	-	-
			130,868,470	16,248,300	65,681,281	21,996,418	24,887,840	2,054,632
Liabilities								
Reinsurance Payables	244	24	477,740	477,740	-	-	-	-
Lease Liabilities	207	9	210,890	52,704	119,133	36,408	2,645	-
Trade and Other Payables	245	25	3,803,965	3,803,965	-	-	-	-
Bank Overdraft	238	20	497,141	497,141	-	-	-	-
			4,989,736	4,831,550	119,133	36,408	2,645	-

As at December 2019	Page No	Note	Total	Less Than 1 Year	1 year to 3 Years	3 year to 5 Years	5 year to 15 Years	More than 15 Years
			Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Assets								
Financial Instruments								
Held-to-Maturity Financial Assets								
Debt securities	218	12.(a)	56,889,866	5,331,846	11,433,807	11,894,585	26,348,209	1,881,419
Loans and receivables	219	12.(b)	45,769,731	16,860,684	15,458,084	13,184,181	266,783	-
Available-for-Sale Financial Assets								
Equity securities			122,651	122,651	-	-	-	-
Debt securities			7,453,968	139,719	1,053,672	4,899,046	1,361,531	-
Financial Assets at Fair Value through Profit or Loss								
Equity securities	221	12.(d)	12,158	12,158	-	-	-	-
Debt securities			2,305,764	-	903,230	678,917	723,617	-
Reinsurance Receivables	234	15	273,408	273,408	-	-	-	-
Loans to life Policyholders	236	17	1,335,469	127,452	199,822	173,090	661,107	173,998
Premium Receivables	237	18	275,381	275,381	-	-	-	-
Cash and Cash Equivalents	238	20	510,436	510,436	-	-	-	-
			114,948,833	23,653,734	29,048,614	30,829,820	29,361,248	2,055,417
Liabilities								
Reinsurance Payables	244	24	603,893	603,893	-	-	-	-
Lease Liabilities	207	8	241,908	77,896	120,547	43,465	-	-
Trade and Other Payables	245	25	3,542,950	3,542,950	-	-	-	-
Bank Overdraft	238	20	416,770	416,770	-	-	-	-
			4,805,521	4,641,509	120,547	43,465	-	-

The Company has no significant concentration of liquidity risk during the reporting period.

42. Provisions, Commitments and Contingencies

ACCOUNTING POLICY

Provisions are recognised when the Group/Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Group expects some or all of a provision to be reimbursed the reimbursement is recognised as a separate asset when the reimbursement is virtually certain. The expense relating to provision is presented in income statement net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

All known provisions have been accounted for in preparing the Financial Statements.

Contingent liabilities are possible obligations whose existence will be confirmed only by uncertain future events or present obligations where the transfer of economic benefit is not probable or cannot be readily measured. Contingent liabilities are not recognised in the statement of financial position but disclosed as a note to the financial statements. Contingent assets are disclosed, where inflow of economic benefit is probable.

42.(a) Legal proceedings and regulations

There are no any contingencies due to legal proceedings and regulations.

42.(b). Capital Commitments

Capital Commitments relating to the property, plant and equipment have been disclosed separately in Note 7.(c).

42.(c). Assessments from Department of Inland Revenue

Tax Assessments on Income Tax

The Company has received Income Tax Assessments from the Department of Inland Revenue for the years of assessments 2015/16, 2016/17 and 2017/18 under the Inland Revenue Act, No. 10 of 2006.

Assessments relating to Y/A 2015/16 and 2017/18 are at inquiry level at the Commissioner General of Inland Revenue. For the assessment relating to Y/A 2016/17, Commissioner General of Inland Revenue has provided his determination against the Company. The Company duly appealed against the determination of the Commissioner General of Inland Revenue to the Tax Appeal Commission and the case has been stated for opinion of the Tax Appeal Commission.

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.

Tax Assessments on VAT

The Company has received Assessments for year 2016, 2017, 2018 and 2019 under the Value Added Tax Act No 14 of 2002 from the Inland Revenue Department with regard to other income and claimability of input tax. The Company has duly appealed against these Assessments in consultation with the Company's Tax Consultant to the Inland Revenue Department.

Assessments relevant to the taxable period 01.01.2016 - 31.12.2016, the Company has submitted a settlement proposal, on which Final Determination is yet to be received from the Commissioner General of Inland Revenue. Rest of the Assessments are at inquiry level at the Commissioner General of Inland Revenue.

Tax Assessments on VAT and NBT on Financial Services

The Company has received two Assessments for year 2016 and 2017 on VAT and NBT on Financial Services under the Value Added Tax Act No 14 of 2002 from the Inland Revenue Department.

Upon receipt of the assessments, The Company has duly appealed against both of these Assessments in consultation of Company's Tax Consultant to the Inland Revenue Department. Both of the assessments are at inquiry level at Commissioner General Inland Revenue.

Management believes that, the Company is outside the scope of VAT and NBT on financial services as the Company engages in the Life Insurance industry and therefore, not liable for VAT or NBT on financial services.

The Company's management is of the view of that the probability of materialization of the above assessments is very remote.

Compliance with IFRIC 23 - Uncertainty over Income Tax Treatments

The Company 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.

43. Assets Pledged

The following assets have been pledged as security for liabilities as at end of the reporting period.

Nature of Assets	Nature of Liability	Carrying Amount Pledged	Included under
		Rs.'000	
Fixed Deposits	Pledged to Seylan Bank PLC to obtain banking facilities.	560,442	Loans & Receivables

Refer Note 20.(a) for Cash Pledged as Security for Liabilities.

44. Related party disclosures

ACCOUNTING POLICIES

The Company carried out transactions in the ordinary course of its business with parties who are defined as related parties as per Sri Lanka Accounting Standard LKAS 24 - "Related Party Disclosures".

Terms and conditions of transactions with related parties

The transactions with related parties are made on terms equivalent to those that prevail in arm's length transactions. Outstanding balances at the year-end are unsecured and interest free and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables. For the year ended 31 December 2020, the Group has not recorded an impairment of receivables relating to amounts owed by related parties (2019 - Nil).

According to 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 have been classified as Key Management Personnel of the Company. In addition, Chief Executive Officer has also been classified as Key Management Personnel of the Company.

As Ceylinco Insurance PLC (CIPLC) is the ultimate parent of the Company, and the Board of Directors of CIPLC have the authority and responsibility for planning, directing and controlling the activities of the Company, the Directors of CIPLC have also been identified as Key Management Personnel of the Company.

Close Family Members (CFM) of the KMP are those family members who may be expected to influence, or be influenced by, that KMPs in their dealing with the entity. They may include:

- (a) The KMP's domestic partner and children;
- (b) Children of the KMP's domestic partner; and
- (c) Dependent of the KMP or the KMP's domestic partner

CFM are related parties to the entity. There were no transactions with CFM during the year.

	Page	Note	Company	
			2020	2019
	No		Rs.	Rs.
44. I. Amounts recieved from related parties				
Subsidiaries	270	44.I.a	8,851,577	6,896,869
Equity accounted investees	270	44.I.b	39,420,159	640,378,438
Other related companies	270	44.I.c	50,369,717	54,157,056
Key management personnel	270	44.I.d	49,711,200	624,744
Total			148,352,653	702,057,107
44.II. Amounts paid to related parties				
Subsidiaries	270	44.II.a	(50,750,450)	(2,567,540)
Equity accounted investees	271	44.II.b	(19,494,092)	(982,415,146)
Other related companies	271	44.II.C	(67,712,682)	(694,900,084)
Key management personnel	271	44.II.d	(429,295,327)	(405,830,993)
			(567,252,551)	(2,085,713,763)
Transaction with related parties				
Amount recieved from related parties				
44.I.a. Subsidiaries				
Ceylinco Health Care Services Ltd	272	44.IV.a	5,101,577	3,228,481
Serene Resorts Ltd	272	44.IV.a	3,750,000	3,668,388
			8,851,577	6,896,869
44.I.b. Equity accounted investees				
Citizens Development Business Finance PLC	272	44.IV.b	39,420,159	640,378,438
			39,420,159	640,378,438
44.I.c. Other related companies				
Ceylinco General Insurance Ltd.	273	44.IV.c	50,369,717	54,157,056
			50,369,717	54,157,056
44.I.d. Key management personnel				
Premium Received/(Maturity of Insurance Policies)	272	44.III.d	49,711,200	624,744
			49,711,200	624,744
Amounts paid to related parties				
44.II.a. Subsidiaries				
Ceylinco Health Care Services Ltd	272	44.IV.a	(750,450)	(2,567,540)
Serene Resorts Ltd	272	44.IV.a	(50,000,000)	-
			(50,750,450)	(2,567,540)

