

The
BENCHMARK

The **BENCHMARK**

Defining and redefining industry standards.

Being the benchmark of an industry doesn't come easily. In fact, it takes years of consistent value creation, responsible business conduct and reliable service.

The road to being a benchmark in multiple industries spanning insurance, hydropower, education, and healthcare has been a challenging one; long underpinned by the courage to be different, the knack to think innovatively and the expertise to execute. The key to our success is simple, however; in everything we choose to do, our unfailing commitment to our stakeholders has always held sway, ever inspiring confidence and strength in people from all walks of life.

In our journey, we have always epitomized, and will continue to represent Sri Lanka's can-do spirit; staying positive, trying harder, setting benchmarks, in whatever we do and whoever we impact.

We are Ceylinco Insurance.

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VISION

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

MISSION

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

CORPORATE INFORMATION

REGISTERED OFFICE

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

COMPANY WEBSITE

www.ceylincoinsuranceplc.com

COMPANY REGISTRATION NUMBER

PQ 24

LEGAL FORM

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

MAIN PLACES OF BUSINESS

Life Insurance

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

General Insurance

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

THE STOCK EXCHANGE LISTING

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

PRINCIPAL ACTIVITIES

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

AUDITORS

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

CONSULTING ACTUARIES

Life Insurance

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

General Insurance

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

BOARD OF DIRECTORS

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

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

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

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

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

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

Mr. K.I. Dharmawardena Attorney-at-Law
(*"Independent" Non-Executive Director*)

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

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

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

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

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

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

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

Mr. Yu Kitai
(Non-Executive Director)

Mr. N. Vasantha Kumar
(*"Independent" Non-Executive Director*)
- *appointed with effect from 1st June 2019*

COMPANY SECRETARY

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

BANKERS

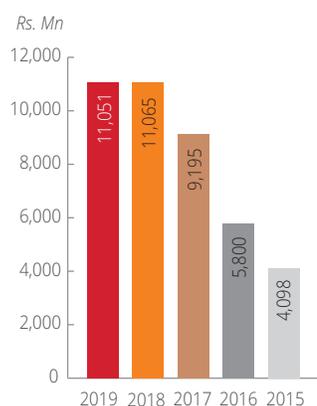
Bank of Ceylon
Cargills Bank Limited
Commercial Bank of Ceylon PLC
DFCC Bank
DFCC Vardhana Bank
Hatton National Bank PLC
Hongkong & Shanghai Banking Corporation Ltd
National Development Bank PLC
National Savings Bank
Nations Trust Bank PLC
NDB Bank PLC
Pan Asia Banking Corporation PLC
People's Bank
Regional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

PERFORMANCE HIGHLIGHTS

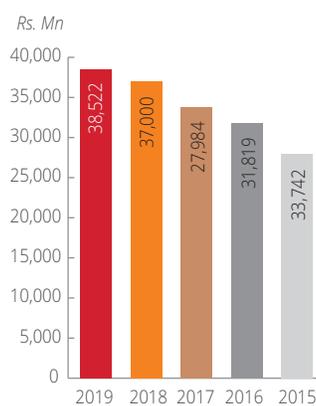
RESULTS FOR THE YEAR

Group	2019 Rs.'000	2018 Rs.'000 %	Change
Gross Written Premium	40,217,891	38,161,544	5.39
Net Earned Premium	32,672,321	31,689,100	3.10
Investments and Other Income	16,111,017	14,273,683	12.87
Revenue from Non-Insurance Subsidiaries	3,756,530	3,462,653	8.49
Net Income	52,539,868	49,425,436	6.30
Benefits /Claims Operating Admin & Other Expenses	(41,982,657)	(39,007,036)	7.63
Profit Before share of Associates	10,557,211	10,418,400	1.33
Share of Profit of Associates	493,980	646,371	(23.58)
Profit Before Taxation	11,051,191	11,064,771	(0.12)
Profit After Taxation	8,783,088	8,665,452	1.36
Position at the Year End			
Shareholders' Funds	53,056,002	45,758,990	15.95
Life Insurance Contract Liabilities	95,349,737	87,194,850	9.35
Non - Life Insurance Contract Liabilities	12,470,431	12,353,210	0.95
Investments	134,973,999	120,240,010	12.25
Total Assets	179,900,040	160,932,459	11.79
Market Capitalisation (Rs. Mn)	45,126	45,894	(1.67)

Profit Before Taxation



Premium Income - Life & Non-Life



PERFORMANCE HIGHLIGHTS

INVESTOR INFORMATION

	2019 Rs.	2018 Rs.
Per Ordinary Share		
Earnings (Group)	323.5	317.8
Dividends - Proposed	38.0	35.0
Net Assets (Shareholders' Equity) (Group)	2,008.6	1,732.3
Market Value at the Year End - Voting	1,986.9	1,990.0
Market Value at the Year End - Non Voting	840.0	950.0
Ratios		
Return on Equity (%)	16.1	16.9
Dividend Cover (Times)	8.5	9.1
Price Earning (Times) - Voting	6.1	6.3
Price Earning (Times) -Non Voting	2.6	3.0

RS. **40.2** BN

Gross Written Premium

↑ 5%



RS. **53.1** BN

Shareholder's Fund

RS. **8.8** BN

Profit After Tax

↑ 1%



RS. **95.3** BN

Life Insurance Fund

	Non-Life Insurance			Life Insurance		
	2019 Rs.'000	2018 Rs.'000	Change %	2019 Rs.'000	2018 Rs.'000	Change %
Gross Written Premium	19,802,995	19,186,707	3.21	18,718,553	17,812,774	5.08
Net Claims / Net Benefits	(8,253,594)	(7,523,261)	9.71	(10,604,065)	(9,803,550)	8.17
Increase in Long Term Insurance Funds	-	-	-	(7,189,811)	(6,457,292)	11.34
Investments and Other Income	2,332,061	2,367,828	(1.51)	13,392,554	11,394,234	17.54
Profit Before Taxation	1,734,516	2,335,822	(25.74)	8,211,938	7,157,388	14.73
Profit After Taxation	1,377,122	1,784,880	(22.85)	6,671,669	5,794,288	15.14

RS. **38**

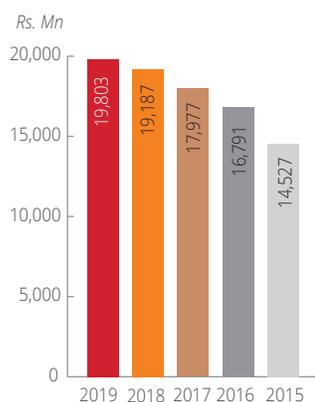
Dividend Per Share
(Proposed)

↑ **9%**

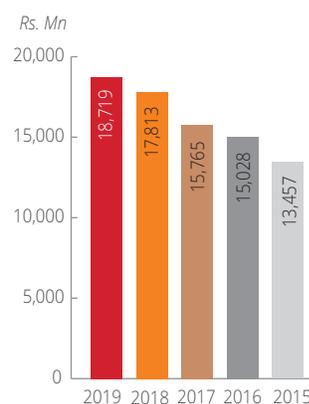
RS. **45.1** BN

Market Capitalisation

Premium Income - Non-Life



Premium Income - Life



EXECUTIVE CHAIRMAN/CHIEF EXECUTIVE OFFICER'S REVIEW





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Creating an organization that practices innovation can elevate the entity to become a power house of creativity – where pioneering ideas are born and given expression to become fully-fledged products and services that enhance people’s lives. Very few organizations have built this empowering culture and we are proud to be one such entity that has repeatedly set benchmarks and set trends for the rest of the industry to follow.

”

Mr. A.R. Gunawardena
Executive Chairman / Chief Executive Officer

EXECUTIVE CHAIRMAN/CHIEF EXECUTIVE OFFICER'S REVIEW

Dear Shareholders,

Creating an organization that practices innovation can elevate the entity to become a power house of creativity – where pioneering ideas are born and given expression to become fully-fledged products and services that enhance lives of people. Very few organizations have built this empowering culture and we are proud to be one such entity that has repeatedly set benchmarks and set trends for the rest of the industry to follow.

Customer-centricity has been the secret to our success. Organizations with a customer-centric culture and an organizational structure that aligns each business unit with a distinct customer group demonstrates superior performance capabilities and sustainability in the longer run compared to firms that are inertly structured. In a overcrowded insurance market, this strong customer focus is what helps distinguish our products and services, thereby making it worth the extra mile we go to, to truly listen and engage with our customers. The company has created history in all the sectors in which we operate by benchmarking new and innovative standards of excellence, which reflect dazzlingly on the company and its diverse customer segments. The strong brand equity enjoyed by our group companies in their respective sectors has taken them to the forefront of each of these industries which are simultaneously thrust areas for economic growth as articulated by the new government in its bid to boost the economy. Therefore, Ceylinco Insurance PLC is well-poised to expand its presence in existing sectors of operations while tapping new opportunities.

OVERVIEW

The challenges that abounded in the year 2019 were unimaginable for which no amount of preparation would be enough. While Sri Lanka went into the year with expectations of improved economic growth and greater tourism numbers following Lonely Planet listing Sri Lanka as the No. 1 destination, the Easter Sunday attacks drastically changed the status quo. An otherwise peaceful country was soon reeling from death and destruction caused by the senseless attacks as the economy ground to a halt. In addition, September to December 2019 saw the country experiencing torrential rains resulting in floods while droughts prevailed in other parts. The presidential election took centre stage towards the latter part of the year and all this contributed towards a sluggish economy with the real GDP growth revised to 2.7% in 2019. Although the economy showed signs of a gradual recovery from the severe impact of these catastrophic events and is forecast to grow by 3.2% during 2020, the recovery process will be a slow one.

EXPONENTIAL GROUP PERFORMANCE

Though macro conditions were not very favourable, your company still managed to record excellent results during the year under review in all sectors, which proves our strategic moves at a time of adversity were well thought through coupled with the solid footing and prudent management which yielded the desired results.

Ceylinco Insurance PLC recorded an enormous consolidated Profit After Tax of Rs. 8.78 billion for the year ended 31st December 2019 while the Profit Before Tax stood at Rs. 11 billion. In the backdrop of a challenging external environment, recording a profit of this scale is commendable.



SECTOR PERFORMANCE

Insurance

For yet another year, both the General and Life Insurance companies retained the market leadership in the respective industries. In an environment where competition is fierce and premium discounting is the norm amongst many competitors, remaining at top is an uphill task by any standard. Therefore, I take this opportunity to congratulate and commend the leadership of Mr. R. Renganathan, Executive Chairman of Ceylinco Life Insurance, and Mr. Patrick Alwis, Managing Director/CEO of Ceylinco General Insurance for steering the two companies to such great heights under the extremely difficult conditions we experienced during the year. I also wish to applaud the staff of both organizations for adhering to our principles of ethical practices and showing customers true value we add to their lives.

The insurance industry in the year under review, both Life and General, recorded a Gross Written Premium of Rs. 189.2 billion in 2019, which resulted in a year-on-year growth of 7.3% over 2018. This is an increase of Rs. 12.9 billion when compared to 2018. Value of gross written premiums earned by the General Insurance industry for the year under review was Rs. 100.9 billion, which reflects a growth of 7.3%, whilst the GWP of Life Insurance reached Rs. 88.3 billion, which marks a growth of 9.4% over 2018.

Ceylinco General Insurance recorded a premium income of Rs. 19.8 billion (Rs. 19,803 million), marking a growth of 3.21%, which amounted to a significant increase of Rs. 616 million over 2018. Profit After Tax of Ceylinco General Insurance stood at Rs. 1.38 billion, whilst profit Before Tax was Rs. 1.7 billion. Ceylinco Life Insurance recorded a Premium Income of Rs. 18.7 Billion (Rs. 18,719 Million) with a growth of 5.08% year on year.

Once again, Ceylinco General Insurance lived up to its promises and settled claims that resulted from the September floods and that too, within 7 days. Another claim that stood tall amongst others was the claim paid to Shangri-La Hotel. An advance of US \$ 1 Million was paid within 72 hours of the bomb blast. Our gross claims paid during the year under review amounted to Rs. 10.7 Billion, an increase of 13% against the previous year. Most of these claims were paid within no time at all and our ability to pay claims within the shortest possible time has brought us an image of goodwill amongst not only our policy holders but amongst the entire populace of the country.

Ceylinco General Insurance successfully operates one of the largest networks in the country with over 530 outlets, covering

even remote towns with growth potential with the ability to reach remotest areas of the country. It is this relationship we build with our valuable stakeholders that strengthens us with a loyal customer base.

New developments and trends in selling and sales management are creating demands and opportunities that require adaptation and a new approach on the part of both sales structures and strategies. During the year under review, Ceylinco General insurance embarked on a new approach to recruit and strengthen their salesforce by building a team of 'Retired Professionals'. These individuals have excelled in their respective careers during the height of their career and their experience and expertise in the field of Sales and Marketing gives them an edge to reach the large corporates.

Reinsurance is another area where we have an eagle's eye approach as we always maintain adequate cover limiting our exposure in accordance with our risk appetite. Our Reinsurance arrangements are with the world's best reinsurers and where necessary we have partnered with specialised reinsurers with expertise in such segments.

Global Footprint

The company has grown through strategic partnerships and collaborations to widen its geographical footprint to global markets such as United Arab Emirates, Bahrain, Oman, Qatar and Kuwait. The company's subsidiary in the Maldives, its associate company in Nepal, and the strategic alliance in Mauritius are showing steady growth underscored by strong financial results. More significantly, Ceylinco General Insurance has sustained its identity by leveraging its technical expertise in product innovation and adapting it to local conditions in the overseas markets.



Though macro conditions were not very favourable, your company still managed to record excellent results during the year under review in all sectors, which proves our strategic moves at a time of adversity were well thought through coupled with the solid footing and prudent management which yielded the desired results.



It is with a great sense of appreciation that I commend our partnership with Mitsui Sumitomo Insurance Company of Japan, which gives us a competitive edge in providing reinsurance support to Japanese clients in Sri Lanka. The expertise that emanates from this partnership will further strengthen the relationship with Japanese interests in Sri Lanka. We are also progressing steadily in the development of joint products that could be marketed in the markets both companies operate in.

Power and Energy Sector

The Power and Energy Sector of the group comprises of 4 small hydro power plants with a combined capacity of 15MW and four ground mounted solar power projects with a combined capacity of 4MW. The hydro power plants are Rajjamma, Kumburuthaniwala, Loggal Oya Phase 1 and Phase 2. Loggal Oya Phase 2 is the most recent addition to the sector

Gross Written Premium

RS. **19.8** BN

(Non-Life)

RS. **18.7** BN

(Life)

EXECUTIVE CHAIRMAN/CHIEF EXECUTIVE OFFICER'S REVIEW



The business of selling insurance has a direct impact on the financial well-being of policyholders, which is why we have ensured that ethics and transparency are deeply embedded across our operations.



commenced commercial operations in Nov 2017. Thanks to the efforts taken by Mr. Upali Witharana, Director / CEO, for steering the hydro power companies on a path of steady growth process and also for venturing into other areas such as solar power.

Rajjammana plant performed well as usual by achieving a performance level of over 85% whilst the other three plants that rely on rainfall, underperformed by almost 30% below the projected levels during the year under review, due to dry spell that prevailed through the first 6 months of 2019.

We welcome the present government's policy which clearly outlines the need to shift to renewable energy sources and thereby achieve a target of supplying 80% of country's electricity demand by 2030 through renewable energy sources. The main contributor for adverse changes in the global climate is the carbon emission from fossil fuel based power plants.

Power and Energy Sector contributed a profit after tax of Rs. 503.7 Million to the overall group profit whilst the total revenue of the sector was Rs. 926.2 Million.

Education Sector

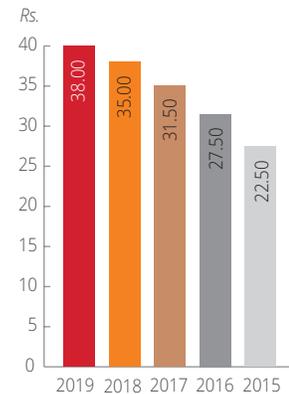
A nation's education sector plays a critical role in the prosperity of its people. Although Sri Lanka can claim a well-distributed education sector, many challenges still remain and the Group's Education Arm has taken rapid strides to fill gaps to provide quality, reliable education for the nation's youth, thereby extending a safety-net as they strive to achieve their academic and career goals. In this backdrop, Dr. Jagath Alwis, Chairman of the Education sector companies, has built two icons in Sri Lanka's higher education sector - ICBT and ANC, making them the market leaders. I thank him for his continuous determination and efforts that have helped us take these giant strides in the education sector.

It is against this backdrop that Ceylinco Insurance PLC took significant steps through its Education Subsidiary, CEG Education Holdings (Pvt) Ltd., to offer a wide range of opportunities both in Sri Lanka and overseas to acquire knowledge in vital sectors of Technology, Engineering, Science, Medicines and Business. It is an investment for the future of our country to provide the proper foundation for graduate and postgraduates courses. The Ceylinco Education Sector also owns and manages international recognized pre-schools and primary and secondary schools.

The Group has 12,500 students reading for Bachelors and Masters Degree in the fields of Business Management, ICT, Engineering, Psychology and Law amongst other subjects who will complete their entire degree in Sri Lanka and more than 500 students will transfer to foreign universities. Another 2,500 students are studying at Montessori, Primary and Secondary levels. The Group has little more than 55,000 alumni working in Sri Lanka and overseas.

The total revenue of the Education sector companies stands at Rs. 3.1 Billion while Profit After Tax of Rs. 491 million contributed to overall Group profit.

Dividends Per Share



FUTURE PROSPECTS

The business of selling insurance has a direct impact on the financial well-being of policyholders, which is why we have ensured that ethics and transparency are deeply embedded across our operations. By encouraging more people to insure their lives, health, property and businesses, we are securing their financial security for the future and helping to cushion them against any shocks life might bring while encouraging them to enjoy the present knowing fully well that they are protected under our care. The presence of the Group in the Education sector ensures its long term success as our courses keep evolving to suit the future needs of students today, thereby remaining relevant and popular. Lastly, our presence in the Power and Energy sector is a demonstration of our sustainable strategy to work for the energy security of the nation. The private sector has long been called the engine of growth and having world-class corporate entities such as Ceylinco Insurance PLC can be considered some of the assets of the nation.

RECOGNIZED & REWARDED

Having benchmarked the overall insurance industry and delivered a consistent performance year after year, Your Company has attracted a stream of awards and accolades from various independent awarding bodies. In the year under review, Ceylinco Insurance was ranked in the 25th position in the prestigious LMD 100 edition from amongst all listed companies in the island and the first insurance company to lead the sector. Ceylinco Insurance has been a permanent fixture in the LMD 100 hall of fame since the inception of the ranking 26 years ago.

In addition, Ceylinco Insurance made its mark as the only insurance company amongst the 'Business Today Top 30' companies in Sri Lanka, moving up one place from the previous year to the 6th spot!

The platform accorded by SLIM Nielson People's Awards is highly anticipated by all corporates as it reflects the voice of the people. In 2019, Ceylinco General Insurance and Ceylinco Life Insurance were selected as the unanimous choice

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By encouraging more people to insure their lives, health, property and businesses, we are securing their financial security for the future and helping to cushion them against any shocks life might bring while encouraging them to enjoy the present knowing fully well that they are protected under our care.

”

for 'People's Insurance Brand of The Year' awards 2019 for a record 13th consecutive year, reflecting the public perception of the two brands. Ceylinco Insurance has sustained its position as the top insurer year after year on this platform.

Ceylinco Life Insurance was yet again named among the 10 Most Admired Companies in Sri Lanka at the 2019 awards presented by the International Chamber of Commerce in collaboration with the Chartered Institute of Management Accountants. Ceylinco Life is the only insurer in this pantheon of corporate giants.

Further, our education sector company, International College of Business & Technology Ltd (ICBT Campus) was awarded the Gold Award for the fourth time in the education service sector at the National Business Excellence Awards 2019, whilst American Education Centre (ANC) won the Silver Award in the same category.

DISTRIBUTING THE HIGHEST DIVIDEND

It is my privilege to propose, on behalf of the Board of Directors, a first and final dividend, which is the highest-ever paid in the history of the company. The proposed dividend of Rs. 38 per share, dear shareholders, was made possible by the outstanding performance of every subsidiary.

APPRECIATION

It gives me great pleasure to congratulate His Excellency President Gotabhaya Rajapakse for being elected with an overwhelming majority and the newly-elected Prime Minister and the Government. Their vision to steer the Sri Lankan economy to a stable position with a profound leadership is admirable.

I would like to thank the newly-appointed Chairman, Mr. Razik Zarook, the Director General and officials of the Insurance Regulatory Commission Sri Lanka for their unwavering guidance.

On an upbeat note, I welcome the new insurance ombudsman, Dr. Ranjith Ranarajah, and assure him of our unstinted cooperation at all times.