	Page	Note	Company	
			2020	2019
			Rs.	Rs.
44.II.b. Equity accounted investees				
Citizen Development Business Finance PLC	272	44.IV.b	(19,494,092)	(982,415,146)
			(19,494,092)	(982,415,146)
44.II.c. Other Related companies				
Ceylinco General Insurance Ltd.	273	44.IV.c	(67,712,682)	(24,899,414)
Ceylinco Insurance PLC	273	44.IV.c	-	(670,000,670)
			(67,712,682)	(694,900,084)
44.II.d. Key management personnel				
Short-term employee benefits	273	44.IV.d	(361,391,299)	(338,254,830)
Post employment benefits	273	44.IV.d	(66,824,028)	(65,697,096)
Legal Fees paid	272	44.III.d	(1,080,000)	(1,879,067)
			(429,295,327)	(405,830,993)
44.III. Transaction with related parties				
44.III.a. Subsidiaries				
	272	44.IV.a		
Premium Received/(paid)			34,050	27,826
Rent Received/ (paid)			6,030,000	6,115,482
Investment in Shares			(50,000,000)	-
Medical Fees for staff & Customers			(750,450)	(2,567,540)
Reimbursement of Expenses			2,787,527	753,561
			(41,898,873)	4,329,329
44.III.b. Equity accounted investees				
	272	44.IV.b		
Insurance Premium Received/(paid)			36,850,119	27,902,787
Investment in Fixed Deposit			-	(500,000,000)
Maturity of Fixed Deposit			-	500,000,000
Investment in Debentures			-	(100,000,000)
Claim (Received)/paid			(19,494,092)	(7,804,063)
Dividend Received/ (paid)			-	44,996,329
Rent Received/ (paid)			2,570,040	2,858,760
Interest Received/ (paid)			-	64,620,562
Right Subscription			-	(374,611,083)
			19,926,068	(342,036,708)
44.III.c. Other related companies				
	273	44.IV.c		
Premium paid			(64,800,182)	(20,249,414)
Premium Received			28,348,852	30,662,899
Claim (Received)/paid			586,435	(4,650,000)
Dividend Received/ (paid)			-	(670,000,670)
Rent Received/ (paid)			18,521,930	23,494,157
			(17,342,965)	(640,743,027)

	Company	
	2020	2019
	Rs.	Rs.
44.III.d. Key management personnel		
Premium Received/(Maturity of Insurance Policies)	49,711,200	624,744
Short-term employee benefits	(361,391,299)	(338,254,830)
Post employment benefits	(66,824,028)	(65,697,096)
Legal Fees paid	(1,080,000)	(1,879,067)
	(379,584,127)	(405,206,249)
Total	(418,899,898)	(1,383,656,656)
44.IV. Transaction with related parties - Subsidiaries		
44.IV.a. Ceylinco Health Care Services Ltd		
Premium Received/(paid)	34,050	27,826
Rent Received/ (paid)	2,280,000	2,447,094
Medical Fees for staff & Customers	(750,450)	(2,567,540)
Reimbursement of Expenses	2,787,527	753,561
	4,351,127	660,941
Serene Resorts Ltd		
Investment In Shares	(50,000,000)	-
Rent Received/ (paid)	3,750,000	3,668,388
	(46,250,000)	3,668,388
Total	(41,898,873)	4,329,329
44.IV.b. Transaction with related parties - Associates		
Citizens Development Business Finance PLC		
Insurance Premium Received	36,850,119	27,902,787
Investment in Fixed Deposit	-	(500,000,000)
Maturity of Fixed Deposit	-	500,000,000
Investment in Debentures	-	(100,000,000)
Claims paid	(19,494,092)	(7,804,063)
Dividend Received/ (paid)	-	44,996,329
Rent Received/ (paid)	2,570,040	2,858,760
Rights Subscription	-	(374,611,083)
Interest Received/ (paid)	-	64,620,562
Total	19,926,068	(342,036,708)

	Company	
	2020	2019
	Rs.	Rs.
44.IV.c. Transaction with related parties - Other Related companies		
Ceylinco General Insurance Ltd.		
Premium paid	(64,800,182)	(20,249,414)
Premium Received	28,348,852	30,662,899
Claims paid	(2,912,500)	(4,650,000)
Claims Received	3,498,935	-
Rent Received/ (paid)	18,521,930	23,494,157
	(17,342,965)	29,257,643
Ceylinco Insurance PLC		
Dividend paid	-	(670,000,670)
	-	(670,000,670)
Total	(17,342,965)	(640,743,027)
44.IV.d. Compensation of Key management personnel		
Short-term employee benefits	(361,391,299)	(338,254,830)
Post employment benefits	(66,824,028)	(65,697,096)
Total	(428,215,327)	(403,951,926)

The amounts disclosed in the above table are the amounts recognised as an expense during the reporting period related to Key Management Personnel.

No loans have been given to the Directors of the Company.

Investment in Associate

No restrictions are placed on the ability of the associate to transfer funds to the parent company in the form of cash dividends or for the repayment of loans when due.

No guarantees or collaterals were provided to the associate.

45. Events after the reporting date

Events after the reporting period are those events, favourable and unfavourable, that occur between the Reporting date and the date when the Financial Statements are authorised for issue.

The Board of Directors has proposed a final dividend of Rs.15.65 per share amounting to a total of Rs. 782.5 million on 24 February 2021 out of the profit for the year ended 31 December 2020 subject to the approval of shareholder at the Annual General Meeting. As required by the Section 56 of the Companies Act No. 07 of 2007, the Boards of Directors of the Company has confirmed that the Company satisfies the 'Solvency Test'. In accordance with LKAS 10 - "Events after the reporting period", the proposed dividend has not been recognised as a liability in the Financial Statements.

All other material events after the reporting date have been considered and where appropriate, adjustments or disclosures have been made in the respective notes to the Financial Statements.

46. Employee and industrial relations

There were no material issues pertaining to Employees & Industrial relations during the year.

47. Standards issued but not yet effective / adopted

47.(a). Standards issued but not yet Adopted as at the Reporting Date

The following SLFRSs have been issued by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) and have not been applied in preparing these Financial Statements. Those SLFRSs will have an effect on the accounting policies currently adopted by the Group and may have an impact on future Financial Statements which is summarised as below.

SLFRS 9 - Financial Instruments

In December 2014, the CA Sri Lanka issued the final version of SLFRS 9 Financial Instruments classification and measurement which reflects all phases of the financial instruments project and replaces LKAS 39 - Financial Instruments: Recognition and Measurement. The standard introduces new requirements for,

- ⊙ Classification and measurement
- ⊙ Impairment
- ⊙ Hedge Accounting

SLFRS 9 is effective for annual periods beginning on or after 1st January 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory.

Temporary Exemption from SLFRS 9

An insurer that meets the criteria in paragraph 20B of SLFRS 4 (amended) provides a temporary exemption that permits, but does not require, the insurer to apply LKAS 39 - Financial Instruments: Recognition and Measurement rather than SLFRS 9 for annual periods beginning before 1st January 2023.

An insurer may apply the temporary exemption from SLFRS 9 if, and only if:

- (a) it has not previously applied any version of SLFRS 9, other than only the requirements for the presentation of gains and losses on financial liabilities designated as at Fair Value Through Profit or Loss and;
- (b) its activities are predominantly connected with insurance, at its annual reporting date that immediately precedes 1st April 2016, or at a subsequent annual reporting date.

Having considering the above criteria, Since Ceylinco Life Insurance Limited is predominantly connected with Insurance activities, the company may continue to apply LKAS 39 - Financial Instruments: Recognition and Measurement rather than SLFRS 9 for annual periods beginning before 1st January 2023.

Summary of the Requirements

Classification and Measurement Financial Assets

SLFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics.

SLFRS 9 contains three principal classification categories for financial assets measured at:

- ⊙ Amortised Cost
- ⊙ Fair Value Through Other Comprehensive Income (FVTOCI)
- ⊙ Fair Value Through Profit or Loss

The standard eliminates the existing LKAS 39 categories of Held to Maturity, Loans and Receivables and Available For Sale. Based on its assessment, the Group does not believe that the new classification requirements will have a material impact on its accounting for trade receivables, loans, investments in debt securities and investments in equity securities that are managed on a fair value basis.

Financial Liabilities

SLFRS 9 largely retains the existing requirements in LKAS 39 for the classification of financial liabilities. However, under LKAS 39 all fair value changes of liabilities designated as at FVTPL are recognised in Profit or Loss, whereas under SLFRS 9 these fair value changes are generally presented as follows:

- ⊙ the amount of change in the fair value that is attributable to changes in the credit risk of the liability is presented in Other Comprehensive Income; and
- ⊙ the remaining amount of change in the fair value is presented in Profit or Loss.

The Group has not designated any financial liabilities at FVTPL and it has no current intention to do so.

Impairment

SLFRS 9 replaces the 'Incurred Loss' model in LKAS 39 with a forward-looking 'Expected Credit Loss' (ECL) model. This will require considerable judgement about how changes in economic factors affect ECLs, which will be determined on a probability-weighted basis.

The new impairment model will apply to financial assets measured at amortised cost or FVTOCI, except for investments in equity instruments, and to contract assets.

Under SLFRS 9, loss allowances will be measured on either of the following bases:

12-month ECLs: these are ECLs that result from possible default events within the 12 months after the reporting date; and;

Lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

Lifetime ECL measurement applies if the credit risk of a financial asset at the reporting date has increased significantly since initial recognition and 12-month ECL measurement applies if it has not.

An entity may determine that a financial asset's credit risk has not increased significantly if the asset has low credit risk at the reporting date. However, lifetime ECL measurement always applies for trade receivables and contract assets without a significant financing component;

With the consultation of external consultants the Group is in the process of formulating the relevant models for impairment computation.

47.(b). New Accounting Standards Issued But Not Effective as at the Reporting Date

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of financial statements of the Company are disclosed below. The Company intends to adopt these standards, if applicable, when they become effective.

SLFRS 17 - Insurance Contracts

SLFRS 17 will replace SLFRS 4 on accounting for insurance contracts and will be effective from 1 January 2023.

Objective

SLFRS 17 Insurance contracts establishes the principles for the recognition, measurement, presentation and disclosure of Insurance contracts within the scope of the Standard. The objective of SLFRS 17 is to ensure that an entity provides relevant information that faithfully represents those contracts. This information gives a basis for users of financial statements to assess the effect that insurance contracts have on the entity's financial position, financial performance and cash flows.

Scope

An entity shall apply SLFRS 17 Insurance contracts to:

- ⊙ Insurance contract, including reinsurance contracts, it issues;
- ⊙ Reinsurance contracts it holds; and
- ⊙ Investment contracts with discretionary participation features is issues, provided the entity also issues insurance contracts.

Some contracts meet the definition of an insurance contract but have their primary purpose the provision of services for a fixed fee. Such issued contracts are in the scope of the Standard, unless an entity chooses to apply to them SLFRS 15 Revenue from Contracts with Customers and provided the following conditions are met:

- a) the entity does not reflect an assessment of the risk associated with an individual
- b) customer in setting the price of the contract with that customer;
- c) the contract compensates customers by providing a service, rather than by making cash payments to the customer; and
- d) the insurance risk transferred by the contract arises primarily from the customer's use of service rather than from uncertainty over the cost of those services.

Recognition

An entity shall recognise a group of insurance contracts it issues from the earliest of the following:

- a) the beginning of the coverage period;
- b) the date when the first payment from a policyholder becomes due; and
- c) when the group becomes onerous.

SLFRS - 17 specify three measurement approaches;

1. Building Block Approach (BBA)
2. Premium Allocation Approach (PAA)
3. Variable Fee Approach (VFA)

Building Block Approach (General Approach) Measurement

On initial recognition, an entity shall measure a group of contracts at the total of:

a) the amount of fulfilment cash flows ("FCF"), which comprise:

- I. estimates of future cash flows;
- II. an adjustment to reflect the time value of money ("TVM") and the financial risks associated with the future cash flows; and
- III. a risk adjustment for non-financial risk

b) the contractual service margin ("CSM").

An entity shall include all the cash flows within the boundary of each contract in the group. The entity may estimate the future cash flows at a higher level of aggregation and then allocate the resulting fulfilment cash flows to individual groups of contracts.

The estimates of future cash flows shall be current, explicit, unbiased, and reflect all the information available to the entity without undue cost and effort about the amount, timing and uncertainty of those future cash flows. They should reflect the perspective of the entity, provided that the estimates of any relevant market variables are consistent with observable market prices.

Discount Rates

The discount rates applied to the estimate of cash flows shall:

- a) reflect the time value of money (TVM), the characteristics of the cash flows and the liquidity characteristics of the insurance contracts;
- b) be consistent with observable market prices of those financial instruments whose cash flow characteristics are consistent with those of the insurance contracts; and
- c) exclude the effect of factors that influence such observable market prices but do not affect the future cash flows of the insurance contracts.

Risk Adjustment for Non-Financial Risk

The estimate of the present value of the future cash flows is adjusted to reflect the compensation that the entity requires for bearing the uncertainty about the amount and timing of future cash flows that arises from non-financial risk.

Contractual Service Margin

The CSM represents the unearned profit of the group of insurance contracts that the entity will recognise as it provides services in the future. This is measured on initial recognition of a group of insurance contracts at an amount that, unless the group of contracts is onerous, results in no income or expenses arising from:

- a) the initial recognition of an amount for the FCF;
- b) the derecognition at that date of any asset or liability recognised for acquisition cash flows; and
- c) any cash flows arising from the contracts in the group at that date.

Subsequent Measurement

On subsequent measurement, the carrying amount of a group of insurance contracts at the end of each reporting period shall be the sum of:

a) the liability for remaining coverage comprising:

- I. the FCF related to future services and;
- II. the CSM of the group at that date;

b) the liability for incurred claims, comprising the FCF related to past service allocated to the group at that date.

Onerous Contracts

An insurance contract is onerous at initial recognition if the total of the FCF, any previously recognised acquisition cash flows and any cash flows arising from the contract at that date is a net outflow. An entity shall recognise a loss in profit or loss for the net outflow, resulting in the carrying amount of the liability for the group being equal to the FCF and the CSM of the group being zero.

On subsequent measurement, if a group of insurance contracts becomes onerous (or more onerous), that excess shall be recognised in profit or loss. Additionally, CSM cannot increase and no revenue can be recognised, until the onerous amount previously recognised has been reversed in profit or loss as part of a service expense.

Premium Allocation Approach

An entity may simplify the measurement of the liability for remaining coverage of a group of insurance contracts using the Premium Allocation Approach (PAA) on the condition that, at the inception of the group:

- a) the entity reasonably expects that this will be a reasonable approximation of the General Model, or
- b) the coverage period of each contract in the group is one year or less

Where, at the inception of the group, an entity expects significant variances in the FCF during the period before a claim is incurred, such contracts are not eligible to apply the PAA.

Using the PAA, the liability for remaining coverage shall be initially recognised as the premiums, if any, received at initial recognition, minus any insurance acquisition cash flows. Subsequently the carrying amount of the liability is the carrying amount at the start of the reporting period plus the premiums received in the period, minus insurance acquisition cash flows, plus amortisation of acquisition cash flows, minus the amount recognised as insurance revenue for coverage provided in that period, and minus any investment component paid or transferred to the liability for incurred claims.

Modification and de-recognition

Modification of an Insurance Contract

If the terms of an insurance contract are modified, an entity shall derecognise the original contract and recognise the modified contract as a new contract if there is a substantive modification, based on meeting any of the specified criteria.

The modification is substantive if any of the following conditions are satisfied:

- a. if, had the modified terms been included at contract's inception, this would have led to:
 - I. exclusion from the Standard's scope;
 - II. unbundling of different embedded derivatives;
 - III. redefinition of the contract boundary; or
 - IV. the reallocation to a different group of contracts; or
- b. if the original contract met the definition of a direct par insurance contracts, but the modified contract no longer meets that definition, or vice versa; or
- c. the entity originally applied the PAA, but the contract's modifications made it no longer eligible for it.

De-recognition

An entity shall de-recognise an insurance contract when it is extinguished, or if any of the conditions of a substantive modification of an insurance contract are met.