Our success is contingent on the faith of our valued reinsurers and reinsurance brokers who remain our biggest support even in challenging times. Their support is invaluable to us.

I would like to express my gratitude to our shareholders for placing their faith in our ability to sustain our performance despite economic headwinds.

We truly value our customers and pledge to enhance our customer centricity even further to add value to our service offering.

Eventually, our systems and processes would be powerless without the skill, professionalism and hard work of our employees who have understood external challenges and focused on achieving set targets with renewed vigour.

We will always continue to raise the bar in every sphere we operate whilst creating new benchmarks thereby improving our services and our reputation for excellence. By any and every means, we have 'Gone beyond the Measure' in the year under consideration and look ahead with great optimism for enhanced economic and industry conditions in the new financial year. As the top insurance entity in the country, we are well-poised to carve out a greater share of the market, cheered on by our stakeholders and well-wishers.



Mr. A.R. Gunawardena

Executive Chairman/Chief Executive Officer

DEPUTY CHAIRMAN'S MESSAGE





“

Ceylinco Life was the only insurance company to be recognised at the ‘10 Most Admired Corporate Entities in Sri Lanka’ awards presented by the International Chamber of Commerce, Sri Lanka (ICCSL) in collaboration with the Chartered Institute of Management Accountants (CIMA).

”

Mr. R. Renganathan
Deputy Chairman

DEPUTY CHAIRMAN'S MESSAGE



We are engaged in a digital transformation of our business whereby 70% of our sales force is equipped with smart devices to carry out their sales activities in a fast and efficient manner.



It gives me great pleasure to welcome you to the 33rd Annual General Meeting of Ceylinco Insurance PLC.

The financial year 2019 was a remarkable year for Ceylinco Insurance PLC which further demonstrated its tenacity and resilience to perform exceptionally amidst a subdued economic landscape. This reflects the success of the Company's strategies implemented over the years to deliver long term value to its stakeholders.

2019 IN PERSPECTIVE

The local economy was subdued given the global headwinds and challenges in the local operating environment. The Easter Sunday attacks had a significant impact on the tourism and hospitality sectors. The negative impact cascaded to several segments of the economy especially the SME sector which created a downturn in growth levels particularly in the second quarter. This was exacerbated by the uncertain political environment, weather changes and the resultant low investor sentiment which prevailed throughout the year. In the global context Brexit, geo-political tensions and trade policy uncertainties between USA and its trading partners took centre stage triggering uncertainty.

INSURANCE INDUSTRY IN 2019

Despite the uncertain business climate, the insurance industry demonstrated encouraging performance with a growth of 9.19% (Q3). The Total Assets of the Insurance Industry increased by 14.67% (Q3) to Rs. 690,861 Mn (Q3) in 2019 with Life Sector assets accounting for 69.5% (Q3) of the assets.

Investment income was reduced due to the low interest rate regime prevalent throughout the year. However, it is concerning to note that the price competition within the insurance industry is creating pressure on the margins with most players engaging in intense price competition and not service enhancements.

REGULATORY DEVELOPMENTS

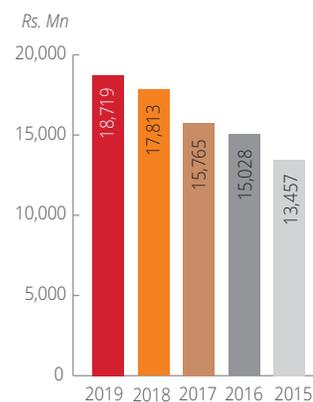
The insurance industry continues to evolve in line with international standards with the impending adoption of IFRS 17 standard in January 2021. We are well positioned for this transition as we have acquired a software, which can be upgraded to suit the evolving IFRS requirements. We hope to conduct a parallel run of IFRS17 in 2021 as a proactive measure to ascertain any further gaps which need to be addressed.

The new corporate governance standards introduced by the Insurance Regulatory Board augurs well to strengthen the governance framework of the industry.

PERFORMANCE OF CEYLINCO LIFE

I wish to share with you a synopsis of the Company's fully owned subsidiary Ceylinco Life Insurance Limited's performance in the year 2019. A detailed discussion of the performance and business operations is out in pages 30 to 33 of this report under sectoral reviews.

Premium Income - Life



Ceylinco Life moved ahead into its 16th year of market leadership insuring a million lives covered by active policies. Ceylinco Life was the only insurance company to be recognised at the '10 Most Admired Corporate Entities in Sri Lanka' awards presented by the International Chamber of Commerce, Sri Lanka (ICCSL) collaboration with the Chartered Institute of Management Accountants (CIMA). This award was considered not only on the financial performance but the tangible value that the company has generated for its shareholders, customers, employees and the wider community. This ranking is an endorsement of our continuous efforts towards building relationships for life with our stakeholders while contributing to the growth of the national economy.

SUBSIDIARIES

Ceylinco Healthcare Services Limited (CHSL), a fully owned subsidiary of Ceylinco Life continued to make steady progress in the year. The company operates four centres of excellence, the Ceylinco Healthcare Centre specializing in screening for cancer, the Ceylinco Radiation Treatment Unit which introduced the Linear Accelerator to Sri Lanka, the Ceylinco TomoTherapy Centre, which offers one of the most advanced forms of 3-D



The financial year 2019 was a remarkable year for Ceylinco Insurance PLC which further demonstrated its tenacity and resilience to perform exceptionally amidst a subdued economic landscape. This reflects the success of the Company's strategies implemented over the years to deliver long term value to its stakeholders.



image-guided radiation treatment in Sri Lanka and the Ceylinco Diabetes Centre.

The retirement Resort, La Serena, is generating interest in local and overseas markets and during the year under consideration, we have extended its scope to include assisted care, both low level and high level. Further, we have planned to launch an Elderly Care Centre at Park Street for the assistance of La Serena – the retirement resort.

WAY FORWARD

Shifting demographical trends in the local arena poses a business risk as well as an opportunity for life insurers. According to a World Bank study one in four Sri Lankans will be older than 60 years by 2041. Declining fertility, falling mortality rates, increasing life expectancy and emigration are major causes for the country's growing elderly population making Sri Lanka as one of the fastest ageing populations in South Asia. Ageing population coupled with low

birth rates is a universal challenge faced by global insurers. This increases the need for pension-based insurance services by filling the vacuum created by the lack of retirement savings, as retirement savings gap is becoming a persistent problem. This creates opportunities for insurers who move ahead to develop new products that provide financial security that is sought by customers. Further, by moving into platform-based opportunities with aged care, and services for diseases such as cancer and other diseases it will enable insurers to create niches in the market.

We also recognise that our customers are digital natives who are increasingly moving towards digital platforms. We are engaged in a digital transformation of our business whereby 70% of our sales force is equipped with smart devices to carry out their sales activities in a fast and efficient manner.

APPRECIATIONS

I wish to extend my sincere appreciation to the Chairman and my fellow Directors of Ceylinco Insurance PLC. I also thank the regulators who supported us in our operations throughout the year.

Mr. R. Renganathan
Deputy Chairman

BOARD OF DIRECTORS



Seated (L to R)

Mr. H.D.K.P. Alwis

Director

Mr. A.R. Gunawardena

Executive Chairman / CEO

Standing (L to R)

Mr. N.D. Nugawela

Director

Dr. W.C.J. Alwis

Director

Mr. U. Witharana

Director

Mr. T.N.M. Peiris

Director (Finance) / Head of Finance

Mr. Yu Kitai

Director

Mr. K.I. Dharmawardena

Director



Seated (L to R)

Mr. R. Renganathan
Non - Executive Deputy Chairman

Mr. E.T.L. Ranasinghe
Director/Chief Operations Officer

Standing (L to R)

Mr. D.H.J. Gunawardena
Director

Mr. S.R. Abeynayake
Director

Mr. P. D. M. Cooray
Director/Head of Training

Mr. P. A. Jayawardena
Director

Mr. N. Vasantha Kumar
Director

Mr. S.H.J. Weerasuriya
Director

BOARD OF DIRECTORS

Mr. A.R. Gunawardena

Executive Chairman/Chief Executive Officer

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

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

He was appointed Director in charge of the General Division of Ceylinco Insurance in 1987. He introduced the visionary concept of a direct sales force for the insurance industry in Sri Lanka. His was the idea that transformed the sphere of insurance forever more – On The Spot Claim Settlement! This unprecedented idea, which amounted to a global first, has been embraced and adopted by many other insurers the world over. In fact, this very concept won the coveted Innovation of the Year Award at the Asian Insurance Industry Awards in 2003. Under his able leadership, Ceylinco Insurance received a rare accolade that of being among the top four General Insurance Companies in Asia, in 2000 and once again clinched the Innovation of the Year Award at the Asia Insurance Industry Awards in 2006. Under his guidance Ceylinco Insurance has held the position of market leader in Sri Lanka, continuously since 2004. Mr. Ajith Gunawardena was also behind the first ever overseas joint venture for Ceylinco

Insurance – Sagarmatha Insurance of Nepal, the concept of which, later on, extended to the Maldives. Several strategic alliances were also formed under his leadership with insurance companies in the Middle East, in countries such as the United Arab Emirates, Bahrain, Kuwait, Oman and Qatar.

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

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

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

Mr. R. Renganathan

Non - Executive Deputy Chairman

Mr Renganathan joined the Ceylinco Group in 1983 and is a Fellow of the Institute of Chartered Accountants of Sri Lanka. He is the Chairman of Ceylinco Life Insurance Ltd, Ceylinco Healthcare Services Ltd and Serene Resorts Ltd.

Ceylinco Life Insurance Ltd has been the market leader in the life insurance industry for the past 16 years. Ceylinco Healthcare Services Ltd pioneered the introduction of the 1st Linear Accelerator for radio therapy over 10 years ago. The hospital provides radiotherapy, chemotherapy and hormone therapy services. Subsequent to

the introduction of the TomotherapyHi-art machine 6 years ago, the Linear Accelerator originally installed was replaced by the Varian Clinacix Linear Accelerator in order to provide advanced treatment.

Serene Resorts has pioneered the Retirement Resort concept in Sri Lanka. The resort comprises of 44 single and double room chalets, a restaurant, a pool, a library and an entertainment area. The resort provides for the needs of active retirees and retirees who require low level and high level assisted care. A Nursing Care Unit is also expected to be set up at Park Street shortly.

Mr. H.D.K.P. Alwis

Director

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

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

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

Insurance can claim the largest branch network in the industry.

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

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

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

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

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

Mr. E.T.L. Ranasinghe

Director/Chief Operations Officer

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

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

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

Dr. W.C.J. Alwis

Director

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

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

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

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

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

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

BOARD OF DIRECTORS

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

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

The International Insurance Society (IIS) USA has appointed Dr. Alwis in 2015 as an Ambassador for Sri Lanka and SAARC Region.

Mr. P. D. M. Cooray

Director/Head of Training

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

Mr. Cooray is a Fellow of the Life Underwriters Training Council (LUTCF) U.S.A., a Chartered Insurance Agency

Manager (CIAM), a Certified Manager of Financial Advisors (CMFA), CII (Award) on Financial Planning from the Chartered Institute of Insurance, London and has an Executive Diploma in Business Administration from the University of Colombo. He played a key role in setting up the Sales Force of Ceylinco Life. He is an internationally reputed speaker who has addressed several Life Insurance Conventions and was the first South Asian non-member to address the Million Dollar Round Table (MDRT), the most Prestigious Life Insurance convention in the world.

Mr. K.I. Dharmawardena

Director

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

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

Mr. D.H.J. Gunawardena

Director

Mr. Herschel Gunawardena is a Fellow of the Chartered Institute of Management Accountants, U.K. and a Chartered Global Management Accountant. He has over forty five years of experience in various industries including shipping, airline, mining, export and import trading with over twenty years of General Management experience.

Mr. Gunawardena is the former Non-Executive Chairman of Citizens Development Business Finance PLC. He is a Director of Hunter & Company PLC, Lanka Canneries (Pvt.) Limited, Heath & Co. (Ceylon) Limited and Pelwatte Dairy Industries Limited and Ceylinco Life Insurance Limited.

Mr. Gunawardena is the Chairman of the Audit Committee and a member of the Remuneration Committee of Ceylinco Insurance PLC. He is an Independent Non Executive Director of Ceylinco Insurance PLC.

Mr. P. A. Jayawardena

Director

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

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

Mr. N.D. Nugawela

Director

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

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

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

Mr. T.N.M. Peiris

Director (Finance) / Head of Finance

Mr. Nihal Peiris graduated with Honors from the Sri Jayawardenapura University with a Bachelor of Arts Degree (Economics Special) in 1982. He became an Associate Member of the Institute of Chartered Accountants in 1984 and thereafter became a Fellow Member of the Institute. He is also a Fellow Member of the Institute of Certified Management

Accountants of Sri Lanka. Having worked at M/s. Associated Motorways PLC as an Accountant for 1½ years, he joined The Finance Company PLC as the Chief Accountant in 1986 and excelled to Deputy Chief Executive Director and was on the Board till 2010. He also serves on the Boards of Subsidiary Companies.

He joined Ceylinco Insurance as a Finance Manager in 1989 and was appointed to the Board in August 1990. At present he heads the Finance Division of the Company and Ceylinco General Insurance Limited. He introduced the profit centre concept where all branches and units are monitored according to performance. He has also introduced the Finance & Administrative Manual of the Company which indicates all procedures, principles and systems adopted by the Company, and the finances are documented in an IT platform. The Internal Audit Department was introduced by him and the Department works directly under his supervision as an Independent Unit. In 2014, Mr Peiris took over the City Office Departments directly under him and since then they have shown unprecedented growth in all spheres.

Mr. U. Witharana

Director

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

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

Mr. Witharana was appointed to the Board of Ceylinco Insurance PLC on the 25th of October, 2005. He also serves as the Finance Director/Director in other Associate and Subsidiary Companies of Ceylinco Insurance. He also serves as the Deputy Managing Director of Ceylinco General Insurance Limited. In addition to his contribution to the financial management of the Ceylinco Insurance Group, he extends his capabilities by leading a team of professionals in the capacity of the CEO, to successfully develop and manage a number of hydro power projects within the group.

Mr. S.R. Abeynayake

Director

Mr. Ranga Abeynayake counts over 20 years of experience in the field of Finance. He holds a MBA from the Postgraduate Institute of Management (PIM), University of Sri Jayawardenepura. He is also a Fellow Member of the Institute of Chartered Accountants of Sri Lanka and of the Institute of Certified Management Accountants of Sri Lanka. He joined the Life Division of the Company in March, 1998 as Financial Accountant and held the post of Deputy General Manager (Finance) – Life Insurance, at the time he was appointed to the Board of Ceylinco Insurance PLC from 01st February, 2011.

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

BOARD OF DIRECTORS

Mr. S.H.J. Weerasuriya

Director

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

Mr. Weerasuriya is Member of the Institution of Civil Engineers, U.K. (Chartered Engineer) and a Fellow Member of the Institution of Engineers – Sri Lanka and of the Society of Structural Engineers – Sri Lanka and is a Professional Engineer of The Engineering Council of England. He is the fellow of the institute of Project Managers-Sri Lanka. He is the Chairman of Mercantile Investments and Finance PLC since January, 2011, a Director of International Civil Engineering Consultants PL. and a Director of Kognosceti (Pvt.) Ltd.

Mr. Weerasuriya is the Proprietor of Saro Weerasuriya Associates.

Mr. Yu Kitai

Director

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

Mr. Kitai joined Mitsui Sumitomo Insurance Company Limited in 1976 immediately after graduated RIKKYO University. For 12 years in Tokyo Commercial Business Division, he was a specialist of Commercial business, especially in Plant engineering business which actively pursued in South East Asian and Middle East Countries at that time. In 1988, Mr. Kitai was dispatched to Former Mitsui Marine Indonesia, and appointed to the youngest Board of Director. After 5 years' tenure, He held various director position at Mitsui Sumitomo Insurance Group Companies. 2001 – 2004, Director Executive Vice President of Mitsui Sumitomo Seguros (Brazil), 2004 - 2007, Director of American Appraisal Japan Inc., 2007 - 2010, Whole-time Director of Cholamandaram MS General Insurance (India), 2011 – 2014, Director of PT. AsuransjiwaSinarmas MSIG(Indonesia). From 2014, he was assigned as an advisor of Mitsui Sumitomo Insurance to develop South Asian countries market and started feasibility studies. He visited Ceylinco Insurance LC in April 2015 to conduct a feasibility study and review the long years' relationship between Ceylinco Insurance and Mitsui Sumitomo Insurance.

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

Mr. N. Vasantha Kumar

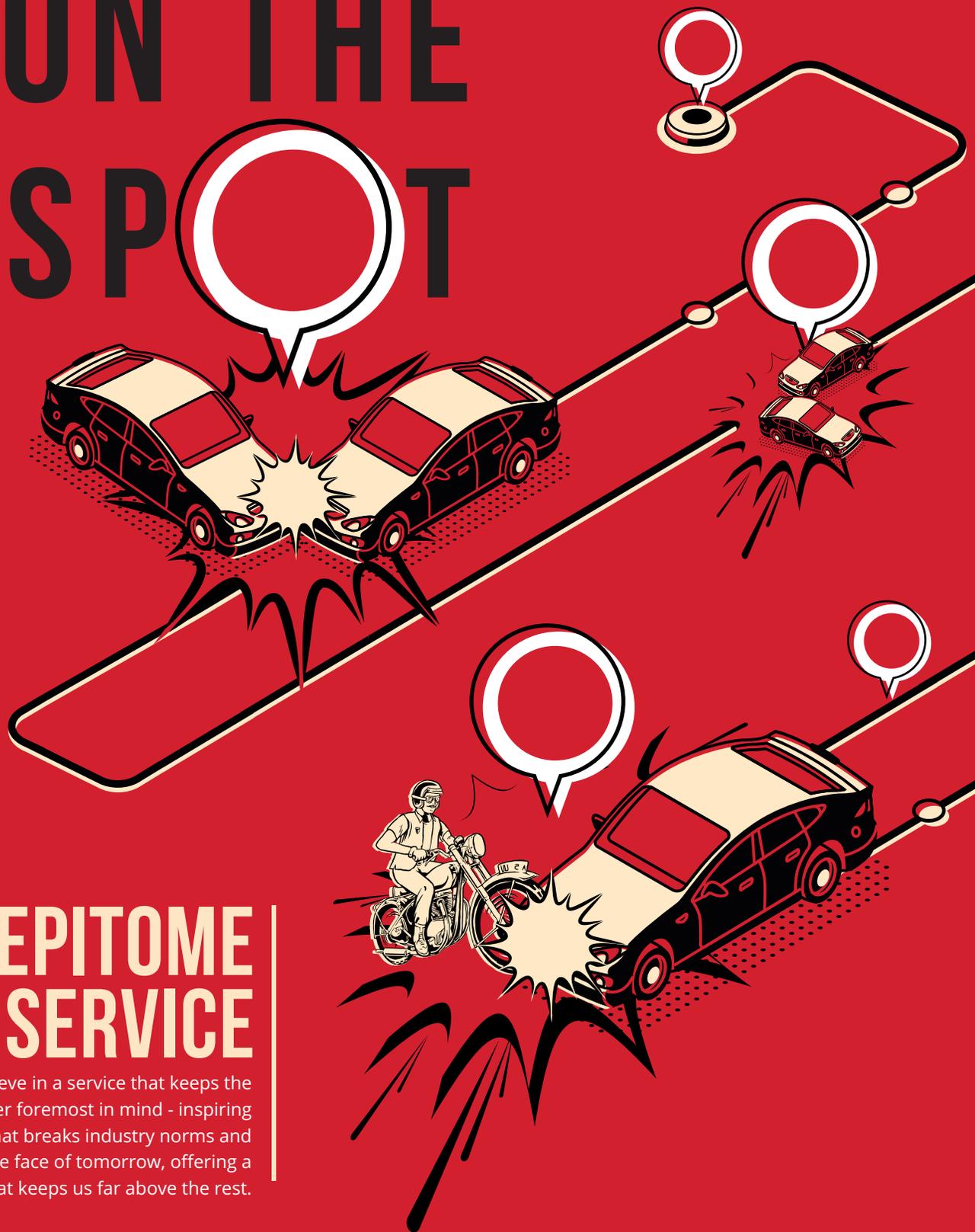
Director

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

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

MANAGEMENT DISCUSSION & ANALYSIS

ON THE SPOT



THE EPITOME OF SERVICE

We believe in a service that keeps the customer foremost in mind - inspiring innovation that breaks industry norms and shapes the face of tomorrow, offering a proposition that keeps us far above the rest.

MANAGEMENT DISCUSSION & ANALYSIS

Sector Review

GENERAL INSURANCE



“

Ceylinco General Insurance successfully retained its market leadership in the general insurance industry in 2019 as well, which I believe is an exceptional feat to accomplish in the midst of competitors resorting to various short-term tactics.

”

Review by the Managing Director/CEO

H.D.K.P. Alwis

Ceylinco General Insurance Ltd

GENERAL INSURANCE INDUSTRY

Sri Lanka's General Insurance industry demonstrated resilience despite the adverse impact of the Easter Sunday attacks on the overall economy. The general insurance industry recorded a year-on-year growth of 5.5% in 2019. By the end of the year, the general insurance industry reached the Rs. 100 Billion milestone with a premium income of Rs. 100.9 Billion in value in an industry comprising 13 companies, with 11 engaged in General Insurance and the other two being composite companies.

The overall insurance industry recorded Gross Written Premiums valued at Rs. 189.2 billion, an increase of 7.3% year-on-year, while General Insurance accounted for 53.3% of total premiums. 64% of General Insurance premiums were generated by Motor Insurance followed by Fire and Engineering (13.8%), Health products (11.8%), General Accident (8%) and Marine (2.4%) as at end 2019.

COMPANY PERFORMANCE

In spite of the turbulent macro conditions that prevailed through the year, Ceylinco General Insurance delivered yet another outstanding year with an impressive performance and excellent financial results. During the period under review, the company recorded a premium income of Rs.19.8 billion (Rs.19,803 million) coupled with a modest growth of 3.2%, which marks an increase of Rs. 616 million over the previous year. The company's profit after tax stands at Rs. 1.38 billion, while profit before tax achieved was Rs. 1.73 billion.

SPEARHEADING THE INDUSTRY AS MARKET LEADER

Ceylinco General Insurance successfully retained its market leadership in the general insurance industry in 2019 as well, which I believe is an exceptional feat to accomplish in the midst of competitors resorting to various short-term tactics. As I have repeatedly noted, price

undercutting is used as a tool by most of our key competitors while we differentiate ourselves based on our value additions, service delivery and reliability in claims payment. More importantly, despite the price undercutting practiced by many players, customers have understood that Ceylinco VIP On The Spot offers the best value for money - with innovative and superior benefits.

EXTENDING GREATER BENEFITS

Even though the government provides universal healthcare to all Sri Lankans there is a long wait for specialist care and advanced procedures in the public sector. The private sector plays a major role in addressing this gap but most of our citizens cannot afford such huge costs in the event of a serious illness. On the other hand, the ageing population and rise in non-communicable diseases (NCDs) will increase the burden on the public healthcare system. Addressing this issue, in July 2019, Ceylinco General



Insurance introduced a cover of up to Rs. 500,000/- per annum that will reimburse medical costs incurred in the treatment of diagnosed serious illnesses, including heart disease, cancer, kidney failure, stroke and several others, providing a cover for heart attack and open heart surgery, major organ transplants, chronic lung and liver diseases, deafness, blindness, multiple sclerosis, paralysis etc. The cover has been introduced with five affordable schemes and a small premium as low as Rs. 600/- per annum, where an insured will be entitled to a cover of Rs. 100,000/- whilst the highest cover of Rs 500,000/- will cost only Rs. 2,350/- per annum. One has to only fill a simple proposal form to obtain the cover whilst a health check-up is not required. This is an ideal cover for employers to offer as a benefit to their valued employees.

SPEEDY SETTLEMENT OF CLAIMS

During the year under review, claims were paid to the tune of Rs.10.7 Billion and majority being paid on the spot. Notable amongst these was the claim

paid to Shangri La Hotel where we paid an advance of US\$ One Million within 3 days after the bomb that devastated the hotel in April 2019. The total claim was estimated to be in the region of US\$ 20 Million (Rs. 3.6 Billion).

BRANCH EXPANSION

Expanding our footprint across the country, the Company's branch network widened to over 530 branches and sales outlets island-wide during the year, resulting in the largest branch network by far, reaching people in every nook and corner in the country and enabling easy access to our insurance solutions. 18 "VIP Counters" were opened in 2019, with 7 of them under the City Office and the remaining 11 under the branch network.

ENHANCING CHANNEL DELIVERY

Committed to strengthening our position in the insurance industry and to expand our reach, we have engaged in a continuous drive of developing and managing our Channel network.

Understanding the emerging trends of the market we have partnered with all leading banks of the country to offer their customers our insurance services through the respective bancassurance platforms. Through these partnerships, we have introduced many customized products to the benefit of customers of the banks as well as ours.

Adding to the longstanding partnerships we have with many of our corporate clients, during the year under review, we tied up with many mobile, utility, service and transport providers such as Sri Lanka Telecom, Associated Motorways and Mobitel offer their customers with simple and affordable insurance products. By offering this, our Channel Partners are able to gain more loyalty towards their respective organizations whilst we benefit by way of enhanced reach.

GLOBAL PARTNERSHIPS

Our strategic partnerships with Berkshire Hathaway and AIG of the United States further strengthened our position as the leading insurer in Sri Lanka. We were able to underwrite several of the world's leading companies and through this partnership we have been able to provide our services and insure these multinational companies established in Sri Lanka. Also, we were able to provide these companies with additional coverage for localised conditions which augurs well for the sustainability of these organizations.

Similarly, our strategic partnership with Mitsui Sumitomo Insurance of Japan gives us a competitive edge in providing reinsurance support to Japanese clients in Sri Lanka. Strengthening the relationship with the Japanese insurance company further, we are in the process of developing a set of unique products coupled with a delivery process to their network.

MANAGEMENT DISCUSSION & ANALYSIS

Sector Review



The Company has maintained an efficient pipeline of talent for the foreseeable future to ensure the sustainability of its operations.



Our strategic alliances with insurance companies in the Gulf region, including the United Arab Emirates, Bahrain, Oman, Qatar and Kuwait, helps us to cater joint insurance solutions for migrant workers living in these respective countries.

REINSURANCE RELATIONSHIPS

One of the pillars of our success is our enduring partnerships and collaborations with the world's leading Reinsurers, ensuring greater financial stability and reinforcing our position to honour claims for any emergency or catastrophe.

As a major player in the Sri Lankan insurance industry, we are proud that the world's best rated reinsurance companies continue to work with us. We maintained the highest reinsurance coverage during the year, even beyond the norms stipulated by the regulator. Also, due to the ever-increasing natural disasters, our catastrophic risks are comprehensively covered through Natural Catastrophic reinsurance from world-renowned 'A' rated reinsurers.

HUMAN RESOURCES AND STAFF TRAINING

The Company has maintained an efficient pipeline of talent for the foreseeable future to ensure the sustainability of its operations. Emphasis on career

development and enhancement of skills and professionalism of staff has become more than important ever before as we have embarked on a serious succession planning process.

With this in mind, several Management Development Programmes were conducted for senior and middle level managers covering leadership training, marketing, HR management, financial management etc in 2019. Six outbound programmes and five in-house training sessions covering a wide spectrum of topics and areas were conducted for middle level managers. In addition, 25 senior staff members were sent for overseas training during 2019. Similarly, another set of three outbound training programmes were conducted for senior non-sales staff and over 25 training programmes were conducted for Underwriters, Call centre staff, Automobile engineers staff of IT department etc. covering a range of topics such as customer care, communications, teamwork, personal development etc. 36 training programmes were conducted targeting sales staff and areas such as salesmanship, customer handling, motivation etc were covered in these. Further, 12 induction training programmes were conducted for new recruits, giving them an introduction to our business environment and to the corporate world.

As a proactive approach to this important element, towards the latter part of 2019, we initiated the introduction of an online Staff Performance Evaluation System which is a prudent step to monitor the performance and contribution of over 4000 staff members in a fair and a systematic manner.

In 2019, we embarked on a new approach to recruit and strengthen our salesforce by building a team of 'Retired Professionals' in the City Office as well as in outstation

branches. Their experience and expertise in the field of Sales and Marketing gives them an edge as they already possess the necessary knowledge of handling large corporates.

KEEPING STAFF MOTIVATED

The annual overseas tour is a unique event in our annual calendar and one that is eagerly anticipated by employees. For the 16th consecutive year, the annual overseas tour witnessed a contingent of 250 deserving staff members flying off to Jakarta, Indonesia, for a five-day long holiday and a half-day 'Brainstorming' session. This gesture by the company recognizes and rewards employees' outstanding contribution to the company and has become a key motivational incentive. Every staff member dreams of being part of the tour group jetting off for an all-expenses paid overseas holiday.

The much-awaited Annual Sales Conference and Awards Ceremony for 2018, attended by over 1,150 members of the salesforce, was held in April 2019 under the theme, 'An Insurance Guarantee to Delight Customers!'. As done in the past, the glittering event rewarded top performers in sales teams with outstanding performance awards. During the event, over 700 members of the sales force received awards, reflecting their hard work and commitment. The new entrants to the celebrated 'Hall of Fame', receives a brand new Mercedes Benz as a token of recognition from the company for their exceptional contribution.

Another unique feat was achieved by our General Manager – City Office, Mr. Sathyajith Wijeyapura reaching Rs. One Billion in premium income during the year under review. Measured by all standards, this is truly a remarkable achievement by one single person, where some of the companies in the industry have not reached this mark even after several years.

STRENGTHENING IT SYSTEMS

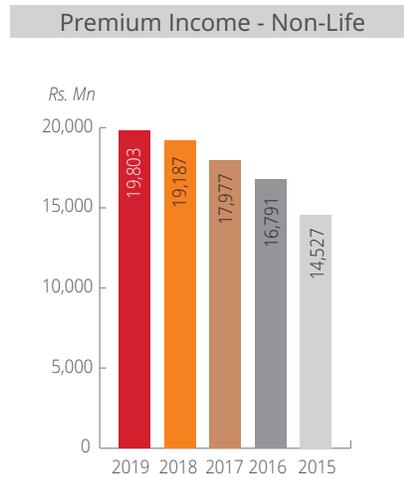
The insurance industry landscape is being influenced by advances in IT and the company has remained ahead of the curve in this regard by adopting IT innovations. Its cutting-edge Oracle cloud based system for disaster recovery brings many benefits to its operations, while the Company explores how it can harness concepts such as artificial intelligence, block chain technology, data science and multiplatform applications for mobile devices etc, to enhance efficiency and improve customer service.

During the year under review, IT staff successfully developed a spare part inventory management system together with a spare part claim allocation system which will be a huge benefit for our large Ceylinco VIP customer base - providing them with easy access to our stocks for replacement of spare parts during accident repairs. Also, a digital signature process for sales management was also developed - updating the core oracle system to benefit all IT processes. Moreover, the salesforce dashboard, which became fully operational in 2019, was developed with an option to give online quotations while efficiently contributing towards development of several online business channels

As the IT spectrum dynamically evolves, we constantly work towards delivering our IT personnel with state of the art training courses as well as expose our IT personnel to new opportunities both globally and locally.

CORPORATE SOCIAL RESPONSIBILITY

As one of the nation's premier corporate entities, we remained closely engaged with local communities. During the year 2019, we continued with our Corporate Social Responsibility (CSR) programme introduced in the Moneragala district in 2017, which provides relief to school children amongst



families living under difficult circumstances. Paving the way for 1,000 poor children to dream of a proper education and a brighter future, we granted 1,000 children with Rs. 1,500/- every month until they complete their Advanced Level (A/L) examinations, thereby easing the burden on their parents and giving them a solid platform to remain in school till they complete their A/Ls.

As always, staff was actively involved in various religious ceremonies across the island, providing devotees with much-needed refreshments at places of worship. We continued these refreshment programmes for the 10th consecutive year and over 15 such programmes were held during the year - benefiting thousands of devotees. .

Several blood donation drives were organised by our staff and the biggest event took place in the Head Office premises in February. Organised by the Employees Union, over 300 pints of blood was collected and donated to the National Blood Bank.

FUTURE OUTLOOK

The Company's consistent financial performance year after year supports our optimism for our future prospects. The recent economic developments herald a rejuvenation of the economy which bodes well for growth of Sri Lanka's insurance sector. The impact of recent regulatory changes as well as an increase in demand for insurance products is expected to drive expansion of the General Insurance industry. We foresee an era of rapid evolution. The regulator has been proactive in initiating enhancements to the framework which have strengthened the industry and they lay a strong foundation for growth.

MANAGEMENT DISCUSSION & ANALYSIS

Sector Review

LIFE INSURANCE



Ability may get you to the top, but it takes character to keep you there.



- John Wooden

Review by the Managing Director / CEO

Mr. Thushara Ranasinghe
Ceylinco Life Insurance Ltd.



RESILIENT PERFORMANCE

Ceylinco Life completed a year of steady achievements by recording a GWP of Rs. 18.7 Bn which marks an increase of 5.1% over the previous year. The Company generated an investment income of Rs. 13.5 Bn during the year, which highlights an increase of 17.5% over the previous year. By consistently improving our profitability levels over the years, we achieved a net profit of Rs. 6.7 Bn which represents a growth of 15.1% over 2018. The higher profitability levels are mainly attributed to the prudent investment and cost management strategies adopted by the Company. Ceylinco Life maintains the lowest expense ratio in the industry. The total value of our assets as at 31st December 2019 stood at Rs. 133.2 Bn.

It is noteworthy that the Company's performance over the last year has been steadfast and exemplary considering the challenging business environment

marked by numerous headwinds. The devastating Easter Sunday attacks created a negative impact on the overall business environment during the second and third quarters of 2019. Tourism, a main driver of the economy accounting for approximately 5% of the GDP, was significantly affected as travellers cancelled trips to Sri Lanka. This had a ripple effect on the consumer and retail sectors. The elections held during the latter part of the year contributed to an uncertain economic environment prompting investors to adopt a 'wait and see' approach. However, the road ahead looks optimistic for Sri Lanka as it projects a GDP growth of 4% in 2020 as it recoups from these externalities.

I am pleased to announce that the life fund of the Company reached Rs. 96.2 Bn. Shareholders' funds increased to Rs. 31.5Bn, which signifies an increase of 19.2% compared to the preceding year. The Return on Equity (ROE) of Ceylinco

Life stood at 21.2% in 2019. The Capital Adequacy Ratio (CAR) of the Company, computed according to the Risk Based Capital (RBC) Regulations imposed by the Insurance Regulatory Commission of Sri Lanka, stood at 345% as at end 2019.

During the year we honoured claims and benefits to the value of Rs. 10.6 Bn. We have improved our claim settlement lead time through continuous business process reengineering. In the year under review a bonus declaration to the value of Rs. 5 Bn was made to our policyholders.

OUR STRATEGIC PATH

Keeping true to our brand promise - 'A Relationship for Life', we continue to make significant progress in our quest to achieve excellence as a trusted life insurer in a dynamic business environment. We always strive to make our business more customer-centric, competitive, agile and digital.



We focus on six strategic pillars; namely maintaining market leadership, customer-centricity, environmental sustainability, digital drive, investing in human capital and smart, prudent investments. I wish to share our progress in 2019 under these six strategic imperatives.

MAINTAINING MARKET LEADERSHIP

Generating market penetration in a low penetration market such as Sri Lanka requires geographical presence and an all-pervasive product portfolio.

Presence in key cities is a main driver to penetrate the insurance market. Ceylinco Life possesses the largest network of branches in the insurance industry. All of our branches are founded on sustainable practices embedding eco-friendly construction and operational aspects. The highlight of the year was the opening of our largest branch – the Jaffna branch comprising of 20,000 sq.ft. This will be the nucleus of the Northern region along with five other locations.

In expanding our portfolio of products, we recognise saving for the future, drawing a secure pension income and protection against unforeseen events as key areas

which enhance our policyholder's well-being and financial security. In our quest to bridge a market gap in retirement products given the present demographic trends, we have launched the "Ceylinco Life Pension Saver" a novel addition to our already innovative product range. We are happy to note that Ceylinco Life Pension Saver has been well accepted by our customers as it has become a leading product in our portfolio within just two months of its launch.

We have also introduced a health reimbursement rider cover to our insurance products which includes foreign medical reimbursement aimed at fulfilling the health reimbursement need of our clients.

Group insurance, retirement accounts, pension plans and protection oriented products propelled our new business growth. Growth in the balance product portfolio including Bank assurance was moderate. Takaful business showed a negative growth.

Most companies in the industry compete by highlighting health insurance and illustrating high returns at maturity. Ceylinco life strategically focused on long term life insurance protection, which is the core business of a life insurance company. The strategic shift in the portfolio will however result in steady long term growth and steady profits.

CUSTOMER CENTRICITY

The concluded year was dedicated to Customer Service Excellence where we initiated several programmes to enhance customer service at all levels. It is noteworthy that these initiatives were conducted with the support and active engagement of all staff members and was not limited to frontline staff.

In the latter part of 2019, we made a policy decision to extend the cancer fund benefit (discounted rate for radiation treatment), usually offered to our policyholders, to their immediate family members. This value addition to our policyholders is possible due to the synergies that we derive from our subsidiary, Ceylinco Healthcare services Ltd. (CHSL), which manages the Ceylinco Cancer Treatment Centre.

It is our firm belief that these measures along with the personalized service offered by our full-time, professionally-trained sales force will continually strengthen the life-long relationship with our policyholders.

Customer engagement has always been an integral part of Ceylinco Life's value proposition. We have conducted our signature Family Savari campaign with foreign tours being conducted to Singapore, China, and Australia and a full-day Leisure World event accommodating a crowd of 2,000 policyholders and families.

MANAGEMENT DISCUSSION & ANALYSIS

Sector Review

We awarded Pragma scholarships to the sons and daughters of our policyholders, who excel in academics and extra-curricular activities for the 18th consecutive year in 2019. To date, we have awarded Rs 143 Million in scholarships uplifting and encouraging 2,571 students. This initiative is promoted with the objective of empowering and encouraging the students to become role models for a better tomorrow.

DIGITAL TRANSFORMATION AGENDA

Over the last few years we have increasingly focussed on transforming our business by leveraging IT. These initiatives enhance customer experiences whilst enabling our staff to deliver an excellent customer service. The SAP system introduced many process improvements. We are the first in the life insurance industry in Sri Lanka, to successfully implement SAP in S4 HANA environment and integrate our asset management module with our custodian bank Standard Chartered.

In our continuous pursuit of digitalization, we witnessed an adoption rate of 70% amongst our sales team, which enabled us to fast-track the implementation of the e-submission of proposal forms which benefits potential clients with convenience and speed. We are now about to launch the complete sales process in all three languages, to increase usage throughout the island. This initiative has also helped in significantly reducing the service lead times in generating the policy document. Our vision for 2020 is to create a sales force which is digitally equipped and upskilled to meet the demands of a digital world.

We have also created the infrastructure to digitize and store all forms of customer interactions including voice, e-mail and other media.

In 2019 we introduced 'Ceylena', our friendly virtual assistant which will revolutionise the way millennials interact with our brand, 365 days of the year. The chat-bot (Artificial Conversational Entity) sits at the bottom right corner of the home page of www.ceylincolife.com, and upon clicking, engages in text chatting with customers to find answers to frequently asked questions (FAQs) or other customer queries. Visitors can currently engage with 'Ceylena' in English, but we hope to make this service available in Sinhala and Tamil as well. The chatbot will be constantly accessible, with faster response times superseding even the best manned live chat service. 'Ceylena' can engage in an infinite number of multiple chats simultaneously.

With increased digitalization comes greater responsibility to protect our customer data. Our Company invested in an additional perimeter fire wall against possible cyber attacks. We have also installed data classification and data leakage prevention software to deter data theft and fraud.

REACHING OUT TO COMMUNITIES & SUSTAINABILITY

Principles of environmental sustainability are firmly entrenched within the business model of Ceylinco Life. The Company's 'Go Green' initiatives are embedded in every aspect of its business activities from responsible business expansion driven by eco-friendly buildings to daily operations which are founded on environmentally-friendly practices.

With our strong commitment to uplift the education standards of our children and medical facilities, we have created a significant impact in the communities that we serve. Our flagship Class Room Project reached 81 classrooms during 2019. Our endeavour is to reach the 90th milestone in 2020.

PASSIONATE CEYLINCO LIFE TEAM

Our organisation is driven by a culture of strong values to do the right thing. We will continue to demonstrate this at every point of contact through our dedicated team.

We at Ceylinco Life value our key stakeholders, customers and our staff and continuously seek ways and means to truly create 'A Relationship for Life'. We believe that by taking care of our employees and sales force, that they in turn will take good care of our policy holders and their dependants. This we believe would infuse tangible value to our tagline, 'A Relationship for Life'.

During the year we implemented a new performance-based KPI system, for the permanent employment cadre of Ceylinco Life, which is linked to our overall corporate objectives.

PRUDENT INVESTMENTS

As a responsible life insurer, we place significant emphasis on investing prudently. We have over the years focused on building a solid portfolio, which generates sustainable returns to safeguard the interests of all stakeholders.