Presentation in the Statement of Financial Position

An entity shall present separately in the statement of financial position the carrying amount of groups of:

- a) insurance contracts issued that are assets;
- b) insurance contracts issued that are liabilities;
- c) reinsurance contracts held that are assets; and
- d) reinsurance contracts held that are liabilities.

Recognition and presentation in the statement(s) of financial performance

An entity shall disaggregate the amounts recognised in the statement(s) of financial performance into:

- a) an insurance service result, comprising insurance revenue and insurance service expenses; and
- b) insurance finance income or expenses.

Income or expenses from reinsurance contracts held shall be presented separately from the expenses or income from insurance contracts issued.

Insurance Service Result

An entity shall present in profit or loss revenue arising from the groups of insurance contracts issued, and insurance service expenses arising from a group of insurance contracts it issues, comprising incurred claims and other incurred insurance service expenses. Revenue and insurance service expenses shall exclude any investment components. An entity shall not present premiums in the profit or loss, if that information is inconsistent with revenue presented.

Insurance Finance Income or Expenses

Insurance finance income or expenses comprises the change in the carrying amount of the group of insurance contracts arising from: [IFRS 17:87]

- a) the effect of the time value of money and changes in the time value of money; and
- b) the effect of changes in assumptions that relate to financial risk; but
- c) excluding any such changes for groups of insurance contracts with direct participating insurance contracts that would instead adjust the CSM.

An entity has an accounting policy choice between including all of insurance finance income or expense for the period in profit or loss, or disaggregating it between amount presented in profit or loss and amount presented in other comprehensive income ("OCI").

Under the general model, disaggregating means presenting in profit or loss an amount determined by a systematic allocation of the expected total finance income or expenses over the duration of the group of contracts. On derecognition of the groups amounts remaining in OCI are reclassified to profit or loss.

Under the VFA, for direct par insurance contracts, only where the entity holds the underlying items, disaggregating means presenting in profit or loss as insurance finance income or expenses an amount that eliminates the accounting mismatches with the finance income or expenses arising on the underlying items. On derecognition of the groups, the amounts previously recognised in OCI remain there.

Disclosures

An entity shall disclose qualitative and quantitative information about:

- a) the amounts recognised in its financial statements that arise from insurance contracts;
- b) the significant judgements, and changes in those judgements, made when applying IFRS 17; and
- c) the nature and extent of the risks that arise from insurance contracts.

Effective Date

IFRS 17 is effective for annual reporting periods beginning on or after 1 January 2023. Earlier application is permitted if both IFRS 15 'Revenue from Contracts with Customers' and IFRS 9 'Financial Instruments' have also been applied.

Transition

An entity shall apply the Standard retrospectively unless impracticable, in which case entities have the option of using either the modified retrospective approach or the fair value approach.

Under the modified retrospective approach, an entity shall utilise reasonable and supportable information and maximise the use of information that would have been used to apply a full retrospective approach, but need only use information available without undue cost or effort. Under this approach the use of hindsight is permitted, if that is the only practical source of information for the restatement of prior periods.

Under the fair value approach, an entity determines the CSM at the transition date as the difference between the fair value of a group of insurance contracts at that date and the FCF measured at that date. Using this approach, on transition there is no need for annual groups.

At the date of initial application of the Standard, those entities already applying IFRS 9 may retrospectively re-designate and reclassify financial assets held in respect of activities connected with contracts within the scope of the Standard.

Entities can choose not to restate IFRS 9 comparatives with any difference between the previous carrying amount of those financial assets and the carrying amount at the date of initial application recognised in the opening equity at the date of initial application. Any restatements of prior periods must reflect all the requirements of IFRS 9.

SLFRS 9 Financial Instruments

SLFRS 9 replaces the existing guidance in LKAS 39 Financial Instruments: Recognition and Measurement. SLFRS 9 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 Company 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.

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STATEMENT OF SUPPLEMENTARY FINANCIAL POSITION - POLICYHOLDERS

As at 31 December	2020	2019
	Rs.'000	Rs.'000
Assets		
Property, Plant and Equipment	6,946,652	6,985,547
Right-of-use Asset	197,763	229,878
Investment Properties	1,196,300	420,500
Investment in Subsidiaries	15,000	15,000
Investment in Associates	42,990	42,990
Financial Instruments		
Held to Maturity Financial Assets	44,657,932	51,186,297
Loans and Receivables	42,866,021	31,099,843
Available-For-Sale Financial Assets	11,217,251	6,670,528
Financial Assets at Fair Value Through Profit or Loss	2,887,708	2,317,923
Reinsurance Receivable	280,009	273,408
Loans to Life Policyholders	1,282,725	1,335,469
Premium Receivables	288,720	275,381
Other Assets	153,032	151,047
Cash and Cash Equivalents	627,650	509,145
Total Assets	112,659,754	101,512,959
Equity and Liabilities		
Liabilities		
Insurance Contract Liabilities - Life	106,737,377	96,204,089
Insurance Contract Liabilities - Unit Linked	329,257	328,869
Insurance Contract Liabilities-Family Takaful	14,698	18,869
Individual Investment Fund - ISF	313,434	235,187
Reinsurance Payable	477,740	603,893
Trade and Other Payables	4,290,107	3,705,281
Bank Overdraft	497,141	416,770
Total Liabilities	112,659,754	101,512,958
Total Equity and Liabilities	112,659,754	101,512,958

INSURANCE REVENUE ACCOUNT

For the Year Ended 31st December,		2020	2019	%
	Glossary item	Rs. '000	Rs. '000	Change
Gross Written Premium	22	22,076,250	18,718,553	17.94
Net Written Premium (Net of Premiums ceded to reinsurers)	38	21,570,788	18,168,431	18.73
Investment and Other Income Attributable to Policyholders		12,155,975	10,856,304	11.97
Net Benefits Paid	39	(12,266,513)	(10,604,066)	15.68
Increase in Long Term Insurance Fund		(9,423,994)	(7,189,811)	31.07
Acquisition Cost	1	(2,123,644)	(1,962,792)	8.20
Operating and Administrative Expenses Attributable to Policyholders		(4,553,974)	(4,414,501)	3.16
Interest Expense		(76,292)	(41,090)	85.67
Tax Expenses		(1,181,496)	(912,475)	29.48
Surplus from Life Insurance Business	33	4,100,849	3,900,000	5.0
Surplus From Life Insurance Business		4,100,849	3,900,000	5.15
Investment and Other Income not Attributable to Policyholders		2,756,226	2,536,251	8.67
Operating and Administrative Expenses not Attributable to Policyholders		730,644	864,292	(15.46)
Interest Expense		(2,703)	(1,080)	150.33
Tax Expenses		(650,895)	(627,794)	3.68
Profits From Operations After Interest Expense		6,934,121	6,671,669	3.93

QUARTERLY ANALYSIS 2020

Company Statement of Income

(values are to the nearest rupees thousand)

	1st quarter	2nd quarter	3 rd quarter	4th quarter	Total
	Jan-Mar.20	Apr-Jun.20	Jul-Sep.20	Oct-Dec.20	Jan-Dec.20
Gross written premium	4,727,225	5,210,320	5,600,962	6,537,744	22,076,250
Premiums ceded to reinsurers	(119,016)	(80,062)	(165,344)	(141,041)	(505,463)
Net written premium	4,608,208	5,130,258	5,435,618	6,396,703	21,570,788
Net change in Reserve for unearned premium				-	
Net Earned premium	4,608,208	5,130,258	5,435,618	6,396,703	21,570,788
					-
Investment and Other Income	3,377,919	3,817,394	3,630,955	4,085,933	14,912,201
Net Income	7,986,128	8,947,652	9,066,573	10,482,636	36,482,989
Net benefits and claims	(2,808,830)	(3,081,487)	(3,218,965)	(3,157,231)	(12,266,513)
Gross Change in Contract Liabilities	(1,809,441)	(2,552,841)	(2,379,659)	(2,682,053)	(9,423,994)
Acquisition cost	(473,906)	(460,233)	(542,441)	(647,063)	(2,123,644)
Other operating and administrative expenses	(1,121,312)	(1,065,454)	(1,152,747)	(483,817)	(3,823,330)
Finance cost	(9,112)	(16,584)	(13,466)	(39,834)	(78,995)
Total benefits, claims and other expenses	(6,222,602)	(7,176,599)	(7,307,277)	(7,009,998)	(27,716,476)
Profit before tax	1,763,526	1,771,053	1,759,296	3,472,637	8,766,512
Income tax expense	(427,068)	(366,778)	(309,659)	(728,886)	(1,832,391)
Profit for the year	1,336,458	1,404,275	1,449,637	2,743,751	6,934,121

QUARTERLY ANALYSIS 2019

Company Statement of Income

(values are to the nearest rupees thousand)

	1st quarter	2nd quarter	3 rd quarter	4th quarter	Total
	Jan- Mar.19	Apr- Jun.19	Jul- Sep.19	Oct- Dec.19	Jan- Dec.19
Gross written premium	4,276,029	4,513,416	4,854,743	5,074,366	18,718,553
Premiums ceded to reinsurers	(131,937)	(108,564)	(115,301)	(194,320)	(550,122)
Net written premium	4,144,093	4,404,851	4,739,442	4,880,046	18,168,431
Net change in Reserve for unearned premium				-	
Net Earned premium	4,144,093	4,404,851	4,739,442	4,880,046	18,168,431
					-
Investment and Other Income	2,897,479	3,227,881	3,346,168	3,921,027	13,392,554
Net Income	7,041,571	7,632,732	8,085,610	8,801,073	31,560,986
Net benefits and claims	(2,389,880)	(2,610,273)	(3,073,050)	(2,530,863)	(10,604,066)
Gross Change in Contract Liabilities	(1,555,847)	(1,117,512)	(1,553,566)	(2,962,886)	(7,189,811)
Acquisition cost	(491,697)	(460,239)	(498,220)	(512,636)	(1,962,792)
Other operating and administrative expenses	(1,055,695)	(1,183,094)	(951,665)	(359,756)	(3,550,209)
Finance cost	(5,956)	(13,101)	(16,110)	(7,003)	(42,170)
Total benefits, claims and other expenses	(5,499,075)	(5,384,218)	(6,092,611)	(6,373,144)	(23,349,048)
Profit before tax	1,542,496	2,248,514	1,992,999	2,427,929	8,211,938
Income tax expense	(487,402)	(430,987)	(369,730)	(252,150)	(1,540,269)
Profit for the year	1,055,094	1,817,527	1,623,269	2,175,779	6,671,669

TEN YEAR SUMMARY

Statement of Financial Position

Company	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000
Assets										
Intangible Assets	362,838	349,626	37,358	56,950	2,759	645	2,198	4,609	15,105	42,396
Property, plant and equipment	9,478,336	9,401,318	7,567,806	7,371,782	7,068,634	5,343,752	4,760,395	4,596,053	3,906,294	3,396,144
Investments	133,707,835	116,918,311	103,744,945	92,264,065	84,220,630	67,139,575	57,209,653	50,751,773	44,198,752	40,410,190
Other assets	7,252,377	6,542,149	6,709,280	6,402,008	5,166,066	7,751,193	9,096,076	8,593,577	4,771,500	4,845,898
Total Assets	150,801,386	133,211,404	118,059,390	106,094,805	96,458,089	80,235,165	71,068,322	63,946,012	52,891,651	48,694,628
Liabilities										
Insurance provision - Life	106,737,377	96,204,089	88,049,202	81,723,759	77,925,144	68,011,535	60,021,879	52,765,411	45,110,789	38,203,473
Unit linked Fund and other funds	657,389	582,925	519,695	427,146	333,129	268,062	228,872	190,135	157,657	146,659
Equity and Other Liabilities	43,406,620	36,424,389	29,490,493	23,943,900	18,199,816	11,955,567	10,817,572	10,990,466	7,623,205	10,344,494
Total Liabilities	150,801,386	133,211,402	118,059,390	106,094,805	96,458,089	80,235,164	71,068,323	63,946,012	52,891,651	48,694,628
Investor Information										
Return on net assets (%)	18.18	21.19	21.93	45.87	25.85	21.81				
Return on Total Assets (%)	4.60	5.01	4.91	8.67	3.19	2.57				
Net assets per share Rs.	762.90	629.84	528.51	412.94	238.24	188.93				
Earnings per share Rs.	138.68	133.43	115.89	199.35	61.58	38.03				
Dividend per share Rs.	15.65	13.40	11.90	9.00	7.50	6.25				
Dividend Cover (Times)	8.86	9.96	9.74	21.04	8.21	6.08				
Dividend Payout Ratio (%)	11.28	10.04	10.27	4.75	12.18	16.44				

Statement of Comprehensive Income

Company	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000
Gross written Premium	22,076,250	18,718,553	17,812,774	15,765,484	15,027,600	13,456,828	12,002,524	11,122,906	10,829,470	9,833,905
Net written premium	21,570,788	18,168,431	17,355,265	15,343,267	14,653,771	13,146,773	11,715,219	10,866,904	10,576,066	9,597,478
Investment income and other income	14,912,201	13,392,554	11,394,234	10,280,547	8,780,689	6,740,775	6,826,012	6,706,341	4,825,823	3,889,608
Net claims and benefit	(12,266,513)	(10,604,066)	(9,803,550)	(6,686,980)	(6,651,682)	(5,956,745)	(4,893,847)	(4,757,321)	(3,990,881)	(2,946,295)
Acquisition Cost	(2,123,644)	(1,962,792)	(1,926,454)	(1,782,479)	(1,693,985)	(1,610,178)	(1,389,842)	(1,353,905)	(1,427,626)	(1,237,818)
Increase in Long Term Insurance fund	(9,423,994)	(7,189,811)	(6,457,292)	(7,258,502)	(8,397,889)	(7,135,304)	(7,256,468)	(7,654,622)	(6,765,658)	(6,335,332)
Change in Contract Liabilities Due to Transfer of One-Off Surplus	-	-	-	3,456,184	-					
Operating & Administrative expenses	(3,823,330)	(3,550,209)	(3,384,487)	(3,532,496)	(2,937,262)	(2,994,099)	(2,673,594)	(2,517,219)	(2,213,918)	(2,163,561)
Finance Expenses	(78,995)	(42,170)	(20,328)	(12,005)	(9,915)	(10,214)	(29,394)	(9,817)	(7,974)	(7,890)
Profit Before Tax	8,766,512	8,211,938	7,157,388	9,807,535	3,743,727	2,181,009	2,298,086	1,280,361	995,832	796,190
Taxation	(1,832,391)	(1,540,269)	(1,363,100)	(340,109)	(667,686)	(120,963)	(935,099)	(39,973)	-	-
Profit After Tax	6,934,121	6,671,669	5,794,288	9,467,426	3,076,041	2,060,046	1,362,987	1,240,388	995,832	796,190
Employee Information										
Revenue per employee Rs.Mn	44.82	37.39	33.31	28.79	25.75	21.22				
Net profit per employee Rs.'000	10,769.67	9,729.78	8,294	11,020	4,114	2,328				
Number of employees Nos.	814	844	863	890	910	937				

Note: Company Financial information has been disclosed for the Life insurance business, including the operation of Ceylinco insurance PLC up to year 2015.

Further Financial information for the years 2009 to 2011 are based on SLAS and balance years are based on LKAS/SLFRS.