Our investment portfolio grew by a robust 12.7% over the year to Rs. 116.9 Bn as at 31st December 2019. At the end of the year under review, the Ceylinco Life investment portfolio comprised of Government Securities (38%); Fixed Deposits (26%); Real Estate (8%); Corporate Debt (26%) and others (2%). 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 (IRCSL).

RECOGNITION & AWARDS

The year reviewed saw Ceylinco Life being honoured with many accolades across many fields. We were recognised as one of the 'Top 10 Most Admired Companies in Sri Lanka' by the International Chamber of Commerce, Sri Lanka (ICCSL) in collaboration with the Chartered Institute of Management Accountants (CIMA). We were also the only insurance company to be among the top 10. This ranking is a great endorsement of our continuing efforts to build relationships for life with policyholders, their families and the community as we contribute to the growth of the national economy.

Ceylinco Life was adjudged 'Sri Lanka's Most Valuable Life Insurance Brand' by Brand Finance in 2019 and named the 'Best Life Insurer' in 2019 for the sixth consecutive year by World Finance. The Company was also declared the 'People's Life Insurance Service Provider of the Year' in the country for 13th consecutive year by SLIM-Nielsen People's Awards.

Continuing our industry leadership position, the Ceylinco Life brand reigns supreme amongst the 50 most valued brands in Sri Lanka ranked by Brand Finance Lanka in 2019 and is recognised as the highest ranked life insurance brand in Sri Lanka with a brand value of Rs. 3.8 Bn.

OUR WAY FORWARD

Recognising the need to understand our policyholders' unique needs and requirements to create exceptional customer experiences, we are focused on digital innovation, competitive use of data and excellence in customer service. Digitalisation is a key agenda which we have recognised as a crucial input in fulfilling customer experiences which opens significant opportunities for operating efficiencies.

We strive to leverage the power of data analytics and information technology to enable differentiation, enabling us to respond more effectively to change and improve our ability to execute our strategies effectively. This will be a key enabler in our aspiration to be a digitally driven insurer. We hope to upskill our sales staff in line with international best practices so that they adopt to the demands of a digital era.

As an organisation whose business strategy is closely aligned with the impact it creates on the environment, we have decided to take a proactive stance by measuring our carbon footprint. We believe that this would augment our 'Go Green' initiatives by taking steps to reduce our environmental impact within the next 5 - 10 years by significantly reducing our carbon footprint.

We are cognisant of the need to be ready for the adoption of the IFRS - 17 Accounting standards on 1st January 2021. We have set up a cross-functional team of accountants, actuaries and auditors along with an independent consultant who possesses the required expertise to guide us through the smooth transition by identifying gaps in our products and software systems relating to actuarial and finance aspects. We hope to perform a parallel run within the year 2021 well in advance to the actual implementation date in order to rectify any possible contingencies. We have also upgraded our actuarial software to help to navigate this change smoothly.

During the year ahead we hope to expand our footprint to key cities of Malabe, Piliyandala and Nelliady through our own buildings which are being constructed with eco - friendly design elements.

APPRECIATIONS

We are well positioned to seize new market opportunities and meet the evolving needs of our policyholders and society. I express my heartfelt gratitude to our policyholders without whose confidence these achievements would not have been possible. I wish to extend a thank you for the dedicated team of employees who personify the strength of the Ceylinco Life brand.

I also take this opportunity to extend my appreciation to our chairman Mr. R. Renganathan for the exemplary leadership provided to us in guiding the company forward and the Board Members for their wise counsel in providing the strategic direction to retain market leadership in the sphere of life insurance in Sri Lanka and the industry regulator for the guidance provided in conducting our operations.

MANAGEMENT DISCUSSION & ANALYSIS

Sector Review

POWER & ENERGY



Considering that the main contributor for adverse changes in the global climate is the carbon emissions from fossil fuel based power plants, we greatly welcome our present government's policy which clearly outlines the need to shift to renewable energy sources.



Review by Director/CEO

Mr. Upali Witharana



The renewable energy sector of the Group comprises of four small hydro power plants, with a combined capacity of 15MW, and four ground mounted solar power projects, having a combined capacity of 4MW. The four small hydro power plants are Rajjammana, Kumburutheniwala, and Loggal Oya Phase 1 and Phase 2. Loggal Oya Phase 2 is the most recent addition to the sector, having commenced commercial operations in November 2017.

The Rajjammana plant power generation achieved over 85% of its expected performance levels during the year under review, whereas the Kumburutheniwala, and Loggal Oya Phase 1 and Phase 2, which rely on adequate rainfall, were able to perform at approximately 30% below the projected targets. Overall, the hydro power sector under-performed due to lack of rainfall during the first six months of the year.

As part of the sector diversification strategy, we ventured into ground-mounted solar projects by securing a cumulative capacity of four projects in Galle and Mathugama. The sites were awarded to one of our associate companies through a very competitive international bidding process. The projects are currently under construction and are expected to commence commercial operations in mid-2020.

Our projects have won the hearts of the people living in the surrounding villages. Each project carries out various social welfare activities to uplift the living standards of the people in the vicinity. A state-of-the-art montessori, with the capacity to school 100 students is fully funded by the Rajjammana project company since 2016. School books and

all other education accessories required for more than 1,500 school children are donated every year. Monthly donations are provided to temples and social welfare societies. Further, elderly families over 65 years with no financial assistance are provided with financial aid annually through projects, thereby fulfilling our corporate social responsibility.

Considering that the main contributor of adverse effects is carbon emissions from fossil fuel based power plants, we welcome the present government's policy which clearly outlines the need to shift to renewable energy sources and thereby achieve a target of supplying 80% of the country's electricity demands through renewable energy sources by 2030.



The sector development is mainly driven by Government initiatives. There are a number of hydro power projects which have completed their SPPA (Standard Power Purchase Agreements) but are now facing downward revisions in their unit purchase prices, which is a discouragement to the developer. Since these projects continue to generate and supply the same capacity to the grid, the low purchase price will only lead to poor maintenance and ultimately to plant shutdown, thereby resulting in the Ceylon Electricity Board (CEB) losing an opportunity to obtain low cost energy

for the national grid. It is our belief that a reasonable purchase price for such projects will ensure their sustainability and avoid the need for developing substitute power projects to meet the country's electricity demand, thereby causing harm to the environment.

From the national point of view, the total units of electricity generated in the country amounted to approximately 16 TWh in the year 2019. However, more than 66% came from fossil fuel based power plants. Fuel cost for fossil fuel based power plants are directly linked with the US dollar, which

together with the depreciated rupee will further aggravate the financial crisis that CEB is facing.

The attempts by the Government towards development of low cost firm energy power plants (LNG combined cycle power plant for a capacity of 300MW) has presently run into a dispute. The delay in implementation of this project will also have a massive negative financial impact in the coming year to the CEB as the only option will be to purchase emergency power at very high cost.

We welcome the initiatives by the Government for the development of large scale solar and wind power projects upto 10MW capacity, each under a very transparent tendering process. Having abundant resources, especially in the Northern and Eastern provinces, we are impressed by this decision taken by the Government for the welfare of the sector. We are committed to develop the renewable energy sector of the company to become a major player in Sri Lanka in years to come.

2019	Ceypower Cascades (Pvt) Ltd.	Ceyhydro Developers (Pvt) Ltd.	Energy Generators (Pvt) Ltd.
Capacity	2.4 MW	5.6 MW	6 MW
Revenue (Rs.)	161,924,090	285,990,671	477,586,185
PAT (Rs.)	76,905,946	141,034,281	307,353,998
Total Assets (Rs.)	535,082,063	1,373,703,688	1,991,913,827

MANAGEMENT DISCUSSION & ANALYSIS

Sector Review

EDUCATION



The Group has 12,500 students reading for Bachelors and Masters Degree in the fields of Business Management, ICT, Engineering, Psychology and Law amongst other subjects.



Review by the Chairman

Dr. Jagath Alwis

CEG Education Holdings (Pvt) Ltd



OVERVIEW

Sri Lanka has around 10,000 state schools and over 100 recognized private international schools. The country maintains the highest youth literacy rates in South Asian Region which is about 98.5%. Each year, over 300,000 students sit for GCE Advance Level examination in Sri Lanka, of which, around 150,000 students pass the GCE Advance Level examination, gaining UGC recognized minimum qualifications required for university entrance. However, state universities can currently accommodate up to 30,000 new students per year, which leaves a significant demand-supply gap in higher education. Within this gap, about 12,000 students chose to pursue their higher studies abroad each year. Popular study abroad destinations include, Australia, New Zealand, USA, United Kingdom, Russia, East European countries, East Asia and China. Other students have the opportunity to enrol into recognized foreign university and locally approved degree programmes

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

The outlook of the knowledge industry remains positive due to the continuous growth in demand for higher education, as the 15 state universities currently have very limited capacity to accommodate students who are passing the GCE Advanced Level Examination, even though they may have obtained minimum qualification to enter local universities. Further, demand for international schools is also increasing every year due to the fact that the government schools do not have enough capacity and parents prefer their children to study international curricular in English medium.

The private international schools prepare students for international qualifications such as Edexcel and Cambridge examinations, which allow students to continue their higher education in foreign universities. Some International schools also deliver the local curriculum in English medium, where students could enter local universities dependent on their Z score. It is noteworthy here to mention that a student who sat for GCE A/L examination in August last year became the all island first in the Arts stream.

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



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

OPERATIONAL REVIEW

It is against this backdrop that Ceylinco Insurance PLC took significant steps through its Education Subsidiary, CEG Education Holdings (Pvt) Ltd., to offer a wide range of opportunities both in Sri Lanka and overseas to acquire knowledge in vital sectors of Technology, Engineering, Science, Medicines and Business. It is an investment for the future of our country to provide the proper foundation for graduate and postgraduates courses. The Ceylinco Education Sector also owns and manages international recognized pre-schools and primary and secondary schools.

The Group has 12,500 students reading for Bachelors and Masters Degree in the fields of Business Management, ICT, Engineering, Psychology and Law amongst other subjects who will complete their entire degree in Sri Lanka and more than 500 students will transfer to foreign universities. Another 2,500 students are studying at Montessori, Primary and Secondary levels. The Group has little more than 55,000 alumni working in Sri Lanka and overseas.

The biggest challenge during the year under review was the Easter Sunday bombings which forced us to close the institutes for more than a month to ensure safety of our students. Furthermore, we invested a large sum for security checks and student screening which are in force presently to the satisfaction of our security consultants, partner universities, students and their families.

Inspite of the disruption caused by the Easter Sunday bombings, the sector managed to achieve growth in revenue by above 9%.



The outlook of the knowledge industry remains positive due to the continuous growth in demand for higher education, as the 15 state universities currently have very limited capacity to accommodate students who are passing the GCE Advanced Level Examination, even though they may have obtained minimum qualification to enter local universities.



Highlights of achievements of Education sector in 2019:

- ❏ In 2019, Group company International College of Business & Technology Ltd., (ICBT Campus) won the Gold Award for the fourth time in the education service sector of the National Business Excellence Awards 2019, organized by the National Chamber of Commerce, whilst the American Education Centre (ANC) won the Silver Award in the same category.
- ❏ Wycherley International School acquired 98% of Regent International College Gampaha. Wycherley International School obtained all required approvals to put up a four-storeyed building at Bauddhaloka Mawatha, Colombo 07, with construction commencing in 2020.

MANAGEMENT DISCUSSION & ANALYSIS

Sector Review

- American Education Centre (ANC) opened two branches in Kandy and Maya Avenue, Colombo 05, and inaugurated 10 student recruiting centres in major cities outside Colombo.
- ICBT commenced the construction of a 14-storey state-of-the-art building next to their 8-storeyed building at Duplication Road, Colombo 03. Once the second building is completed, the area will come to around 200,000 sq. ft.

FUTURE PROSPECTS

The industry holds significant market potential in attracting large numbers of foreign students, especially to pursue international degree programmes in Sri Lanka at a fraction of a cost compared to travelling to the country of the respective partner universities. However, existing Sri Lankan immigration policies need to be improved to facilitate inbound student mobility in this segment. The industry players believe that the present government will take the necessary steps towards promoting Sri Lanka as an 'education hub' to attract foreign students to study in Sri Lanka, which could be a major foreign exchange-earner.

The Group is focused on enhancing its Digital and Social Media Marketing endeavours and investments into these areas are bringing results. Going ahead, we will sustain our leadership in the realm of private education whilst strengthening and diversifying our Offerings to suit emerging needs of the next generation.

GROUP EDUCATIONAL INSTITUTES

ANC Education: ANC Education is the largest US education provider in Sri Lanka and is an ISO 9001; 2015 Certified Company, offering the widest range of opportunities for students transferring to US universities. In its capacity as the

largest transnational education provider, ANC Education has, through its student placement arm, enabled thousands of students to benefit from higher education by placing them in the best universities in USA, UK, Germany, Canada, Australia and Malaysia.

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

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

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

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

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

motivated learner. Currently the Institute is operating from 3 locations, namely, Colombo 05, Dehiwala and Kotte. It is planned to expand the network to other major towns in the island.

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

Net Assist, through its affiliation with VUE Authorised Test Centre, offers online examination facilities for Microsoft, Oracle, Cisco, CIW, VMware, CPA Australia, Red Hat, EMC, Novel, HP ITIL and Kryterion. Microsoft recognized Net Assist International as a Gold Certified Partner for learning solutions and for many successive years received the award as Best Learning Partner.

In 2007 Oracle appointed Net Assist as its Authorised Education Centre for Sri Lanka and Maldives. Net Assist also provides valuable IT consultancy services such as software development, network designing, network security, data storage, communication servers and all Microsoft certification and project management certification products.

Regent International School: It is the newest addition to ANC Education, located in Gampaha. Established in 2001, the school is a fully-equipped international school which conducts classes from Nursery to Advanced Level and offers the Edexcel International syllabus. 96% of the entity was acquired by Wycherley International School in December 2018.

Wycherley International School: Founded in 1985, it is one of the first international schools in the country. Housed in a 'heritage building' - once the Wycherley Nursing Home built in 1922 and owned and managed by the celebrated physician and author Dr. R.L. Spittle - Wycherley is the first and only comprehensive centre for Cambridge Education from Year 1 to 13 and has achieved a high quality of educational excellence which is on par with global standards.

International College of Business & Technology Ltd (ICBT Campus) Established in 1999 to provide affordable and internationally recognized educational qualifications in Sri Lanka, it has over the years proved to be one of the leading institutions of its kind providing students with a truly campus type of environment. This has been confirmed by the fact that ICBT has been the overall winner of the National Business Excellence Awards in 2014, 2015, 2016, 2018 and 2019. In addition to this recognition, ICBT has also been selected as the 'Partner of the Year' of the British Council since 2011. The Institute is an ISO 9001; 2015 Certified Company.

ICBT Campus offers Diplomas, Higher Diplomas, Bachelor Degrees and Masters Degrees in association with leading British Universities. The ICBT Higher Diplomas are also benchmarked as being equivalent to the 2nd year of a British degree by the National Recognition Centre (NRC) of UK. This is the British national agency responsible for providing information and expert opinion on qualifications and skills globally.

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

ICBT has received the institutional approval as a Degree Awarding Institute from the Ministry of Higher Education and in the process of receiving the approval to launch its own degrees approved by the University Grant Commission (UGC).

CEC EVENTS (PVT) LTD

This is an event management company which has organized a wide range of mega events in Colombo and in major cities Island-wide. In 2019, for the first time, the Company organized an event in Dubai successfully. In addition, it provides key services such as research, planning, marketing, promoting, stall constructing, photography and all other pre and post event activities.

MANAGEMENT DISCUSSION & ANALYSIS

Sector Review

OPERATIONAL RISKS

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

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

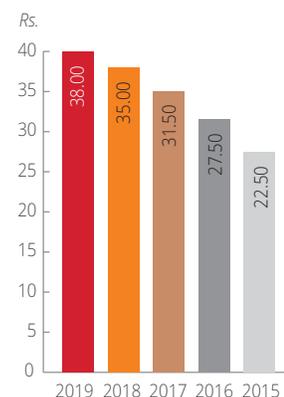
CSR ACTIVITIES

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

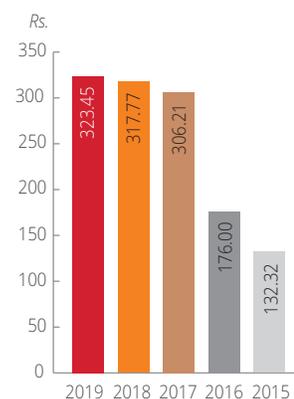
SHARE INFORMATION

		Year ended 31-Dec-2019	Year ended 31-Dec-2018
Net Assets Per Share (Group)			
Book Value	Rs.	2,008.60	1,732.03
Earnings			
Earnings per Share (Group)	Rs.	323.45	317.80
Price Earnings Ratio (times) - Voting		6.10	6.30
Price Earnings Ratio (times) - Non - Voting		2.60	3.00
Dividends (Proposed)			
Interim & Final Dividend	Rs.	38.00	35.00
Share Price - Voting			
High	Rs.	2,000.00	2,100.00
Low	Rs.	1,800.00	1,400.10
Last Transaction	Rs.	1,986.90	1,990.00
Share Price - Non-Voting			
High	Rs.	1,029.90	1,078.80
Low	Rs.	600.00	825.00
Last Transaction	Rs.	840.00	950.00
Share Trading - Voting			
No. of Transactions		607	1,625
No. of Shares Traded		1,396,057	2,603,646
Value of Shares Traded	Rs. Mn.	2,599	4,816
Share Trading - Non - Voting			
No. of Transactions		1,330	839
No. of Shares Traded		635,718	534,842
Value of Shares Traded	Rs. Mn.	442	509
Days Traded - Voting			
No. of days Traded		128	142
Total No. of Market Days		241	240
Market days Traded	%	53.11	59.17
Days Traded - Non - Voting			
No. of Days Traded		162	153
Total No. of Market Days		241	240
Market Days Traded	%	67.22	63.75
Market Capitalisation - Voting			
Value	Rs. Mn.	39,738	39,800
Market	%	1.39	1.40
Market Capitalisation - Non- Voting			
Value	Rs. Mn.	5,388.16	6,093.76
Market	%	0.19	0.21
Price Movements			
CSE All Share Price Index		6,129.21	6,052.37
S&P SL 20 Index		2,936.96	3,135.18
Ceylinco Insurance Share Price - Voting	Rs.	1,986.90	1,990.00
Ceylinco Insurance Share Price - Non - Voting	Rs.	840.00	950.00

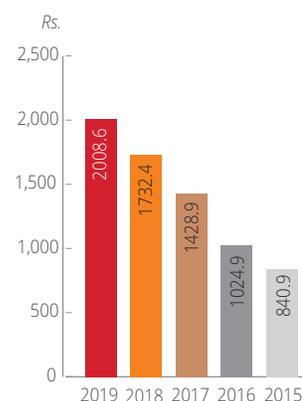
Dividends Per Share



Earnings Per Share



Net Assets Per Share



MANAGEMENT DISCUSSION & ANALYSIS

Corporate Social Responsibility

CEYLINCO GENERAL INSURANCE LIMITED

The Company engages closely with local communities by carrying out CSR projects that have a positive impact on society

AKURATA SAWIYA – SCHOLARSHIP PROGRAMME



During 2019, we continued the programme introduced in the Moneragala district in 2017 to provide relief to school-children of families living under the poverty line, paving the way for 1,000 poor children to dream of a proper education and a brighter future. We granted 1,000 children in grades 5, 6 and 7 with Rs. 1,500/- every month until they complete their Advanced Level (A/L) examinations, thereby easing the burden on their parents and giving them a solid platform to remain in school till they complete their A/Ls. Progress of these children are monitored regularly through their schools.

REFRESHMENTS FOR PILGRIMS



As done in the past, our staff was actively involved in various religious ceremonies across the island, providing devotees with much-needed refreshments at places of worship. Some of the key religious events visited by our employees include the Nawam Perahara, Midnight Mass at St. Anne's Cathedral, Kurunegala, Annual Theru Festival in Matale, Water Cutting Festival in Nallur, and several Wesak Dansalas etc. We continued these refreshment programmes for the 11th consecutive year.



ANNUAL BLOOD DONATION



Ceylinco General Insurance staff joined hands with The Employees Union to host a Blood Donation Camp in its Head Office premises in February 2019. The camp witnessed participation from employees and customers, as well as people from surrounding

offices, who volunteered to donate blood. The Blood Donation Camp was conducted under the supervision of the doctors of the Blood Bank, with many doctors and nurses in attendance and was a huge success with over 180 pints of blood collected.



in a day. In 2019, a fourth water filter was installed in St. Anne's Shrine in Thalawila and we will continue to maintain all these filters which provide commuters and pilgrims with purified water safe to drink and iced water. Similar machines will be installed in several other locations in time to come.