GRI CONTEXT INDEX

GRI Standard	Disclosure	Page Number	Publication Pages
GRI 101: Foundation 2016 (does not include any disclosures)	GRI 101: Foundation 2016 (does not include any disclosures)		
General Disclosures GRI 102: General Disclosures 2016			
Organizational Profile			
	102-1 Name of Organization	3	√
	102-2 Activities, brands, products and services	70-71, Inner back cover	√
	102-3 Location of headquarters	Inner back cover	√
	102-4 Location of operations	3	√
	102-5 Ownership and legal form	3, Inner back cover	√
	102-6 Markets served	71	√
	102-7 Scale of the organization	20-21	√
	102-8 Information on employees and other workers	101	√
	102-9 Supply chain	82-83	√
	102-10 Significant changes to the organisation and supply chain	4,146-147	√
	102-11 Precautionary principle	5	√
	102-12 External initiatives	4	√
	102-13 Membership of associations	84	√
Strategy			√
	102-14 Statement from senior decision maker	10-13	√
	102-15 Key impacts, risks, and opportunities	137-145	√
Ethics and integrity			
	102-16 Values, principles, norms and standards of behaviour	2, 129	√
	102-17 Mechanisms for advice and concerns about ethics	129	√
Governance			√
	102-18 Governance Structure	23-24, 124	√
	102-19 Delegating authority	23-24, 124,127	√
	102-20 Executive-level responsibility for economic, environmental and social topics	23-24, 124,131	√
	102-21 Consulting stakeholders on economic, environmental and social topics	23-24, 131	√
	102-22 Composition of the highest governance body and its committees	110-115,126,128	√
	102-23 Chair of the highest governance body	126	√
	102-24 Nominating and selecting the highest governance body	127-128,153	√
	102-25 Conflicts of interest	132,156	√
	102-26 Role of highest governance body in setting purpose, values, and strategy	23-24,124,126,131	√
	102-27 Collective knowledge of highest governance body	126	√
	102-28 Evaluating the highest governance body's performance	128	√
	102-29 Identifying and managing economic, environmental, and social impacts	23-24,131	√
	102-30 Effectiveness of risk management processes	23-24,130,131,164,165	√
	102-31 Review of economic, environmental, and social topics	23-24,131	√
	102-32 Highest governance body's role in sustainability reporting	23-24,131	√

GRI Standard	Disclosure	Page Number	Publication Pages
	102-33 Communicating critical concerns	23-24,129-131	√
	102-34 Nature and total number of critical concerns	130	√
	102-35 Remuneration policies	128-129, 132,152	√
	102-36 Process for determining remuneration	128-129, 132,152	√
	102-37 Stakeholders' involvement in remuneration	128-129, 132,152	√
	102-38 Annual total compensation ratio	132,147	√
	102-39 Percentage increase in annual total compensation ratio	132,147	√
	102-40 List of stakeholder groups	36-41	√
	102-41 Collective bargaining agreements	106	√
	102-42 Identifying and selecting stakeholders	36	√
	102-43 Approach to stakeholder engagement	36-41	√
	102-44 Key topics and concerns raised	36-41	√
	102-45 Entities included in the consolidated financial statements	3	√
	102-46 Defining report content and topic boundary	4,42	√
	102-47 Material topics	43-47	√
	102-48 Restatement of information	4	√
	102-49 Changes in reporting	4	√
	102-50 Reporting period	4	√
	102-51 Date of most recent report	4	√
	102-52 Reporting cycle	4	√
	102-53 Contact point for questions regarding Report	5	√
	102-54 Claims of reporting in accordance with GRI Standards	4	√
	102-55 GRI context index	286-289	√
	102-56 External assurance	5,108	√
GRI 103	Management Approach		
GRI 103: Management Approach	103-1 Explanation of material topics and its Boundary	43-47	√
	103-2 The Management Approach and its components	43-47	√
	103-3 Evaluation of the Management Approach	43-47	√
GRI 201: Economic Performance	201-1 Direct economic value generated and distributed	22	√
	201-3 Defined benefit plan obligations and other retirement plans	104	√
GRI 202: Market Presence	202-1 Ratios of standard entry level wage by gender compared to local minimum wage	103	√
	202-2 Proportion of senior management hired from the local community	102	√
GRI 203: Indirect Economic Impact			
	203-1 Infrastructure investments and services supported	9,80-81	√
	203-2 Significant indirect economic impacts	80-81	√
GRI 204: Procurement Practices	204-1 Proportion of spending on local supplier	82	√
Anti- Corruption			
GRI 205 Anti -corruption	205-3 Confirmed incidents of corruption and actions	75	√
Anti - Competitive Behaviour			
GRI 206: Anti-competitive Behavior	206-1 Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	75	√
Energy			
GRI 302: Energy 2016	302-1 Energy consumption within the organization	94,95	√
	302-2 Energy consumption outside of the organization	95	√

GRI Standard	Disclosure	Page Number	Publication Pages
Water and Effluents			
GRI 303: Water & Effluents 2018	Management approach disclosures		
	303-1 Interactions with water as a shared resource	95	√
	Management approach disclosures		
	303-2 Water Discharge	Water discharge is not material due to the nature of the business operations of the company. Hence Co does not have a policy on this area.	
	303-3 Water Withdrawal	21	√
	303-5 Water Consumption	95	√
Emissions			
GRI 305: Emissions 2016	305-1 Direct (Scope 1) GHG emissions	97	√
	305-2 Energy Indirect (Scope 2) GHG emissions	97	√
	305-3 Others Indirect (Scope 3) GHG emissions	97	√
Effluents and Waste			
GRI 306: Effluents and waste 2016	306-2 Waste by type and disposal method	95	√
Environmental Compliance			
GRI 307: Environmental Compliance 2016	307-1 Non - compliance with environmental laws and regulations	97	√
Employment			
GRI 401: Employment	401-1 New employee hires and employee turnover	103,105	√
	401-2 Benefits provided to full-time employees that are not provided to temporary or part time employees	104	√
	401-3 Parental leave	103	√
GRI 402: Labour / Management Relations	402-1 Minimum notice periods regarding operational changes	107	√
Occupational Safety			
GRI 403: Occupational Health and Safety	403-1 Occupational health and safety management system	99, 107	√
	403-2 Hazard identification, risk assessment and incident investigation	99, 107	√
	403-3 Occupational health services	107	√
	403-4 Worker participation, consultation and communication on occupational health and safety	99	√
	403-5 Worker training on occupational health and safety	107	√
	403-6 Promotion of worker health	99,104	√
	403-7 Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	99, 107	√
	403-10 Work-related ill health	107	√

GRI Standard	Disclosure	Page Number	Publication Pages
Training & Development			
GRI 404: Training and Education	404-1 Average hours of training per year per employee	104	√
	404-2 Programmes for upgrading employee skills and transition assistance programmes	104	√
	404-3 Percentage of employees receiving regular performance and career development reviews	104	
Diversity & Equal Opportunity			
GRI 405: Diversity and Equal Opportunity	405-1 Diversity of governance bodies and employees	102	√
Non-discrimination			
GRI 406: Non-discrimination	406-1 Incidents of discrimination and corrective actions taken	107	√
Child Labor			
GRI 408: Child Labor	GRI 408-1 Operations and suppliers at significant risk for incidents of child labour	83,107	√
Forced or Compulsory Labor			
GRI 409: Forced of Compulsory Labor	GRI 409-1 Operations and suppliers at significant risk for incidents of forced or compulsory labour	83, 107	√
Local Communities			
GRI 413: Local Communities	413-1 Operations with local community engagement, impact assessment and development programmes	80-81	√
	413-2 Operations with significant actual and potential negative impacts on local communities	97	√
Public Policy			
GRI 417: Marketing and Labelling	417-1 Requirements for product and service labelling	75	√
	417-2 Incidents of non-compliance concerning product and service information and labelling	75	√
	417-3 Incidents of non-compliance concerning marketing communications	21	√
GRI 418: Customer Privacy 2016	418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data	75	√
Socio-economic Compliance			
GRI 419: Socioeconomic compliance 2016	419-1 Non-compliance with laws and regulations in the social and economic area	21	√

GLOSSARY OF KEY TERMS

1. Acquisition Cost

All expenses which vary with and are primarily related to, the acquisition of new insurance contracts and renewal of existing insurance contracts (e.g. commissions)

2. Actuarial Valuation

A determination by an actuary at a specific date of the value of a life insurance company's liabilities. The purpose of a valuation is to determine if the Company holds adequate assets to fund the Company's liabilities.

3. Actuary

An expert concerned with the application of probability and statistical theory to problems of insurance, investment, financial management and demography.

4. Admissible Assets

Assets that are included in determining an insurer's statutory solvency, specified under the rules made by the IRCSL under the regulation of Insurance Industry Act No. 43 of 2000.

5. Annuity

A series of regular payments. Annuities include annuities certain, 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.

6. Beneficiary

The person or financial institution (for e.g. a trust fund) named by the policyholder in the policy as the recipient of the sum assured and other eligible benefits due in the event of the policyholder's death.

7. 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.

8. Sales Agent

A broker Sales agent is an intermediary between a prospective policyholder and a life insurance company.

9. Claims

The amount payable under a contract of life insurance arising from the occurrence of an insured event such as death, disability, injury, hospital or medical claims etc.

10. Claims Incurred

The aggregate of all claims paid during the accounting period together with attributable claims handling expenses.

11. Claims Payable

The amounts provided to cover the estimated ultimate cost of settling claims arising out of events which have been notified by the reporting date, being the amounts due to beneficiaries together with claims handling expenses, less amounts already paid in respect of those claims.

12. Commission

Remuneration to an intermediary for services such as selling and servicing an insurer's products. This is one component of acquisition cost.

13. Corporate Governance

The process by which corporate entities are governed. It is concerned with the way in which power is exercised over the management and direction of entity, the supervision of executive actions and accountability to owners and others.

14. Credit Life Insurance

Term life insurance issued through a lender or lending agency to cover payment of a loan, instalment purchase or other obligation, in case of death of the policyholder.

15. Credit Risk

The potential for loss due to the failure of a borrower, endorser, guarantor or counterparty to repay a loan or honour another predetermined financial obligation.

16. Dividend per Share

Total dividend declared for the financial year, divided by the number of ordinary shares entitled to received that dividend.

17. Dividend Cover

Profits after tax divided by dividend, which measures the number of times dividends are covered by distributable profits for the period.

18. Earnings per Share

Net profits of the Company after tax, divided by the number of ordinary shares in issue.

19. Endowment

Life insurance payable to the policyholder if he or she is living on the maturity date stated in the policy or to a beneficiary if the insured dies before that date.

20. Ex-gratia Payment

A payment made to an insured where there is no liability to pay under the terms of the policy.

21. Financial Risk

The risk of a possible future change in one or more of a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract.

22. Gross Written Premium (GWP)

Premium to which the insurer is contractually entitled and receivable in the accounting period.

23. Global Reporting Initiative (GRI)

A leading organisation in the sustainability field. GRI promotes the use of sustainability reporting as a way for organisations to become more sustainable and contribute to sustainable development allied with the UN Global Compact.

24. Insurance Contract

An insurance contract 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, the insured sum of money or its equivalent in kind, upon the occurrence of a specified event that is contrary to the interest of the insured.

25. Insurance Provision - Long-Term

The fund to be maintained by an insurer in respect of its life insurance business in accordance with the Regulation of the Insurance Industry Act No. 43 of 2000.

26. Insurance Risk

Uncertainty over the likelihood of an insured event occurring, the quantum of the claim, or, the time when claims payments will fall due.

27. Insurance Revenue Account

A statement which shows a financial summary of the insurance related revenue and expenditure transactions for the accounting period.

28. Interim Payments

Periodic payments to the policyholders on a specific type of policy investment contract A contract, which contains significant financial risk and may contain insignificant insurance risk, but does not meet the definition of insurance.

29. Lapsed Policy

A policy lapses from the due date of the first unpaid premium, if the premium is not paid within the days of grace.

30. Liability Adequacy Test

An annual assessment of the sufficiency of insurance and/or investment contract with liabilities, to cover future insurance obligations.

31. Life Fund

Fund maintained to meet the obligation towards Life Policyholders.

A32. Life Insurance Business

Insurance (including reinsurance) business falling within the classes of insurance specified as Long-term Insurance Business under the Regulation of Insurance Industry Act No. 43 of 2000.

33. Life Fund Surplus

The excess of the assets over the liabilities as determined by the actuary and after the distribution of dividends to policyholders.

34. Market Risk

The potential for a negative impact on the statement of financial position and/or income statement resulting from adverse changes in the value of financial instruments as a result of changes in certain market variables. These variables include interest rates, foreign exchange rates, equity and commodity prices and their implied volatilities, as well as credit spreads, credit migration and default.

35. Maturity

The time at which payment of the sum insured under a life insurance policy falls due at the end of its term.

36. Mortality

The ratio of deaths to the entire population or to a particular age group. It is globally expressed in numbers or rates and set out in mortality tables.

37. Net Assets per Share

Net assets attributable to shareholders' equity divided by the number of ordinary shares issued.

38. Net Written Premium

Gross written premium less reinsurance payable.

39. Net Claims Incurred

Claims incurred less reinsurance recoveries.

40. Operational Risk

The potential for loss resulting from inadequate or failed internal processes or systems, human interactions or external events, but excludes business risk.

41. Participating Business

Life Insurance business where the policyholders are contractually entitled to share in the surplus of the relevant life fund.

42. Policy schedule/booklet

The printed document issued to the policyholder by a life insurance company stating the terms of the insurance contract.

43. 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.

44. Premium

The payment, or one of the periodic payments, a policyholder agrees to make for an insurance policy. Depending on the terms of the policy, the premium may be paid in single payment or a series of regular payments.

45. Reinsurance Commission

Commission received or receivable in respect of premium paid or payable to a reinsurer.

46. Reinsurance Premium Ceded

The premium payable to the reinsurer.

47. Retention

That part of the risk assumed which the insurer/reinsurer does not reinsure/ retrocede, i.e. retained net for own account.

48. Return on Shareholders' Equity

Profits after tax divided by total equity attributable to shareholders' as at the reporting date.

49. Return on Total Assets

Profits after tax divided by total assets attributable to shareholders.

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 a company should hold to protect policyholders against adverse developments.

52. Surrender

Termination of an insurance policy by the insured before the expiry of its term.

53. Surrender Value

The sum payable by an insurance company upon the surrender of a life insurance policy before it has run its full course.

54. Total Available Capital (TAC)

Measures the actual available capital held by an insurer eligible to calculate capital adequacy.

55. Underwriter

Member of an insurance company that acts on behalf of his or her employer to negotiate, accept or reject the terms of an insurance contract. They are responsible for ensuring the quality and reliability of risk-transfer solutions. Their job is to develop products that best reflect the characteristics of the risks and clients' needs.

56. Underwriting

The process of classifying applicants for insurance by identifying such characteristics as age, sex, health, occupation and hobbies. People with similar characteristics are grouped together and are charged a premium based on the group's level of risk. The process includes rejection of unacceptable risks.

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Seventh (07) Annual General Meeting of the shareholders of Ceylinco Life Insurance Limited will be held at the Board Room of Ceylinco Life Insurance Limited, No. 106, Havelock Town, Colombo 05, on Thursday, 25th March 2021 at 3.00 p.m. to conduct the following business:

1. To read the Notice convening the Meeting.
2. To receive, consider and adopt the Annual Report of the Board of Directors on the affairs of the Company and the Financial Statements for the year ended 31st December 2020 together with the Report of the Auditors thereon.
3. To declare a first and final dividend of Rs.15.65 per share for the year ended 31st December 2020, to the shareholders of the Company, as recommended by the Board of Directors, subject to the regulatory requirements of the IRCSL.
4. To re-elect Gen. Chandrika Sirilal Weerasooriya (Retired), who retires at the Annual General Meeting as a Director, in terms of Section 210 of the Companies Act No. 07 of 2007. Special Notice having been given pursuant to Sections 210 and 211 of the Companies Act No. 07 of 2007 of the intention to propose the following resolution as an ordinary resolution:

“Resolved that Gen. Chandrika Sirilal Weerasooriya (Retired) who will be 78 years in December 2021 be re-elected as a Director of the Company and it is specifically declared that the age limit specified in Section 210 of the Companies Act No. 07 of 2007 shall not apply to Gen. Chandrika Sirilal Weerasooriya.”
5. To re-elect Mr. D H J Gunawardena, who retires at the Annual General Meeting as a Director, in terms of Section 210 of the Companies Act No. 07 of 2007. Special Notice having been given pursuant to Sections 210 and 211 of the Companies Act No. 07 of 2007 of the intention to propose the following resolution as an ordinary resolution:

“Resolved that Mr. D H J Gunawardena who will be 72 years in December 2021 be re-elected as a Director of the Company and it is specifically declared that the age limit specified in Section 210 of the Companies Act No. 07 of 2007 shall not apply to Mr. D H J Gunawardena.”

6. To re-elect the following Directors who in terms of the Company’s Articles of Association retire by rotation as given below;
 - ⊙ To re-elect Prof. W M M De Silva who retires by rotation in terms of Article 18B of the Article of Association
 - ⊙ To re-elect Ms. A K Seneviratne who retires by rotation in terms of Article 18B of the Article of Association
 - ⊙ To re-elect Dr. B G S De Silva who retires by rotation in terms of Article 18B of the Article of Association
7. To re-appoint Messers. Ernst & Young, Chartered Accountants as recommended by the Board of Directors as the Company’s Auditors for the ensuing year and authorize the Directors to determine their remuneration.
8. To authorize the Directors to determine contributions to charities and other donations for the year ending 31st December 2021.