SAFE DRINKING WATER PROJECT



We have embarked on another ambitious programme to provide drinking water to train commuters as well as pilgrims who patronize places of worship. Initially, three heavy duty water filters were installed in the Fort Railway Station, Katharagama Temple and Munneshwaran Kovil with a capacity to cater to over 3,000 people

MANAGEMENT DISCUSSION & ANALYSIS

Corporate Social Responsibility

CEYLINCO LIFE INSURANCE LIMITED

CLASSROOMS OPENED IN 2019

Classrooms were donated to the following schools in 2019.

Classroom No	School	Class room used by	District	Coordinated Branch	No. of Students in the School
75th Classroom	K/Wettewa Primary School Wattewa, Galagedara	Grade 1	Kandy	Kurunegala	160
76th Classroom	B/Gammedda Vidyalaya Rathkarawwa	Dance Classroom	Bandarawela	Bandarawela	105
77th Classroom	N/Luxapahanaa Model Primary School - Hatton	Grade 3B	Nuwara Eliya	Hatton	287
78th Classroom	B / Muslim Maha Vidyalaya	Grade 3	Bandarawela	Welimada	1050
79th Classroom	P/Vettalai Assenkudhoos Government Muslim Vidyalaya		Puttalam	Norchcholai	600
80th Classroom	PO/DIM/Sripura PV, Siripura.	Grade 1	Polonaruwa	Dehiyatakandiya	260
81st Classroom	WP/MT Mahakalupahana Junior School Mahakalupahana	Grade 1	Kaluthura	Mathugama	154

Above classroom projects were initiated in 2018 and the classroom construction was completed in 2019. Total investment for the seven classroom is Rs.4.9 Mn.

These schools had unique requirement in terms of the classroom. The Wettewa Primary School has a history of 14 years. And has been developed to this stage with the effort of the parents and other charitable entities. The students were sharing the main hall space to proceed with the educational activities before they received this classroom.

B/Gammedda Vidyalaya Rathkarawwa is a small school in the Uva Province. According to the principal the students of this School show a special interest in Dance and Music. They had won many competitions in the Uva region, however they did not have a proper Dance class room. Dance and Music classes were conducted in the same room on a sharing basis. Often the Dance classes were conducted under the tree.

N/Luxapahanaa Model Primary School – Hatton - School started in May 2013 with 42 students and 2 teachers.



Initially they had converted a Carpentry workshop into a school. Now in 2019 this school has progressed with 287 students and 17 teachers. Before receiving the classroom, they taught in community halls or under the trees.

This was a hazardous environment for the children. The specialty of this school is that many children perform well in scouting and they have performed well in recently held scouting events in year 2018.

PO/DIM/Sripura PV, Siripura. This classroom will be used as a classroom for grade 1 students who will join the school in 2020. This was built under the theme of a “smart classroom” equipped with a Projector, Computer & Sound system. This School started as a primary school in 2009. Their main challenge is limitation of space, in terms of setting up classrooms and the unavailability of a space for playground. This school has 6 classrooms in total and five of it are equipped with projectors under the smart classroom concept. Students are mostly from farming backgrounds.

WP/MT Mahakalupahana Junior School Mahakalupahana - This school is situated in a beautiful area close to nature where the School children maintain a beautiful garden. This newly built classroom will solve their issue of limited classrooms. This school is progressing in terms of providing quality education to involving the students to all areas of extra-curricular activities such as, aesthetic activities to scouting.

B / Muslim Maha Vidyalaya – This school had approximately 1050 students. Out of the 41 classrooms, 4 were constructed with a tin roof and clay walls. By receiving this classroom these students were able to continue studying in a safe environment.



MANAGEMENT DISCUSSION & ANALYSIS

Corporate Social Responsibility

BLOOD DONATION PROGRAMMES

Ceylinco Life organised a series of blood donation camps at 15 locations across Sri Lanka to commemorate the achievement of 15 consecutive years of market leadership in 2019.

Ceylinco Life believes that the reason for retaining the market leadership is the strength and support of all stakeholders. So these camps were initiated with the idea of involving all stakeholders and giving back to the society.

Specialty of these Blood donation programmes were that they were organized in Ceylinco Life's own Building locations by the employee union and the branch staff.

Information about the blood donation camps in the different areas were shared via the Facebook page of Ceylinco Life, inviting the general public to be a part of this commendable initiative.

This is the first time company has organized blood donation camps to represent different regions.

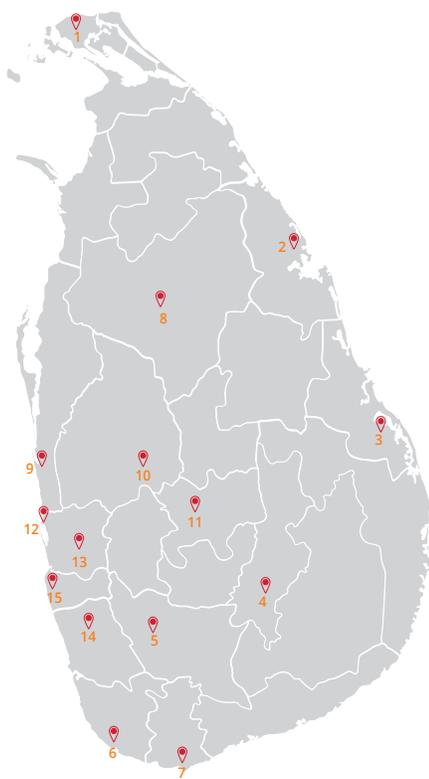
The branches in the same region or nearby branches supported the main assigned branch by bringing in people. Each location saw Staff of Ceylinco Life, customers, friends and family of employees, suppliers, key opinion leaders in society, other banking partners and stakeholders donating blood at these programmes. We saw people from all walks of life coming together to for a worthy cause.

In total 1,630 people participated and 1,226 donated blood.

Employees in head office and branch spent more than 3000 man hours to organise these programmes across the country.

LOCATION

1. Jaffna
2. Trincomalee
3. Batticaloa
4. Bandarawela
5. Ratnapura
6. Galle
7. Matara
8. Anuradhapura
9. Chilaw
10. Kurunegala
11. Kandy
12. Negambo
13. Gampaha
14. Horana
15. Head Office



HIGH DEPENDENCY UNIT

What is a High Dependency Unit?

There is generally a high turnover of patients in Government hospitals who undergo major operations.

Once the operations are completed they would be observed and kept in the Government wards.

However, there are patients who require observation in an ICU setting with an ICU bed but are restricted to wards due to the scarcity of ICU beds and are at risk of their illness or injury recurring during the observation period.

This High dependency ward used as a Surgical high dependency unit which will support to recuperate the patients after a surgery.

Ceylinco Life donated a High Dependency unit to the Teaching General Hospital – Kandy.

Kandy hospital is one of the largest hospitals in Sri Lanka with 3,200 beds, operating more than 1,500 patients a month in major, intermediate and minor categories. On average 2,908 patients are taking inward care per night and more than 5,000 patients are coming for the Out Patient's Units.



This will be the 5th HDU initiated, equipped and donated by Ceylinco Life. This was donated to the well-being of the people of Kandy and its surrounding areas.

This HDU donation marks Ceylinco Life maintaining the market leadership status for the 15th consecutive year. Company has previously set up and donated such HDU's to :

1. The Lady Ridgeway hospital Colombo
2. The National Hospital Colombo
3. The Teaching Hospital Jaffna
4. The Colombo South Teaching Hospital – Kalubowila

Specialty of these HDU donation is that they are not only donated but maintained by Ceylinco Life as well.

Uniqueness of the Ceylinco Life's Corporate Social initiatives is that the company is not only persistent in terms of its commitment to the development of health and education sector, and is committed to maintain the projects which were completed. This HDU is a good example of this. HDU is set up with an investment of over 11.5 million. In 2019 over 1,700 patients were treated through these 5 units together.



MANAGEMENT DISCUSSION & ANALYSIS

Corporate Social Responsibility

SUMMARY ON THE WAIDHYAHAMUWA PROGRAMMES CONDUCTED IN 2019

1. What is a Waidhyahamuwa Programme?

Insufficient healthcare in rural Sri Lanka is a prime concern of Ceylinco Life. The company has taken solid steps to rectify this situation and promote good health in rural areas through the Waidya Hamuwa programme, which provides the country's neediest with access to free medical camps.

Waidya Hamuwa or "Meet the Doctor" is programme conducted in rural areas of the country to facilitate them to meet a doctor, undergo health screening tests (BMI, Blood sugar, Pressure, eye check and etc..) and get recommendation on further treatments.

In these programmes participants are invited from the community and they undergo initial health screening tests, and if any medical conditions are identified they are advised on further medication, referred to hospitals and educated on the Life style changes they should consider from here onwards.

This Medical camp is led by a team of qualified, experienced doctors and nursing staff who are attached to the state health sector, Private laboratories and qualified opticians.

2. Key highlights of the year 2019

Ceylinco Life has conducted programmes in the following locations with the coordination of following branches:

Branch	Programme Date	Location	District	No. of Participants
Beliatta	23.3.2019	Dambulla Temple, Hambantota	Hambantota	165
Matale	11.5.2019	Aralanagala Temple, Naula	Matale	345
Teldeniya	12.5.2019	Putuhapuwa Community Hall, Putuhapuwa	Kandy	260
Elpitiya	22.6.2019	Sri Bodhirajarama Temple Pitigala	Galle	233
Matara	23.6.2019	Badeegama Maha Vidyalaya	Matara	307
Rathanpura	29.6.2019	Nivitigala Sastraramaya Temple, Nivitigala	Rathnapura	320
Maho	07.9.2019	Maho Town Hall, Maho	Kurunegala	220
Kirindiwela	28.9.2019	Dompe Paradesihiya Sabawa Hall, Dompe	Gampaha	293
Aluthagama	26.10.2019	Walukarama Temple, Aluthgama	Kalutara	240
Baddegama	27.10.2019	Nagoda Primary School Galle, Baddegama	Galle	259
Galgamuwa	30.11.2019	Neelagiri Temple, Galgamuwa	Kurunegala	202
Eheliyagoda	01.12.2019	Bulugahapitiya Temple Eheliyagoda	Ratnapura	198
				3,042



Other key elements of the programme

- Average no of Random blood sugar test done per programme is 125. Average no of ECG test done per programme is 150 and in average 84 people are prescribed for spectacles through this programme.
- Doctors have identified minimum of 4 hypertension, 2 Diabetes patients & 1 Varicose vein patient per programme. Apart from this we have come across patients with metabolic disorders, heart related issues and with various skin related diseases as well.
- We see doctors spending quality time with each patient by advising them and educating them about the conditions they have, what are the effects of them and how to overcome these situations.
- For example if a participant is identified with High Blood Sugar they probe in to more detail and obtain information about their family history, their life style, occupation & etc. They would educate the participant on why these occur, how these happen like symptoms they could notice like changes in their body in future and the impact of these conditions to them. Later on they would advise them how they should change their life style and how to overcome these with minimum medication. If required these participants are prescribed medications and referred to the nearest hospital.
- This year most of the participants were from lower middle income segments engaged in farming, cottage industries, fisheries, Gem mining and etc. We saw many housewives participating in these programmes.
- This programmes were conducted in collaboration of the Head office propaganda team and the respective Branch Staff. After the completion of the 12 programmes branch staff has spent over 4,750 man hours overall to organise these programmes and head office staff has spent about 35 man hours per programme to organise these medical camps.
- In conclusion over 146,000 people benefited from these programmes over the year through 387 medical camps.



MANAGEMENT DISCUSSION & ANALYSIS

Corporate Social Responsibility

EDUCATION

VISIT TO CHANDRASEKARA SPECIAL SCHOOL IN MORATUWA

The Psychology Club of ANC visited Chandrasekara Special School in Moratuwa as their first project of 2019. They provided evening snacks, gifts and school materials for the kids residing there on 12th of January 2019.



BEACH CLEAN UP IN DEHIWELA

The students of the ANC Business Club and Environmental class participated in the beach clean up project along with the staff members on 27th February and cleaned up the Dehiwela Beach area.



DONATION OF 1000 CR BOOKS

ANC Charity and Rotaract club along with ANC staff members donated 1000 CR books to Lahiru Scholarship Foundation in Matale.



POSON CHARITY PROJECT 1 – VISIT TO THE FAMILIES OF THE VICTIMS OF EASTER ATTACK IN KATUWAPITIYA & BATTICALOA

The students and staff members of ANC Education donated Rs.170,000/- to the families of the victims of the Easter Attack in Katuwapitiya and Batticaloa.



CHILDREN'S DAY CELEBRATIONS AT CHANDRASEKARA SPECIAL SCHOOL

The students of Psychology Society of ANC organized afternoon lunch and a movie afternoon for the children of Chandrasekara Special School on 1st of October 2019.



PROVIDING MEDICAL EQUIPMENT TO NILAVELI DIVISION HOSPITAL



PROVIDING WATER STORAGE UNITS AND FILTERS FOR 'RITIGAHAWATTA JUNIOR SCHOOL, BUDDAMA, MONARAGALA'



CHRISTMAS CHARITY PROJECT 2019

ANC Christmas Charity project for children affected by the Easter attack concluded on the 4th of January 2020 in Katuwapitiya, Negombo. With the donation of Rs.127,000/ from ANC students, staff and well wishers, we managed to donate gift vouchers for school shoes, stationery items and evening snacks for 67 kids who were affected by the Easter attack in Katuwapitiya church. The Voice for Voiceless Foundation helped us in identifying the children in need.



BUILDING SANITARY FACILITIES FOR 'LEEKOLAWEWA PRIMARY SCHOOL, NIKAWARATIYA'



MANAGEMENT DISCUSSION & ANALYSIS

Events of the year

CEYLINCO GENERAL INSURANCE LIMITED

REWARDS & RECOGNITION

Our focus includes recognizing and rewarding performance in order to ensure a constant pipeline of exceptional achievements and a feeling of being valued by the organization. Rewards and recognition form a key pillar of talent retention.

FELICITATING OUR SALES STAFF



The most important event in the company calendar, the Annual Sales Conference and Awards Ceremony for 2018, was attended by over 1,200 members of the sales force and invitees from subsidiary companies.

The event was held at Shangri-La Hotel in April 2019 under the theme, 'An Insurance Guarantee to Delight Customers'. The glittering event rewarded top performers in the sales team with outstanding performance awards. The selection process for the awards is highly stringent, with candidates being evaluated against various performance criteria. Over 750 members of the sales force received awards, reflecting their hard work and commitment. New entrants into the celebrated 'Hall of Fame' category receive a brand new Mercedes Benz as a token of recognition from the company for their exceptional contribution.



TEAM SPIRIT & FELLOWSHIP

The Company organized several events during the year which afforded opportunities for staff to bond outside the office.

ANNUAL OVERSEAS TOUR



The annual overseas tour was arranged for the 16th consecutive year where a contingent of over 250 deserving staff members took wing to Jakarta, Indonesia, for a five-day-long holiday and a half-day "Brainstorming" session. Staff members were treated in a five star facility, Le Grandeur Hotel, in the heart of Jakarta. This gesture by the company recognizes and rewards their outstanding contribution to the company and has become a key motivational factor. Every staff member desires to be a part of the tour group jetting off for an all-expenses paid overseas holiday!

INTER-DEPARTMENT CRICKET TOURNAMENT

Staff of Ceylinco General Insurance gathered in large numbers together with family members and displayed their sporting skills at the Annual Inter-Department/Region Cricket Tournament and Annual Family Get-together, organised by the Sports Club in October 2019 at the CH&FC Grounds. 24 teams representing the Branches/Regions and City Office departments participated in the cricket tournament, whilst staff members and their families enjoyed the recreational activities and carnival-like atmosphere to make it another memorable day. Sabaragamuwa and South West teams were announced as joint Champions as the final was abandoned due to rain.



CEYLINCO VIP FAMILY CARNIVAL 2019



The annual employee family get-together held for the sixth consecutive year in October 2019 comprised of a gala musical show. Thousands gathered at Havelock Grounds braving the heavy rains experienced during the day. Organised by the Employees Union of Ceylinco General Insurance, the show was a grand success.



The famous band, 'Sohan and the Experiments' and several guest artistes played electrifying music at the 'Ceylinco VIP Family Carnival 2019', complete with food stalls and games for children in a carnival-like atmosphere. A unique and a novel feature was the inclusion of several cultural items performed by a group of South Korean youth. All those present had a great time, making it a memory to cherish.

MANAGEMENT DISCUSSION & ANALYSIS

Events of the year

CEYLINCO GENERAL INSURANCE PARTNERS WITH MAJOR EVENTS

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

CNCI AWARDS OF THE CEYLON NATIONAL CHAMBER OF INDUSTRIES



One of the events supported during 2019 was the Annual Awards Ceremony organised by the Ceylon National Chamber of Industries for manufacturing and service sector organizations covering micro, small & medium enterprises, as well as large and extra-large sectors. Ceylinco General Insurance has been associated with this prestigious awards event for eight years in a row.

NATIONAL BUSINESS EXCELLENCE AWARDS OF THE NATIONAL CHAMBER OF COMMERCE

Yet another event the Company partnered with during 2019 was The National Business Excellence Awards organised by the National Chamber of Commerce of Sri Lanka. This event is widely acknowledged as the premier awards held for corporates in the country and includes a number of categories that celebrate the pinnacle of corporate achievement. Our partnership with the NBEA Awards is now in its seventh year and ensures our brand retains high visibility amongst Sri Lanka's corporate corridors.

COVER FOR SERIOUS ILLNESSES OFFERED ONLINE

Dialog Axiata PLC together with Insureme.lk entered into an agreement with Ceylinco General Insurance to offer a cover for Serious Illnesses for customers of Dialog Axiata to purchase online. This is the first time that a cover of this nature is offered online and as a result Sri Lankans up to the age of 70 years can now obtain this cover without any paperwork.



CEYLINCO GENERAL INSURANCE PARTNERS WITH PAYable

Through the new agreement, select PAYable merchants will be converted into Ceylinco VIP third party insurance issuers, enabling customers to make credit and debit card payments on any of their third party insurance services – from purchasing insurance to settling premiums – conveniently and reliably. Ceylinco VIP third party customers are set to gain access to a new level of convenience thro' this partnership between Ceylinco General Insurance, and pioneering mobile commerce platform, PAYable.



CEYLINCO GENERAL INSURANCE INTRODUCES AN AFFORDABLE COVER FOR SERIOUS ILLNESSES

CEYLINCO

**Serious Illness
Cover**

Ceylinco General Insurance introduced a cover of up to Rs. 500,000/- per annum that will reimburse medical costs incurred in the treatment of diagnosed serious illnesses, including heart disease, cancer, kidney failure, stroke and several others, providing a cover for heart attack and open heart surgery, major organ transplants, chronic lung and liver diseases, deafness, blindness, multiple sclerosis, paralysis etc. Introduced in July 2019, the cover provides an affordable and small premium as low as Rs. 600/- per annum, where the insured will be entitled to a cover of Rs. 100,000/- whilst the highest cover of Rs. 500,000/- will cost only Rs. 2,350/- per annum. Further, a Rs. 200,000/- cover is available for Rs.1,050/-, a Rs. 300,000/- cover for Rs. 1,450/- and a Rs. 400,000/- cover for Rs. 2,000/- depending on the affordability. One has to only fill a simple proposal form to obtain the cover whilst a health check-up is not required. This is an ideal cover for employers to offer as a benefit to employees.

MANAGEMENT DISCUSSION & ANALYSIS

Events of the year

CEYLINCO LIFE INSURANCE LIMITED

CEYLINCO LIFE LAUNCHES 'PENSION SAVER' RETIREMENT CUM LIFE PROTECTION PLAN



A new Retirement cum Life Protection Plan that offers a Premium Assurance Benefit, Loyalty Rewards, and a monthly pension after maturity was launched by Ceylinco Life in year 2019 to stimulate early investment in retirement. The objective of this product branded 'Pension Saver' was to enable adults between the ages of 25 and 45 to build a strong retirement fund which would also function as a safety net against uncertainties and health challenges in the future. Managed by professional investment managers, 'Pension Saver' is a retirement fund that grows with monthly dividends declared by Ceylinco Life for the basic premium paid by customers. Monthly, quarterly, bi-annual or annual premium payments can be made towards this fund.

One of the defining features of 'Pension Saver' is its Premium Assurance Benefit. In the unfortunate event of the death of the plan-holder, this benefit ensures that Ceylinco Life continuously pays the basic premium of the retirement fund on behalf of the deceased until the date of his or her proposed retirement. The Premium Assurance Benefit applies even in the event of permanent disability, with the life cover premium as well as the retirement fund premium paid by the Company. This is to make sure the dependents of plan-holders benefit even in their absence or impairment.

'Pension Saver' also comes with a life insurance cover with a purse-easy premium. If the demise of the plan-holder occurs before the set retirement date, the dependents will receive the insured amount in addition to the other benefits of the plan. 'Pension Saver' holders are also entitled to Loyalty Rewards when they make all premium payments on or before the due date. These will be credited to the holders' retirement funds at intervals, further increasing the value of the funds. At maturity, the retirement fund

can be obtained as monthly pension payments, allowing plan-holders enjoy a steady income during their retirement, or as a lump-sum.

In case of emergency, holders whose plans have been active for three years or more can withdraw up to 10 per cent of their Retirement Fund twice during the premium paying term of the policy. Furthermore, they are also entitled to other loyalty rewards schemes of Ceylinco Life such as the 'Pranama Scholarships' and 'Family Savari' promotion.

SALES FORCE FELICITATION - CEYLINCO LIFE ANNUAL AWARDS CEREMONY



Ceylinco Life celebrated its achievement of 15 consecutive years of market leadership with a spectacular annual awards gala at which 243 of the Company's top performing sales professionals and staff were honoured for their contributions with 415 performance awards.

One of the highlights of the event at the main hall of the BMICH was the presentation of a company-maintained Toyota Axio car for the use of the top Million Dollar Round Table (MDRT) achiever of the concluded year, in a continuation of a practice launched by Ceylinco Life in 2018 as a first in the local life insurance market. High achievers were also presented with overseas tours, certificates, medals and trophies.

Staff members, sales consultants, unit heads and branch heads from the Ceylinco Life head office and more than 280 branches in every district of the country were recognised for their contribution to the company's stellar results of 2018, with many top performers winning multiple awards.

FOREIGN TOURS FOR TOP PERFORMERS



Ceylinco Life treated 66 of its new 'High Flyers' Club members to exciting tours to the UK, China, Singapore and Malaysia as a reward for their excellent performance as sales agents in 2018.

Among this group were six of 17 newly-inducted members to the 'Top of the Table' category which is the highest tier of the 'High Flyers' Club. They enjoyed a tour of the UK, with visits to Big Ben, Houses of Parliament, Westminster Abbey, 10 Downing Street, Whitehall, St James' Park, Buckingham Palace, River Thames, the British Museum, St. Paul's Cathedral, the Tower Bridge and the London Castle.

Twelve of 18 new Court of the Table members - the next tier of the Club -- were treated to a four day tour in China. The happy dozen had the opportunity to walk along the Juyongguan Great Wall and visit the Temple of Heaven in Beijing. They also enjoyed shopping at the Pearl Market and the world famous Silk Market.

Another 38 of the 62 new 'High Flyers' Club members were taken on a Star Cruise to Singapore for three days. The participants in the tour took in the scenes of the garden city, thanks to an exclusively arranged city tour, and also spent time shopping at the Mustafa Centre.

The fourth set of sales agents to enjoy a foreign tour was a group of 10 out of 23 new Associate Members of the Club who had the pleasure of holidaying in Malaysia for three days. These members stopped by the iconic Petronas Twin Towers, Cocoa Boutique, the National Museum, the Handicraft Center, the King's Palace, the National Mosque, and also at the Sunway Lagoon Theme Park.

CEYLINCO LIFE FAMILY SAVARI



The luck of the draw brought good fortune to hundreds of Ceylinco Life policyholders and their families, for whom 2019 began with the news that they are the winners of the life insurance leader's 12th 'Family Savari' mega promotion.

Five families from Kalawanchikudy, Ja Ela, Galle, Kolonnawa and Piliyandala won the ultimate in rewards – the grand prize of an all-expenses-paid holiday in Sydney, Australia at the final draw of Family Savari 12.

Another 60 Ceylinco Life policyholder families won overseas holidays, 10 families to China and 50 families to Singapore, while 500 more families were selected for a full day's of fun and frolic at the Leisure World theme park.

MANAGEMENT DISCUSSION & ANALYSIS

Events of the year

Easily the largest customer promotion in Sri Lanka's life insurance sector, the Ceylinco Life Family Savari benefited 2,260 people from 565 policyholder families in the year 2019, and the cumulative number of people benefitted since its inception is over 26,000. Grand-prize winning families at previous Family Savari promotions have visited Italy, England, Germany, Switzerland, Japan and France.



CEYLINCO LIFE PRANAMA SCHOLARSHIPS



The power of education to bring life-changing change not only to the individual but to communities and the nation, was a recurring point of emphasis when Ceylinco Life presented 160 new scholarships to bright young Sri Lankans under the Company's 'Pranama' programme.

The life insurance market leader's 18th annual scholarships presentation saw Rs. 12 million being disbursed to students that excelled at the Year 5 scholarship examination, the GCE Ordinary Level, the GCE Advanced Level and at the national or international level in sports, the arts or invention. It took the total number of students benefitted to date to 2,568, and the Company's financial commitment to the programme to Rs. 143 million.

Among the scholarship recipients were 29 students that excelled at the 2018 Year 5 scholarship examination that each received Rs. 120,000 payable in instalments over five years; 26 students who excelled at the 2017 G.C.E. (O/L), that each received Rs. 84,000 payable monthly over two years; 25 students placed 1st in their districts at the 2017 G.C.E. (A/L) examination that each received Rs. 144,000 and nine students that excelled in sports, drama, invention or creative fields in 2017 and 2018 that were presented merit awards to the value of Rs. 35,000 each. Additionally, one-time payments of Rs. 30,000 each were presented to 71 students placed 2nd, 3rd, and 4th in their districts at the 2017 GCE (A/L) examination.

The day after the ceremony at the BMICH, events were held at branch level recognising another 600 students who were ranked in the top 10 in all districts at the Year 5 Scholarship examinations, GCE (O/L) and GCE (A/L) examinations. These students were presented certificates of appreciation along with gift packs from Ceylinco Life.

CEYLINCO LIFE POLICYHOLDERS TREATED TO VANTAGE VIEWING OF KANDY ESALA PERAHERA



A group of premium policyholders of Ceylinco Life were accorded the privilege of viewing the spectacular Kandy Esala Perahera, for the 5th consecutive year, from one of the best vantage points in the city as a special reward for their loyalty. The group of 103 people, comprised of 25 policyholders, along with their families hailing from diverse locations such as Wellawaya, Ambalantota, Colombo and Anuradhapura, were joined by several other dignitaries, at a special viewing area at Ceylinco Life's Kandy branch, located at No 65, King's Street, in the heart of the city.

CONSTRUCTION OF NEW BRANCH BUILDINGS



During the year 2019, Ceylinco Life commenced the construction of branch buildings in Malabe, Divulapitiya and Nelliady. Ceylinco Life Chairman Mr. R. Renganathan and Managing Director Mr. Thushara Ranasinghe were joined by directors of the company at the laying of the foundation stone for the branch buildings.

Built to the eco-friendly specifications adopted by the company for all new branches on owned land, the new buildings are all designed for optimal use of natural light and is entirely solar powered. Once constructed the buildings will be equipped with the latest energy-efficient lighting and air conditioning systems and will have its own rainwater harvesting facility. The Nelliady, Divulapitiya and Malabe branches will consist of 8,500, 5500 and 6,000 square-feet respectively.

Ceylinco Life also began work on a substantial expansion of the Company's branch in Negombo, which will, on completion, add more space and facilities and convert the entire complex into an eco-friendly operation. The existing building will be transformed into a purpose-designed five storey edifice that complies with Ceylinco Life's 'Green Agenda' to promote use of sustainable energy and conserve resources.

Ceylinco Life also opened an impressive five-storey building in Jaffna in year 2019, second only to the Company's Head Office in Colombo in terms of investment value. The purpose designed, eco-friendly building provides 17,290 square feet of additional space at No 37, Kanathiddy Road, Jaffna, has been dubbed the 'North Wing Building' as it stands next to an older building of Ceylinco Life at the location, which will continue to be utilised.

MANAGEMENT DISCUSSION & ANALYSIS

Events of the year

EDUCATION

AMERICAN EDUCATION CENTRE LTD (ANC EDUCATION)

Operating under the brand Name “ANC Education”, this is a BOI approved company. ANC boasts 18 years of excellence in international education. It has reached out to Sri Lankan students as well as a number of international students to have access to a world-class education, in collaboration with several renowned universities in the U.S.A., Canada, the U.K, Australia, Malaysia, Germany, and East Europe. ANC, the leading educational centre in the region for American university degree programs, has been the only institute to enable local students to have access to the same standard of education as practiced in America.



ANC BRANCH CAMPUSES- COLOMBO & KANDY

ANC Education, the market leader and trendsetter in international education in Sri Lanka, took another step forward in 2018 with the opening of its branches in Colombo & Kandy. The new campuses designed and equipped to international standards are located at Colombo 6 and Kandy. Further ANC Future Centre Branches have been established in over 9 major cities.



The new branches are expected to provide accessible education services to deserving students. And everything, from academic delivery, student services to state-of-the-art resources will be identical to those offered in ANC's flagship campus in Duplication Road, Colombo 03. Colombo Branch Campus offers Advanced Diploma Programs & Top up programs while Kandy Branch Campus offers Advanced Diplomas, Top up, US Transfer program and MBA programs.

ANC MODERN MONTESSORI INTERNATIONAL (LONDON)

ANC-MMI is a member of Modern Montessori International (London) Group, which has over 100 centers worldwide with training offices in London, Singapore, Malaysia, Thailand, Indonesia, Vietnam, Hong Kong India, Sri Lanka, the UAE, Egypt, Kenya and Nigeria. The Diploma Training Centre in Sri Lanka offers the Diploma in Montessori Method of Education for those interested in teaching children from 2.5 years to 6 years of age. There are more than 500 children being nurtured by MMI Diploma holders in 3 preschools located in Colombo 05, Kotte and Dehiwala. MMI is in the process of planning another centre in Kandy with similar facilities. Our success story continues each year with a large number of our students gaining admission to the most prestigious schools in the island to continue their formal education.



ANC FUTURE CENTRE DIRECT PLACEMENTS

ANC Future Centre, the Australian direct placement business unit of ANC Education, is a renowned career guidance, counselling and placement service center for overseas higher education. Established in 2015, it has become one of the rapidly growing student recruitment centers in Sri Lanka with over 700 plus students placed in leading universities in Australia within just 4 years.

In 2017, ANC Future Centre commenced expansion by setting up 7 branches in strategic cities such as: Kandy, Kurunegala, Galle, Kadawatha, Negombo, Wattala, Wennappuwa, Maharagama, Jaffna, Malabe and Colombo 5. Furthermore, ANC Future Center- Direct Placements hopes it expand its network up to 15 branches in year 2020. Currently, ANC Future Center - Australian Direct Placements has forged partnerships with over 50 universities and colleges across Australia.



WYCHERLEY INTERNATIONAL SCHOOL

Wycherley International School at Buddhaloka Mawatha in Colombo 7 is one of the oldest International Schools in Sri Lanka. Wycherley is also the First and Only Comprehensive School for Cambridge Education from UKG – Grade 12 in Sri Lanka.

Wycherley International School stepped into a new venture in January 2019 by acquiring Regent International College (RIC) under its umbrella. This has expanded the network of schools under the Wycherley brand name and now the school has branched out its business to the Gampaha district.

Today Wycherley boasts of nurturing and guiding over 2000 students under its network of Schools by giving them a world recognized international school education in the comfort of their own country.



MANAGEMENT DISCUSSION & ANALYSIS

Events of the year

GROUND BREAKING CEREMONY



Ground breaking ceremony of proposed extension building for ICBT Campus Colombo. The building consists of 14 stories & having 80,000 sq.ft usable floor area. The new building is connected with existing building to share the existing resources, while providing convenient access to facilities in both the buildings.



Section view of ICBT Colombo existing building and proposed extension.

THAIPONGAL CELEBRATIONS AT ICBT CAMPUS



Thaipongal Celebrations at ICBT Campus organized by the Student Activity Council of ICBT Colombo Campus.

KALAI VIZHA FESTIVAL



Students performing at the Kalai Vizha festival organized by the Student Activity Council of ICBT Colombo Campus - 11th October 2020.

Awards & Accolades

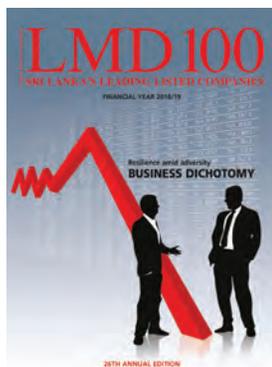
Ceylinco Insurance PLC continued its legacy of being recognized and rewarded for its achievements across various prestigious platforms in 2019. These awards reflect the company's commitment to setting industry benchmarks while delivering best-in-class products and solutions to its customers. Some of the accolades during 2019 were:

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



For the seventh consecutive year, Ceylinco Insurance earned the honour of being the only insurance company amongst the 'Business Today Top 30' companies in Sri Lanka. As announced in its edition for 2018/19, Ceylinco Insurance moved up the corporate ladder to the 6th position. Financial information reviewed for the selection process covered several aspects which included revenue, share turnover, PAT, growth in turnover, growth in profit, ROI, growth in earnings per share, market capitalization, value of shares transacted and value additions etc.

HIGHEST RANKED INSURANCE COMPANY IN LMD 100



The LMD 100 listing announced in December 2019 placed Ceylinco Insurance in the 25th position, among all listed companies in the island. Ceylinco Insurance reiterated its position as the highest-

ranked insurance company in Sri Lanka for the 26th consecutive year. Since the inception of the LMD ranking, Ceylinco Insurance has occupied the top position among insurance companies.

CEYLINCO GENERAL INSURANCE VOTED AS 'PEOPLE'S INSURANCE BRAND' FOR THE 13TH CONSECUTIVE YEAR



Ceylinco General Insurance was anointed 'People's Insurance Brand of The Year' yet again at the 2019 SLIM Nielsen People's Awards for an unprecedented 13th consecutive year. This accolade is ample testimony of the company's close relationship with people and the brand's strength and stature for having won this prestigious accolade every consecutive year since the awards were instituted 13 years ago.

The 'People's Award' is the most coveted award for corporates because it reflects the voice of the people and indicates the brand they love and respect. With these awards, The Sri Lanka Institute of Marketing (SLIM), in association with Nielsen Lanka (Pvt) Ltd., are creating a platform where companies can gauge public acceptance of their brands in a fair and transparent manner. In order to select the winner, a nation-wide survey is conducted covering all 9 provinces, with over 5,500 respondents interviewed one-to-one, making it representative, unbiased and relevant. Therefore, the winners of the People's Awards reflect the true voice of Sri Lankans from across communities, regions and social strata.

CEYLINCO GENERAL INSURANCE CHOSEN AS 'BEST IN SERVICE EXCELLENCE' FOR GENERAL INSURANCE

In an exclusive and an independent survey carried out amongst the public over a period of 12 weeks by the LMD magazine, Ceylinco General Insurance has the honour of being chosen as the most popular insurer in service excellence. This survey that encompassed 18 sectors was carried out by LMD to identify the most popular service providers in Sri Lanka and marks yet another feather in our cap.

MANAGEMENT DISCUSSION & ANALYSIS

Awards & Accolades

CEYLINCO LIFE NAMED ONE OF SRI LANKA'S 10 MOST ADMIRED COMPANIES

Ceylinco Life Insurance was named among the 10 Most Admired Companies in Sri Lanka at the 2019 edition of these awards presented by the International Chamber of Commerce, Sri Lanka (ICCSL) collaboration with the Chartered Institute of Management Accountants (CIMA). The only insurance company in this pantheon of corporate giants, Ceylinco Life was recognised as an entity that is a cut-above-the-rest in terms of not just financial performance but the value the Company creates for shareholders, customers, employees and the wider community in general.

Companies were ranked according to quantitative and qualitative criteria. The quantitative criteria included financial soundness, long-term investment value creation, earnings growth and dividend payout, while the qualitative attributes considered were quality of management, quality of products and services, competitiveness, ability to attract, develop, and keep talent, innovation, and environmental, social and corporate responsibility, including the track record of integrity and business ethics.

CEYLINCO LIFE WINS GOLD FOR 'MARKET REACH' AT 2019 NATIONAL BUSINESS EXCELLENCE AWARDS

Ceylinco Life's success in aligning with its vision of protecting every Sri Lankan family with life insurance was reaffirmed when the country's life insurance leader won Gold for 'Excellence in Local Market Reach' at the 2019 National Business Excellence Awards (NBEA) presented by the National Chamber of Commerce.

The judging process comprised of a preliminary evaluation of submissions by a technical panel, interviews of shortlisted candidates and a final review of all preliminary evaluation reports and the outcome of the interviews.



CEYLINCO LIFE RANKED MOST VALUABLE LIFE INSURANCE BRAND IN SRI LANKA IN 2019

Ceylinco Life was ranked the most valuable life insurance brand in Sri Lanka in 2019 in the 16th edition of the Brand Finance rankings of the country's most valuable brands.

Ceylinco Life is also one of the Top 40 consumer brands overall in the ranking of the 100 most valuable brands in the country, a list that includes the largest banks, telcos and retail giants.

Brand Finance assigned Ceylinco Life a brand value of Rs. 3.8 billion, 5 per cent higher than the Rs. 3.6 billion valuation of 2018, and upgraded the Company's brand rating to AA+ from AA.

CEYLINCO LIFE IS MOST POPULAR LIFE INSURER IN SRI LANKA FOR 13TH YEAR

Ceylinco Life was adjudged the 'Peoples Life Insurance Service Provider of the Year' at the 2019 SLIM-Nielsen People's Awards reaffirming its status as the only company in its sector to win this coveted accolade every year since the inception of the awards 13 years ago.

The SLIM-Nielsen Peoples Awards is the hallmark awards event of the Sri Lanka Institute of Marketing (SLIM). The country's top brands across multiple sectors are honoured each year, following a nationwide assessment of public opinion covering 3,000 men and women aged 15 to 60.



CEYLINCO LIFE CROWNED 'BEST LIFE INSURER IN SRI LANKA' BY WORLD FINANCE FOR 6TH YEAR



Ceylinco Life was declared the 'Best Life Insurer in Sri Lanka' for the sixth consecutive time at the 'World Finance Global Insurance Awards' that recognised companies that tread the fine line between prudence and profitability in an innovative and responsible way.

The accolade was presented in appreciation of Ceylinco Life's performance and its excellence across multiple aspects of operational performance by the UK-based international magazine that analyses the financial industry, international business and the global economy.

The assessment criteria included underwriting processes and process efficiency; policy maintenance – the process of reviewing clients' policies, appropriateness of coverage and cost per policy; exposure to risk; customer retention rate; time taken to settle claims; new customer acquisition rate and financial stability – Premium Income, Market share, Life fund and company profits.



CEYLINCO LIFE'S SALES STARS WIN 5 AWARDS AT NASCO 2019

Ceylinco Life once again shone at salesmanship with five members of its sales team winning two Golds, a Silver, a Bronze and a Merit award at the 2019 National Sales Congress (NASCO) Awards presented by the Sri Lanka Institute of Marketing (SLIM). Ceylinco Life has been taking part in the NASCO Awards since 2011 and has produced winners from Colombo, Ambalantota, Bandarawela, Embilipitiya, Horana, Kalutara, Kurunegala, Matara, Moratuwa, Negombo, Nittambuwa, and Teldeniya across all categories. The company was also the winner of the award for the 'Most Outstanding Female Sales Person of the Year' in 2015 and 2016.

CEYLINCO LIFE WINS 2 GOLD & 2 BRONZE AT IASL'S LIFE INSURANCE INDUSTRY AWARDS

Two of Ceylinco Life Insurance's finest; Messrs G. G. Botheju and A. I. P. Manjula, triumphed as 'Best Advisors' at the Life Industry Sales Awards presented at the recent National Forum for Life Insurance Advisors (NAFLIA) 2019 Insurance Congress. Conducted by the Insurance Association of Sri Lanka (IASL), the 2018 industry-wide competition recognised winners in September 2019 at the celebrations of the National Life Insurance Month. It brought together the top performing companies and top achieving sales personnel in the industry to review and celebrate significant achievements.

Ceylinco Life triumphed in the Best Advisor awards with Mr. G. G. Botheju winning Gold at both National and Category level and Mr. A. I. P. Manjula collecting the Bronze awards, also at National and Category Level.



CORPORATE GOVERNANCE

Prevailing global instability and the growing role of corporate governance, your Company and the Group is well aware of the need to remain alert and geared through its level of readiness and its competence in meeting external challenges. The Group will continue to endeavor to stay up-to-date on good governance with best practice.

The Company's corporate governance framework which is constructed with the bricks of collaborative culture, independent structure, ethical behavior and the focused approach continues to ensure good governance within the Company with the strong foundation laid down by the Board through its governance philosophy. As per the concept of corporate governance which has been defined as a system by which companies are directed, managed and controlled; the effective, transparent and accountable governance of affairs of a Company by its management, including the conduct of the Board, ensures good corporate governance.

The Board is responsible for providing strategic direction, monitoring performance and ensuring that a system of internal controls is in place to facilitate sound financial reporting and decision-making. In governing the operations of the Company and Group, the Board ascertains its core objectives and devises strategic plans in keeping with its corporate vision, mission and corporate values. The Board as part of its duties establishes policies, procedures and practices for smooth conduct of operations while providing financial, human and other resources for the attainment of its corporate objectives.