By Order of the Board,
Ceylinco Life Insurance Limited,



K. I. Weththasinghe
Company Secretary

02nd March 2021

Note:

1. A shareholder entitled to attend and vote at the above meeting is entitled to appoint a proxy to attend and vote his/her behalf.
2. A proxy so appointed need not be a member of the Company.
3. A form of proxy accompanies this notice.

Shareholders may also access the Annual Report and the Financial Statements on their electronic devices by scanning the following QR code.

CEYLINCO LIFE INSURANCE LIMITED
INTEGRATED ANNUAL REPORT 2020



FORM OF PROXY

I/We*, (Please indicate full name) bearing NIC No./ Company registration No. of being a member/*members of Ceylinco Life Insurance Limited, do hereby appoint Mr./Ms (Please indicate full name) bearing NIC No of or failing him/her;

Mr. R Renganathan	of Colombo or failing him	Mr. J A Setukavalar	of Colombo or failing him
Mr. E T L Ranasinghe	of Colombo or failing him	Prof. W M M De Silva	of Colombo or failing him
Mr. P D M Cooray	of Colombo or failing him	Dr. B G S De Silva	of Colombo or failing him
Mr. P A Jayawardena	of Colombo or failing him	Mr. W M P J K Wickramasinghe	of Colombo or failing him
Mr. S R Abeynayake	of Colombo or failing him	Mr. H S B Caldera	of Colombo or failing him
Mr. D H J Gunawardena	of Colombo or failing him	Ms. A K Seneviratne	of Colombo or failing her
Gen. C S Weerasooriya	of Colombo or failing him	Mr. J Durairatnam	of Colombo
Mr. R S W Senanayake	of Colombo or failing him		

as my/*our proxy to represent me/us * and vote as indicated below on my/our* behalf at the Seventh (07) Annual General Meeting of the Company to be held on 25th March 2021 at 3.00 p. m. and at any adjournment thereof and at every poll which may be taken in consequence of the aforesaid meeting.

		For	Against
1.	To receive, consider and adopt the Annual Report of the Board of Directors on the affairs of the Company and the Financial Statements for the year ended 31st December 2020 together with the Report of the Auditors thereon.	<input type="checkbox"/>	<input type="checkbox"/>
2.	To declare a first and final dividend of Rs.15.65 per share for the year ended 31st December 2020	<input type="checkbox"/>	<input type="checkbox"/>
3.	To pass the ordinary resolution as set out in the Notice of the Meeting under item 03 for the re-election of Gen. Chandrika Sirilal Weerasooriya (Retired).	<input type="checkbox"/>	<input type="checkbox"/>
4.	To pass the ordinary resolution as set out in the Notice of the Meeting under item 04 for the re-election of Mr. D H J Gunawardena.	<input type="checkbox"/>	<input type="checkbox"/>
5.	To re-elect the following Directors who in terms of the Company's Articles of Association are retiring by rotation as given below; ☉ To re-elect Prof. W M M De Silva who retires by rotation in terms of Article 18B of the Article of Association ☉ To re-elect Ms. A K Seneviratne who retires by rotation in terms of Article 18B of the Article of Association ☉ To re-elect Dr. B G S De Silva who retires by rotation in terms of Article 18B of the Article of Association	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>
6.	To re-appoint Messrs. Ernst & Young, Chartered Accountant as the Company's Auditors of the Company for the ensuing year and authorize the Directors to determine their remuneration.	<input type="checkbox"/>	<input type="checkbox"/>
7.	To authorize the Board of Directors to determine donations for the year ending 31st December 2021	<input type="checkbox"/>	<input type="checkbox"/>

Executed on this day of 2021

.....
Signature of Shareholder

Note:

Instructions as to completion are given below. Please delete the inappropriate words and mark 'X' in the appropriate cages to indicate your instructions as to voting.

FORM OF PROXY

INSTRUCTIONS TO COMPLETE THE FORM OF PROXY

1. Kindly perfect the Form of Proxy by filling in legibly your full name and address, your instructions as to voting, by signing in the space provided and filling in the date of signature.
2. Please indicate with a 'X' in the cages provided how your proxy is to vote on the Resolutions. If no indication is given the Proxy in his/her discretion may vote as he/she thinks fit.
3. The completed Form of Proxy should be deposited at the Registered Office of the Company at No. 106, Havelock Town, Colombo 05, not less than 48 hours before the time appointed for holding the meeting.
4. If the form of proxy is signed by an attorney, the relative power of attorney should accompany the completed form of proxy for registration, if such power of attorney has not already been registered with the Company.

STAKEHOLDER FEEDBACK FORM

Your opinion matters, please share your views with us.

Which stakeholder group you belong to?

Employee	<input type="checkbox"/>	Supplier	<input type="checkbox"/>
Shareholder	<input type="checkbox"/>	Community	<input type="checkbox"/>
Investor Customer	<input type="checkbox"/>	NGO	<input type="checkbox"/>
Analyst	<input type="checkbox"/>	Other	<input type="checkbox"/>

Does the report address issues of greatest interest to you?

Comprehensively	<input type="checkbox"/>	Partially	<input type="checkbox"/>	Not at all	<input type="checkbox"/>
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Please identify any additional matters that you think should be reported on?

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What was your overall impression of the report in terms of:

		Excellent	Good	Fair	Poor
1.	Content and scope	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2.	Design and Layout	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Do you have any additional comment on the report?

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To request information or submit a comment / query to the Company, please provide the following details and return this page to;

The Company Secretary,
Ceylinco Life Insurance Limited,
No. 106, Havelock Road,
Colombo 05, Sri Lanka

Name :

Permanent Mailing Address :

Contact Numbers :

Tel :

Fax :

E-mail :

Name of the Company (if applicable) :

Designation (if applicable) :

Company address (if applicable) :

CORPORATE INFORMATION

Registered Office

No. 106, Havelock Road, Colombo 05,
Sri Lanka

Company Registration Number

PB 5183

Legal Form

A Public Company with limited liability incorporated on 22nd April 2014, Licensed as a Company authorized by the Insurance Regulatory Commission of Sri Lanka (formerly known as Insurance Board of Sri Lanka) to carry-on long term insurance business under the Regulation of Insurance Industry Act No. 43 of 2000.

Main Place of Business :

No. 106, Havelock Road, Colombo 05,
Sri Lanka

Telephone : +94 11 4261000

Call Centre : +94 11 2461461 (Hotline)

Fax : +94 11 2437613, +94 11 2555959

Email : service@ceyliflife.com

Website : www.ceyliflife.com

Principal Activities

Underwriting all classes of life insurance

Subsidiaries

Ceylinco Healthcare Services Limited
Serene Resorts Limited

Associate Company

Citizen Development Business Finance PLC

Auditors

Ernst & Young

Chartered Accountants

No. 201, De Saram Place, Colombo 10

Bankers

Bank of Ceylon
Commercial Bank of Ceylon PLC
DFCC Bank PLC
Hatton National Bank PLC
National Savings Bank
Nations Trust Bank PLC
National Development Bank PLC
Pan Asia Banking Corporation PLC
People's Bank
Sampath Bank PLC
Seylan Bank PLC
Union Bank of Colombo PLC
Standard Chartered Bank
(Custodian Bank)
Cargills Bank Ltd
Housing Development Financial Corporation Bank
State Mortgage and Investment Bank
Regional Development Bank

Consulting Actuaries

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

Accounting Year End

31 December

Board of Directors

R Renganathan
Executive Chairman
E T L Ranasinghe
Managing Director/CEO
P D M Cooray
Head of HR and Training
Executive Director
P A Jayawardena
Chief Financial Officer
Executive Director

S R Abeynayake
Deputy Chief Financial Officer - Executive
Director

D H J Gunawardena
Non - Executive Director

Gen. C S Weerasooriya (Retired) -
Non-Executive Director

R S W Senanayake
Non-Executive Director

J A Setukavalar
Independent – Non-Executive Director

Prof. W M M de Silva
Independent – Non-Executive Director

Dr. B G S de Silva
Independent – Non-Executive Director

W M P J K Wickramasinghe
Independent – Non-Executive Director

H S B Caldera
Independent – Non-Executive Director

Ms. A K Seneviratne
Independent – Non-Executive Director

J Durairatnam
Independent – Non-Executive Director

Company Secretary

K I Weththasinghe

Compliance Officer

Ranga Abeynayake

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and produced by
Redworks.



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