Operations of the Ceylinco Insurance PLC is governed by the Companies Act No.7 of 2007, and subsequent amendments thereto, the Continuing

Listing Requirements of the Colombo Stock Exchange and the voluntarily adopted Code of Best Practice on Corporate Governance issued by the Institute of Chartered Accountants of Sri Lanka.

The below segments of the Annual Report describes the Corporate Governance compliance details at Ceylinco Insurance PLC and its adherence to the 'Code of Best practice on corporate governance'

BOARD OF DIRECTORS

The Board is the highest authority and is responsible for maintaining a comprehensive governance framework to drive performance and safeguard the assets of the Company and Group. The Board is responsible for setting the financial and operational policies, reviewing and approving the strategic plans and annual budgets, monitoring of performance, in addition to that carrying out its responsibilities, the Board promotes a culture of openness, productive dialogue and constructive dissent, ensuring an environment which facilitates employee empowerment and engagement and creates value to all stakeholders.

As at 31st December 2019 the Board comprised of sixteen Directors, twelve of whom, function in a Non-Executive capacity. The Executive Chairman/Chief Executive Officer (CEO) and other three Executive Directors provide strategic direction and guidance to the Company and Group. Ceylinco Insurance PLC always maintain a healthy balance between the Executive, Non-Executive and Independent Directors, in keeping with the applicable rules and codes, with the Executive Directors bringing in deep knowledge of the businesses and the Non-Executive Independent Directors bringing in experience, objectivity and independent oversight.

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

The key changes to the Board composition during the year under review are as follows:

Mr. J. G. P. Perera, retired from the Board with effect from 01st June 2019. Mr. J. G. P. Perera was the Chairman of the Ceylinco Insurance PLC. In line with the Company succession plan Mr. A. R. Gunawardena succeeded Mr. J. G. P. Perera as Chairman, post his retirement. As a result of that Mr. A. R. Gunawardena functions as the Executive Chairman and Chief Executive Officer (CEO) of the Company. Given the combined role of Chairman and CEO, the Company has appointed Mr. D.H.J. Gunawardena as Senior Independent Director.

In addition to that, Mr. R. Renganathan was appointed as Non-Executive Deputy Chairman with effect from 01st June 2019.

Mr. N. V. Kumar was appointed to the Board with effect from 01st June 2019 as an Independent, Non-Executive Director.

DIVISION OF RESPONSIBILITIES BETWEEN THE CHAIRMAN AND CEO

The functions of the Chairman and Chief Executive Officer are vested in one person with effect from 01st June 2019 as the Board is of the opinion that it is the most appropriate arrangement for Ceylinco Insurance PLC. This continues to be the vision to-date considering not only the growth prospect of the businesses of the

Company involves in but also the macro-economic environments which requires a dynamic leadership to go ahead with challenges.

All Directors bring independent judgements on decisions taken by the Board on issues of strategy, performance and business conduct. The composition of the Board ensures that there is sufficient balance of power and contribution by all Directors, minimizing the tendency for one or few members of the Board to dominate all processes or decision making.

Collectively, the Board brings in a wealth of diverse exposure in the fields of management, business administration, insurance, finance, law, economics, marketing and human resources. All Directors possess the skills, expertise and knowledge complemented with a high sense of integrity and independent judgement.

The Board has also appointed a Senior Independent Director, ensuring governance within the Board is preserved and stakeholder concerns are addressed.

The Company is also aware to maintain an appropriate mix of skills and experience in the Board while ensuring objectivity and independent oversight through a regular review of its composition referring current and future needs of the Company. Each Director identifies himself with a duty to act in good faith and in the best interest of the Company.

BOARD APPOINTMENTS

The Company maintains proper and transparent procedure for new Board appointments as per the Articles of Association of the Company and applicable laws and regulations. The Company always takes in to consideration the

professional qualifications, business experience and personal qualities required to govern amidst a highly dynamic operating environment. All the new Board appointments are communicated to the shareholders via Colombo Stock Exchange.

Going forward the Board of Directors has appointed a Nomination Committee w.e.f. 30th January 2020. Following Non-Executive Directors have been appointed to the Nomination Committee.

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

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

Mr. R. Renganathan
Non-Executive Director

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

Mr. U. Witharana
Non-Executive Director

Mr. P.A. Jayawardena
Non-Executive Director

BOARD MEETINGS AND ATTENDANCE

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

The attendance at the Board meetings and Sub-Committee meetings held during 2019, together with individual attendance, is given on pages 81 and 83.

BOARD COMMITTEES

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

Appointment of the members to Board Committees has been decided by the Board. Each Board Committee has direct access to the management. Therefore, this framework provides the Board with a structured way to collaborate with management on specific issues.

The committees, the structure and composition, frequency of meetings and other details are set out on page 71 of this Annual Report.

BOARD PERFORMANCE

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

BOARD INTERACTION WITH SHAREHOLDERS

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

Shareholders receive the Annual Report including Financial Statements and Notice of Meeting 15 working days prior to the Annual General Meeting. They vote at the

CORPORATE GOVERNANCE

Annual General Meeting to elect/re-elect Directors, on resolutions pertaining to the appointment/ re-appointment of Directors who are over 70 years of age and to appoint Auditors in accordance with the Companies Act and the Articles of Association of the Company and to authorize the Directors to make donations in terms of the Companies (Donations) Ordinance.

DIRECTORS' REMUNERATION

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

Directors' remuneration is set out in this Report on page 188. The Board on the recommendation of the Remuneration Committee approved the remuneration paid to the Executive Directors during the year 2019 The Remuneration Committee determines Company's policy on specific remuneration packages for Executive Directors.

STATEMENT OF COMPLIANCE

Towards the continuous stride in achieving a more consistent and competent approach to corporate reporting, the following sections reflects the extent of Company adherence to the rules on Corporate Governance and the mandatory requirements in respect to Board Committees as specified in the Listing Rules of the Colombo Stock Exchange and the level of compliance maintained by the Company are analysed below:

Rule No:	Rule of Corporate Governance	Status of Compliance	Details
7.10.1	Two or one third of Directors, whichever is higher, should be Non-Executive Directors.	Complied	The Board comprises twelve Non-Executive Directors.
7.10.2 (a)	Two or one third of Non-Executive Directors appointed to the Board of Directors, whichever is higher shall be "independent".	Complied	The Board comprises four independent Non-Executive Directors.
7.10.2 (b)	Each Non-Executive Director to submit a declaration of his/her independence or non- independence in the prescribed format.	Complied	The Non-Executive Directors have submitted the declaration.
7.10.3 (a)	The names of Directors determined to be independent should be disclosed in the annual report.	Complied	Please refer page 4.
7.10.3 (b)	In the event a Director does not qualify as independent as the criteria set out in corporate governance, but if the Board is of the opinion that the Director is nevertheless independent, that shall specify the criteria not met and basis of the determination in the annual report.	Not applicable	No such determination required.
7.10.3 (c)	A brief resume of each Director including the areas of expertise should be published in the annual report.	Complied	Please refer pages 20 to 24.
7.10.3 (d)	Provide a brief resume of new Director appointments to the CSE.	Complied	A brief resume of each such new appointment has been provided to the CSE as specified
7.10.5	A listed company shall have a Remuneration Committee.	Complied	Please refer page 74.

Rule No:	Rule of Corporate Governance	Status of Compliance	Details
7.10.5 (a)	The Remuneration Committee shall comprise a minimum of two independent Non-Executive Directors or Non-Executive Directors majority of whom shall be independent whichever is higher.	Complied	The Remuneration Committee consists of two independent Non-Executive Directors
	One Non Executive Director shall be appointed as Chairman of the Committee by the Board	Complied	Mr. K.I. Dharmawardena functions as Chairman of the Remuneration Committee.
7.10.5 (b)	The Remuneration Committee shall recommend the Remuneration of the Chief Executive Officer and the Executive Directors.	Complied	Please Refer Page 74.
7.10.5 (c)	The annual report should set out:		
	The names of Directors comprising the Remuneration Committee	Complied	Please refer page 71.
	A statement of remuneration policy	Complied	Please refer page 74.
	The aggregate remuneration paid to Executive and Non-Executive Directors.	Complied	Please refer page 188.
7.10.6	A listed Company shall have an Audit Committee	Complied	Please refer page 72.
7.10.6 (a)	The Audit Committee shall comprise a minimum of two independent Non-Executive Directors or a Non-Executive Directors a majority of whom shall be independent, whichever is higher.	Complied	The Audit Committee consists of three Non-Executive Directors and two are independent.
	One Non-Executive Director shall be appointed as Chairman of the Audit Committee by the Board.	Complied	Mr. D.H.J. Gunawardena functions as the Chairman of the Audit Committee
	The Chairman or one member of the committee should be a member of a recognized professional accounting body.	Complied	Chairman of the Audit Committee is Fellow Member of the Chartered Institute of Management Accountants (UK)
	The Chief Executive Officers and Chief Financial Officers shall attend Audit Committee meetings	Complied	Please refer Page 71.
7.10.6 (b)	Confirmation of functions of the Audit Committee is in accordance with the rules.	Complied	Please refer page 72.
7.10.6 (c)	The annual report should set out:	Complied	Please refer page 71.
	The names of the Directors who comprise the Audit committee		
	The Audit Committee should make a determination of the independence of the auditors and shall disclose the basis for such determination.	Complied	Please refer page 72.
	A report by the Audit Committee setting out the manner of compliance of the functions during the period.	Complied	Please refer page 72.

CORPORATE GOVERNANCE

Rule No:	Rule of Corporate Governance	Status of Compliance	Details
7.10.7	In the event a listed entity fails to comply with any of requirement contained in Rule 7.10 of these Rules, such entity shall make an immediate announcement to the Market via the exchange on such non-compliance, not later than one market day from the date of non-compliance.	Not Applicable	
9.2.1 & 9.2.3	Related Party Transactions Review Committee	Complied	The functions of the Committee are stated in Related Party Transactions Review Committee report in page 75.
9.2.2	Composition of the Related Party Transactions Review Committee	Complied	Please refer page 71.
9.2.4	Related Party Transactions Review Committee Meetings	Complied	Please refer page 83.
9.3.1	Immediate Disclosures	Complied	Company did not have any non-recurrent related party transactions, which require immediate disclosure to the Colombo Stock Exchange.
9.3.2 (a)	Disclosure- Non-recurrent Related Party Transactions	Complied	Company did not have any non-recurrent related party transactions with aggregate value, which exceeds 10% of the equity or 5% of total assets whichever is lower. Hence, no disclosure is required.
9.3.2 (b)	Disclosure- Recurrent Related Party Transactions	Complied	Company being holding, Company has dividend income from related parties, which is disclosed in page 189 even though it is below 10% of revenue of group.
9.3.2 (c)	Report by the Related Party Transactions Review Committee	Complied	Please refer page 75
9.3.2 (d)	A declaration by the Board of Directors	Complied	Please refer page 87

BOARD COMMITTEES

The Board has delegated some of its functions to Board committees while retaining final decision rights pertaining to matters under the purview of these committees. Details of the Board Committees are as follows:

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

BOARD AUDIT COMMITTEE REPORT

COMPOSITION

The Audit Committee is appointed by the Board of Directors of the company. It comprises the following Directors;

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

The Chairman of the committee, Mr. D.H.J. Gunawardena is a Fellow Member of Chartered Institute of Management Accountants, U.K. With over 45 years of post-qualification experience. The biographical details of the members of the Audit Committee are given on page 71.

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

PURPOSE

The purpose of the Audit Committee is to:

- Assist the Board of Directors in fulfilling its overall responsibilities for the financial reporting process.
- Review the system of internal control and risk management procedures.
- Monitor the effectiveness of internal audit function.
- Review the Company's process for monitoring compliance with laws and regulations.
- Assess the independence and performance of the Company's external auditors.
- Make recommendations to the Board on the appointment of external auditors, their remuneration and their terms of appointment.

MEETINGS AND ATTENDANCE

The Audit Committee met four times during the year. Attendance by the Committee members at each of these meetings is given in the table on page 83 of the Annual Report.

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

CHARTER OF THE AUDIT COMMITTEE

The Audit committee charter clearly defines the Terms of Reference of the committee and is reviewed periodically, to ensure new development to the committee's function and concerns are adequately addressed

COMPLIANCE WITH FINANCIAL REPORTING, STATUTORY AND REGULATORY REQUIREMENTS

The Committee reviewed the financial reporting system adopted by the Company in the preparation of its quarterly and annual Financial Statements to ensure reliability of the processes and consistency of the accounting policies and methods adopted and their compliance with the Sri Lanka Accounting Standards (LKAS) and Sri Lanka Financial Reporting Standards. (SLFRS) The Committee reviewed the quarterly interim and the year end financial statements prior to submission for Board Approval.

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

INTERNAL AUDIT

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

EXTERNAL AUDIT

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

CONCLUSION

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

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

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

The Audit Committee has proposed to the Board of Directors that Messrs. Ernst & Young, Chartered Accountants be recommended for re-appointment as Statutory Auditors of the Company for the financial year ending 31st December 2020, subject to approval by the shareholders at the next Annual General Meeting.



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

2nd March 2020

REPORT OF THE REMUNERATION COMMITTEE

COMPOSITION

The Remuneration Committee consists of Non-Executive Directors, two of whom are Independent. The Remuneration Committee consist of the following Directors;

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

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

Mr. H.D.K.P. Alwis (Non-Executive Director)
Mr. H.D.K.P. Alwis was appointed to the committee on 30.01.2020.

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

The Chief Executive Officer (CEO) has been present at meetings subsequent to being invited by the Committee, other than in instances where matters relating to the CEO have been discussed.

MEETINGS

The committee meets on need-basis to make recommendations on compensation structures, bonuses and increments of Executive Directors and also on matters that may involve human resource administration of the Company and the Group.

The Board always assist the Committee by providing required information and participating in its discussions, except when their own compensation package is reviewed.

The Committee met two (2) times during the year 2019. The attendance of committee members at meetings is stated in the table on page 83.

FUNCTIONS

The Remuneration Committee is responsible for determining and periodically reviewing Remuneration Policy and determining the remuneration packages of executive employees of the Group. The Committee recommends to the Board and its subsidiaries the remuneration to be paid to Key Management Personnel. The Committee ensure the maintaining and developing competitive and attractive remuneration packages for employees.

REMUNERATION POLICY

The primary objective of the remuneration policy is to attract and retain a highly qualified and experienced workforce and reward their performance accordingly. In discharging its responsibilities, the Committee has carefully reviewed and made recommendations to the remuneration policy of the Company while ensuring industry norms.

DIRECTORS' REMUNERATION

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

On behalf of the Remuneration Committee,



Mr. K.I. Dharmawardena
Chairman – Remuneration Committee

2nd March 2020

REPORT OF THE RELATED PARTY TRANSACTIONS REVIEW COMMITTEE

REPORT OF THE RELATED PARTY TRANSACTIONS REVIEW COMMITTEE

The Related Party Transactions Review Committee of the Company was formed in 2017 by the Board in accordance with Section 9 of the Listing Rules of the Colombo Stock Exchange, to ensure compliance with those Rules facilitating independent review, approval and oversight of Related Party Transactions (RPT) of the Company.

COMPOSITION

The Related Party Transactions Review Committee (RPTC) of the Company comprises of the following Directors;

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

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

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

Mr. P.A. Jayawardena - Non Executive Director

Mr. Upali Witharana - Non Executive Director

The Company Secretary functions as the Secretary to the Committee.

The objective of the Committee is to exercise oversight on behalf of the Board of Ceylinco Insurance PLC and its Subsidiaries, to ensure compliance with the Code on Related Party Transactions issued by the Securities and Exchange Commission of Sri Lanka and with the Listing Rules of the Colombo Stock Exchange (CSE). The Committee has also adopted best practices as recommended by the Institute of Chartered Accountants of Sri Lanka and CSE and has taken steps to ensure that the RPT Policy of the company is consistent with the above.

RESPONSIBILITIES

The responsibilities of the RPTC includes;

- ↘ Reviewing all RPTs (in advance, when required) of the Company except those explicitly exempted in the Code under Rule 27.
- ↘ Determining whether RPTs that are to be entered into by the Company require approval of the Board or shareholders.
- ↘ Making market disclosures on applicable RPT as required by section 9 of the Listing Rules of the CSE.
- ↘ Providing information to the Board of Directors on the RPTs of each of the Group companies.
- ↘ Making applicable disclosures on RPTs in the Annual Report of the Company as required by the continuing listing requirement of CSE

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

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

MEETINGS

The Committee held four meetings during the financial year. Information on the attendance at these meetings by the members of the Committee is given in page 83 of this Annual Report.

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

DECLARATION

The Committee is of the view that there were no non-recurrent or recurrent related party transactions that fell within the domain of the Listing Rules, requiring prior approval of shareholders or immediate announcement to the Colombo Stock Exchange.

A declaration by the Board of Directors in the Annual report as a negative statement that no related party transactions falling within the ambit of the Listing Rules was entered into by the Company during the financial year 2019, is given in page 87 of the Annual Report.



Mr. D.H.J. Gunawardena

Chairman - Related Party Transactions Review Committee

2nd March 2020.

STATEMENT OF DIRECTORS' RESPONSIBILITY

The responsibilities of the Directors in relation to the financial statements of the Company differ from the responsibilities of the Auditors, which are set out in their report appearing on page 89.

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

The Directors are responsible for ensuring that the Company keeps sufficient accounting records to disclose with reasonable accuracy, the financial position of the Company and for ensuring that the financial statements have been prepared and presented in accordance with the Sri Lanka Accounting Standards and provide the information required by the Companies Act No. 7 of 2007. They are also responsible for taking reasonable measures to safeguard the assets of the Company and in that context to have a proper regard to the establishment of appropriate systems of internal control with a view to preventing and detecting fraud and other irregularities.

The Directors continue to adopt the going concern basis in preparing Accounts. The Directors, after making enquiries and following a review of the Company's budget for 2020 to 2021 including cash flows and borrowing facilities, consider that the Company has adequate resources to continue in operation.

BY ORDER OF THE BOARD



Mrs. Nilika Abhayawardhana
Company Secretary

2nd March 2020

COMPLIANCE REPORT

In respect of the financial year ended 31st December, 2019 of Ceylinco Insurance PLC:

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



Mrs. Nilika Abhayawardhana
Company Secretary

2nd March 2020

FINANCIAL CALENDAR 2020

Annual Report 2019	02nd March 2020
Annual General Meeting	09th April, 2020
Final Dividend Proposed	09th April, 2020
Ex-Dividend From	15th April, 2020
Final Dividend Payable	23rd April, 2020
Interim Report - 1st Quarter	15th May, 2020
Interim Report - 2nd Quarter	14th August, 2020
Interim Report - 3rd Quarter	13th November, 2020
Interim Report - 4th Quarter	25th February, 2021

FINANCIAL INFORMATION



FAMILY SAVARI

THE GOLD STANDARD

Ours is a philosophy of excellence; representing an experience that extends nothing but the best to the people we serve - ensuring they can enjoy and experience life to their fullest potential.

REPORT OF THE DIRECTORS

The Directors are pleased to submit their report together with the Audited Statements of Income, Statements of Comprehensive Income, Statements of Changes in Equity, Statements of Cash Flow and the Statement of Financial Position of Ceylinco Insurance Group for the year ended 31st December, 2019, and the Report of the Auditors thereon.

REVIEW OF OPERATIONS

The Chairman's and the Deputy Chairman's Reviews on pages 8 to 17 contain a detailed description of operations carried out in the year under review and projected developments.

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

As at 31 December	Group		Company	
	2019	2018	2019	2018
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Profit After Taxation (After Non - Controlling Interest)	8,543,718	8,393,520	1,265,098	1,179,229
Add : Balance Brought Forward	35,174,468	26,623,524	14,232,220	13,885,048
Changes in Ownership in Group Companies	17,780	4,783	-	-
Other Comprehensive Income for the Period	(1,309,898)	813,824	-	-
SLFRS 9 Effect on Associate Investment	-	170,874	-	-
Funds Available for Appropriation	42,426,068	36,006,525	15,497,318	15,064,277
Appropriation : Dividend Paid - Final	(924,506)	(832,057)	(924,506)	(832,057)
Unappropriated Profit Carried Forward	41,501,562	35,174,468	14,572,812	14,232,220

TRANSFER TO RESERVES AND PROVISIONS

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

SHARE CAPITAL

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

The Stated Capital of the Company as at 31st December, 2019 was Rs. 1,324,822,000 and is represented by issued and fully paid 20,000,000 voting ordinary shares and 6,414,480 non voting ordinary shares.

DIVIDENDS

The Directors recommend a first and final dividend of Rs. 38/- per share for the year ended 31st December, 2019, payable on 23rd April, 2020.

DIRECTORS

Messrs. J.G.P. Perera (retired on 01.06.2019), A.R. Gunawardena, R. Renganathan, H.D.K.P. Alwis, E.T.L. Ranasinghe, W.C.J. Alwis, P.D.M. Cooray, K.I. Dharmawardena, D.H.J. Gunawardena, P.A. Jayawardena, N.D. Nugawela, T.N.M. Peiris, U. Witharana, S.R. Abeynayake, S.H.J. Weerasuriya, Yu Kitai and N. Vasantha Kumar (appointed w.e.f. 01.06.2019) were the Directors of the Company during the financial year ended 31st December, 2019.

In accordance with the Articles of Association of the Company, Messrs. A.R. Gunawardena, Dr. W.C.J. Alwis and Mr. P.A. Jayawardana retire by rotation and being eligible, offer themselves for re-election. In accordance with the Articles of Association of the company Mr. N. Vasantha Kumar, Non-Executive Director appointed to the Board on 01st June 2019, seeks re-election.

Mr. Gunawardena being a Director was 70 years of age in December, 2019. In accordance with the Companies Act No. 07 of 2007. Mr. D.H.J. Gunawardena has to retire thereafter and being eligible offers himself for re-election. A Special Notice has been received from a shareholder to move a resolution as an ordinary resolution that Mr. D.H.J. Gunawardena be re-elected as a Director and that the age limit specified in Section 210 of the Companies Act No. 07 of 2007 shall not apply to Mr. D.H.J. Gunawardena.

DIRECTORS' MEETINGS

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

Names of Directors	No. of Board Meetings attended
Mr. J.G.P. Perera (Retd.)	3/3
Mr. A.R. Gunawardena	6/6
Mr. R. Renganathan	6/6
Mr. H.D.K.P. Alwis	5/6
Mr. E.T.L. Ranasinghe	5/6
Dr. W.C.J. Alwis	4/6
Mr. P.D.M. Cooray	6/6
Mr. K.I. Dharmawardena	5/6
Mr. D.H.J. Gunawardena	6/6
Mr. P.A. Jayawardena	6/6
Mr. N.D. Nugawela	6/6
Mr. T.N.M. Peiris	5/6
Mr. U. Witharana	6/6
Mr. S.R. Abeynayake	6/6
Mr. S.H.J. Weerasuriya	5/6
Mr. Yu Kitai	6/6
Mr. N. Vasantha Kumar	3/3

DIRECTORS' INTEREST IN SHARES

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

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

(including 'Close Family Members')

REPORT OF THE DIRECTORS

As at 31 December	Voting Shares		Non Voting Shares	
	as at 31.12.2019	as at 31.12.2018	as at 31.12.2019	as at 31.12.2018
Mr. A.R. Gunawardena (Mr. A.R. Gunawardena 130 voting shares and 55 non voting shares; and joint with Mrs. K.S. Gunawardena 121,698 voting shares and 8,600 non voting shares) (Mrs. K.S. Gunawardena 14,900 voting shares and 7,702 non voting shares)	121,828	121,828	8,655	8,655
Mr. R. Renganathan (Mr. R. Renganathan 123,271 voting shares and joint with Mrs. T.R.S. Renganathan 3,626 voting shares)	126,897	126,897	NIL	NIL
Mr. H.D.K.P. Alwis Mr. H.D.K.P. Alwis joint with Mrs. S.R. Alwis	3,200 NIL	3,200 NIL	NIL 2,000	NIL 2,000
Mr. E.T.L. Ranasinghe	9,245	9,245	NIL	NIL
Dr. W.C.J. Alwis Waldock Mackenzie Limited / Dr. W.C.J. Alwis	526,692 2,339	526,692 2,339	219,041 NIL	219,041 NIL
Mr. P.D.M. Cooray	9,629	9,629	NIL	NIL
Mr. K.I. Dharmawardena People's Leasing & Finance PLC / Mr. K.I. Dharmawardena	28 10,736	28 10,736	NIL NIL	NIL NIL
Mr. D.H.J. Gunawardena	NIL	NIL	NIL	NIL
Mr. P.A. Jayawardena	3,463	3,463	134	134
Mr. N.D. Nugawela	3,539	3,539	510	510
Mr. T.N.M. Peiris (Mrs. P.S. Peiris 212 voting shares)	24,831	24,831	2,000	2,000
Mr. U. Witharana	2,605	2,605	512	512
Mr. S.R. Abeynayake	9,790	9,790	200	200
Mr. S.H.J. Weerasuriya	NIL	NIL	600	600
Mr. Yu Kitai	NIL	NIL	NIL	NIL
Mr. N. Vasantha Kumar	NIL	NIL	NIL	NIL
Mr. J.G.P Perera (retired w.e.f. 01.06.2019)	NIL	NIL	NIL	NIL

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

DIRECTORS' INTEREST IN CONTRACTS

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

CORPORATE GOVERNANCE

The Audit Committee held four meetings and the Remuneration Committee held two meetings during the year 2019.

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

Name of Committee Member	Audit Committee	Remuneration Committee	Related Party Transactions Review Committee
Mr. D.H.J. Gunawardena	4/4	2/2	4/4
Mr. K.I. Dharmawardena	3/4	2/2	3/4
Mr. T.N.M. Peiris	Non Member	Non Member	4/4
Mr. P.A. Jayawardena	Non Member	Non Member	3/4
Mr. U. Witharana	Non Member	Non Member	2/4
Mr. Yu Kitai	4/4	Non Member	Non Member
Mr. H.D.K.P. Alwis (appointed w.e.f. 30.01.2020)	Non Member	0/0	Non Member

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

ANALYSIS OF SHAREHOLDERS

(Voting) Holding Range (Shares)	Number of Shareholders	Number of Shares	%
1-1000	1,904	395,894	1.98
1001-10000	459	1,125,549	5.63
10001-100000	22	432,740	2.16
100001-1000000	14	7,186,133	35.93
Over 1000000	4	10,859,684	54.30
Total as at 31st. Dec. 2019	2,403	20,000,000	100

ANALYSIS OF SHAREHOLDERS

(Non Voting) Holding Range (Shares)	Number of Shareholders	Number of Shares	%
1-1000	1,283	264,627	4.12
1001-10000	110	374,949	5.85
10001-100000	22	681,247	10.62
100001-1000000	10	2,204,129	34.36
Over 1000000	1	2,889,528	45.05
Total as at 31st. Dec. 2019	1,426	6,414,480	100

REPORT OF THE DIRECTORS

ANALYSIS OF SHAREHOLDINGS

INSTITUTIONAL / NON - INSTITUTIONAL

(VOTING)

Shareholder Category	Number of Shareholders	Total Shareholdings	Holding %
Individuals	2,257	3,392,785	16.96
Institutions	146	16,607,215	83.04
	2,403	20,000,000	100.00

INSTITUTIONAL / NON - INSTITUTIONAL

(NON VOTING)

Shareholder Category	Number of Shareholders	Total Shareholdings	Holding %
Individuals	1,349	1,236,002	19.27
Institutions	77	5,178,478	80.73
	1,426	6,414,480	100.00

SHARE OWNERSHIP DISTRIBUTION ANALYSIS AS AT 31.12.2019

Local Companies %		Local Individuals %		Foreign Companies %		Foreign Individuals %	
Voting	Non Voting	Voting	Non Voting	Voting	Non Voting	Voting	Non Voting
50.98	27.33	16.94	19.18	32.06	53.40	0.02	0.09

The percentage of 'Public Holding' (as per Circular no. 05/2013 of 30/12/2013 of the Colombo Stock Exchange) is 83.54% of the issued Voting share capital (represented by 2383 shareholders).

Float adjusted market capitalisation as at 31st December, 2019 : Rs. 33,197,125,200/=

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

THE 20 MAJOR SHAREHOLDERS AS AT 31.12.2019

(VOTING)

Shareholder	Holding as at 31-12-2019 No. of SShares	% of the Issued Share Capital as at 31/12/2019	Holding as at 31-12-2018 No. of Shares
Global Rubber Industries (Private) Limited	4,450,135	22.25	4,450,135
Mitsui Sumitomo Insurance Company Limited	3,000,000	15.00	3,000,000
Banque Pictet & Cie SA	2,145,079	10.73	2,145,079
Shriram City Union Finance Limited	1,264,470	6.32	1,264,470
Eurocorp Investments (Pvt) Ltd	1,000,000	5.00	400,000
Mr. Prabhash Subasinghe	912,981	4.56	912,981
Ceylinco Insurance PLC A/C No. 03 (Employees' Gratuity Trust Fund)	865,724	4.33	1,465,724
Citizens Development Business Finance PLC	663,624	3.32	663,624
Global Sea Foods (Private) Limited	632,110	3.16	632,110
Dr. Watuthanthrige Chakrine Jagath Alwis	526,692	2.63	526,692
Castle Realty (Private) Limited	525,400	2.63	525,400
Ceylinco Insurance PLC A/C No. 04 (Pension Fund)	489,806	2.45	737,900
Kutrala Private Limited	463,534	2.32	Nil
Ceylinco Insurance PLC – A/C No. 05 (The Pension Trust Fund of Ceylinco Insurance PLC)	403,034	2.02	618,474
Nephele Private Limited	307,697	1.54	Nil
Praesidium Investments (Pvt) Ltd	150,562	0.75	149,062
Mr. Rajkumar Renganathan (Mr. R. Renganathan 123,271 shares and joint with Mrs. T.R.S. Renganathan 3,626 shares)	126,897	0.63	126,897
Mr. Ajith Rohan Gunawardena (Mr. A.R. Gunawardena 130 shares and joint with Mrs. K.S. Gunawardena 121,698 shares)	121,828	0.61	121,828
Lakderana Capital Limited	59,696	0.30	55,796
Mr. Jivaka Lalith Bhupendra Kotelawala (Mr. J.L.B. Kotelawala 36,745 shares and joint with Mrs. S.P.C. Kotelawala 18,141 shares)	54,886	0.27	54,886

REPORT OF THE DIRECTORS

THE 20 MAJOR SHAREHOLDERS AS AT 31.12.2019

(NON VOTING)

Shareholder	Holding as at 31-12-2019 No. of Shares	% of the Issued Share Capital as at 31/12/2019	Holding as at 31-12-2018 No. of Shares
Pershing LLC S/A Averbach Grauson & Co.	2,889,528	45.05	2,658,074
J.B. Cocoshell (Pvt.) Ltd.	653,862	10.19	652,357
SEB AB-Tundra Sustainable Frontier Fund	289,700	4.52	** 289,700
Dr. Watuthanthrige Chakrine Jagath Alwis	219,041	3.41	219,041
Banque Pictet & Cie SA	200,000	3.12	200,000
Deutsche Bank AG AS Trustee for JB Vantage Value Equity Fund	179,379	2.80	199,830
Mr. Piyadasa Rathnayaka	175,000	2.73	175,000
Ceylon Investment PLC A/C # 02	140,010	2.18	140,010
Askold (Private) Limited	118,035	1.84	103,035
Ceylon Guardian Investment Trust PLC A/C # 02	115,256	1.80	115,256
E.W. Balasuriya & Company (Private) Limited	113,846	1.77	113,846
Mr. Yusuf Husseinally Abdulhussein	84,184	1.31	62,292
Miss. Rukaiya Husseinally Abdulhussein	75,034	1.17	61,259
Rubber Investment Trust Limited A/C #01	70,000	1.09	70,000
Mr. Murtaza Ali Jafferjee	61,000	0.95	61,000
People's Leasing & Finance PLC / Mr. H.M. Abdulhussein	42,590	0.66	15,117
People's Leasing & Finance PLC / Mr. M.Z.M. Wafik	39,552	0.62	44,552
Hatton National Bank PLC A/C No. 05 (Trading Portfolio)	34,000	0.53	34,000
Gold Investment Limited	30,490	0.48	30,490
Jafferjee Brothers (Exports) Limited	30,300	0.47	15,300

**SEB-AB-Tundra Frontier Opportunities Fund

Property, Plant & Equipment

The details of Property, Plant and Equipment of the Company are shown in the "Notes to Financial Statements". (Pages 124 to 131)

Current Assets

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

POST-BALANCE SHEET DATE EVENTS & UNUSUAL ITEMS

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

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

HUMAN RESOURCES

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

RELATED PARTY TRANSACTION

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

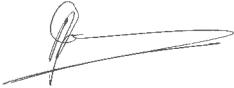
AUDITORS

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

The fees paid to the Auditors are disclosed in note 36 on page 168 to the Financial Statements.

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

BY ORDER OF THE BOARD



A. R. Gunawardena

Executive Chairman/ Chief Executive Officer



R. Renganathan

Non Executive Deputy Chairman



Nilika Abhayawardhana

Company Secretary

2nd March 2020

REPORT OF THE DIRECTORS

DIRECTORS' INTERESTS IN CONTRACTS

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

The following is a schedule where the Directors of this company held Directorships in other companies during the period 01.01.2019 to 31.12.2019 in which this company has had transactions during the year 2019

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

INDEPENDENT AUDITOR'S REPORT



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

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

TO THE SHAREHOLDERS OF CEYLINCO INSURANCE PLC

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Ceylinco Insurance PLC ("the Company") and the consolidated financial statements of the Company and its subsidiaries ("the Group"), which comprise the statement of financial position as at 31 December 2019, and the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements of the Company and the Group give a true and fair view of the financial position of the Company and the Group as at 31 December 2019, and of their financial

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

Basis for opinion

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

Key audit matters

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

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

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

KEY AUDIT MATTER	HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER
<p>1. Life Insurance Contract Liabilities</p> <p>The Group has life insurance contract liabilities of LKR 95.3 Bn which represents 77% of Group's total liabilities.</p> <p>The valuation of the life insurance contract liabilities required the application of significant assumptions such as mortality, morbidity, lapses and surrenders, loss ratios, bonus, interest rates and expenses.</p> <p>Given the magnitude of the balance and subjectivity of the assumptions involved in the valuation, we considered this as a Key Audit Matter.</p>	<p>To assess the reasonableness of the life insurance contract liabilities, our audit procedures (among others) included following:</p> <ul style="list-style-type: none"> ↘ Testing the key controls over the process of recognition, measurement and submission of data for estimating the life insurance contract liabilities. ↘ Engaging Specialized resources to assess the reasonableness of the assumptions and appropriateness of the method used in the valuations of the life insurance contract liabilities with reference to market data and policyholders experience. ↘ Assessing the adequacy of the disclosures in note 23 and 44 (a) i to the consolidated financial statements.

INDEPENDENT AUDITOR'S REPORT



KEY AUDIT MATTER	HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER
<p>2. Non-Life Insurance Contract Liabilities</p> <p>The Group has non-life insurance contract liabilities of LKR 12.4 Bn which represents 10% of Group's total liabilities.</p> <p>Non-life insurance contract liabilities which include the group's outstanding claim provision and unearned premiums are determined based on previous claim experience existing knowledge of risk events, industry ultimate loss ratio, claims handling expenses and management expenses.</p> <p>Given the magnitude of the balance and subjectivity of the assumptions involved in the valuation, we considered this as a Key Audit Matter.</p>	<p>To assess the reasonableness of the non-life insurance contract liabilities, our audit procedures (among others) included following;</p> <ul style="list-style-type: none"> ↘ Testing the key controls over the process of recognition, measurement and submission of data for estimating the non-life insurance contract liabilities. ↘ Engaging specialized resources to assess the reasonableness of the assumptions used in the valuations of the non-life insurance contract liabilities with reference to the industry data and considering the both historical experience and business expectation of the Group. ↘ Assessing the adequacy of the disclosures in note 24 and 44 (a) ii to the consolidated financial statements.
<p>3. New software implementation</p> <p>During the financial year, Ceylinco Life Insurance Limited migrated its General Ledger and Investment software modules to SAP.</p> <p>The change of software entails new processes, controls and delegation of authority being set up as well as the migration of operational and financial data from the legacy software to the new software.</p> <p>Considering the significance of the process to the financial reporting the above matter considered as a key audit matter.</p>	<p>Our audit procedures (among others) included following;</p> <ul style="list-style-type: none"> ↘ Understanding data migration plan specific to SAP software, through understanding process mapping of documents, speaking to key IT management of the Company and testing key automated controls around financial reporting. ↘ Engaging specialized resources to review, <ul style="list-style-type: none"> ↘ The process of data migration including the data migration strategy, ↘ The pre-data migration activities including data mapping, mock runs, ↘ The post-data migration activities including data conversions, data cleansing, data verification procedures, ↘ Reconciliation of the data migrated from legacy system to each module of SAP and, ↘ The general control environment in SAP, including access controls, segregation of duties and change, management as well as those automated controls critical to financial accounting reporting process.

Other Information included in the 2019 Annual Report

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

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

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

Responsibilities of the management and those charged with governance

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



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

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

Auditor's responsibilities for the audit of the financial statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal controls of the Company and the Group.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Report on other legal and regulatory requirements

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

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

2 March 2020
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 Sajeevani 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

A member firm of Ernst & Young Global Limited

STATEMENT OF FINANCIAL POSITION

As at 31 December	Page No	Note	Group		Company	
			2019	2018	2019	2018
			Rs.'000	Rs.'000	Rs.'000	Rs.'000
Assets						
Goodwill	122	6	181,304	181,304	-	-
Other Intangible Assets	122	7	398,227	115,856	-	-
Deferred Expenses	123	8	1,069,807	1,036,571	-	-
Property, Plant and Equipment	124	9	22,076,319	18,926,835	-	3,168
Right of Use Asset	131	10	950,426	-	-	-
Investment Properties	132	11	1,182,122	1,170,061	153,332	153,332
Lease Hold Right	122	7	-	352	-	-
Investment in Subsidiaries	135	12(a)	-	-	15,986,821	15,965,563
Investment in Associates	136	12(b)	4,202,612	3,304,130	92,514	92,514
Financial Instruments						
Held to Maturity Financial Assets	138	13(a)	57,153,974	60,801,425	-	-
Loans and Receivables	139	13(b)	56,267,699	45,986,748	1,512,758	1,366,632
Available-For-Sale Financial Assets	140	13(c)	13,828,892	8,411,817	254,491	51,089
Financial Assets at Fair Value Through Profit or Loss	141	13(d)	2,338,700	565,829	-	-
Employee Gratuity Benefit Asset	145	14	4,406,230	4,132,329	-	-
Employee Pension Benefit Asset	149	15	1,776,779	1,790,858	-	-
Reinsurance Receivables	150	16	3,538,374	3,675,696	-	-
Loans to Life Policyholders	151	17	1,335,469	1,190,274	-	-
Income Tax Receivable	152	18	73,420	273,900	-	-
Deferred Tax Assets	152	18(a)	4,598	20,214	-	-
Insurance Receivables/Trade Debtors	154	19	6,550,064	6,393,475	-	-
Other Assets	154	20	1,436,613	1,595,831	21,364	8,928
Cash and Cash Equivalents	154	21	1,128,411	1,358,954	70,727	10,490
Total Assets			179,900,040	160,932,459	18,092,007	17,651,716
Equity & Liabilities						
Equity Attributable to Equity Holders of Parent						
Stated Capital	155	22 (a)	1,324,822	1,324,822	1,324,822	1,324,822
Retained Earnings			41,501,562	35,174,468	14,572,812	14,232,220
Other Reserves	156	22 (b)	2,338,439	2,477,581	2,042,806	2,043,422
Revaluation Reserves			4,434,995	3,325,935	-	-
Restricted Regulatory Reserve	157	23 (b)	3,456,184	3,456,184	-	-
Total Ordinary Shareholders' Equity			53,056,002	45,758,990	17,940,440	17,600,464
Non-Controlling Interests	171	39 (a)	2,324,107	1,890,031	-	-
Total Equity			55,380,109	47,649,021	17,940,440	17,600,464
Liabilities						
Life Insurance Contract Liabilities	156	23	95,349,737	87,194,850	-	-
Unit Linked Fund & Other Funds-Life			582,925	519,695	-	-
Non Life Insurance Contract Liabilities	158	24	12,470,431	12,353,210	-	-
Employee Gratuity Benefit Liability	146	14	267,703	219,681	5,333	-
Deferred Revenue	159	25	437,688	353,737	-	-
Interest Bearing Loans & Borrowings	160	26	2,675,639	2,196,038	76,003	2,157
Deferred Tax Liabilities	153	18(b)	964,418	592,014	-	-
Reinsurance Payables	160	27	3,489,354	2,619,587	-	-
Trade and Other Payables	161	28	8,282,036	7,234,626	70,231	49,095
Total Liabilities			124,519,931	113,283,438	151,567	51,252
Total Equity and Liabilities			179,900,040	160,932,459	18,092,007	17,651,716

The Notes on pages 99 through 191 form an integral part of the Financial Statements.

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



T.N.M. Peiris

Director/Head of Finance

The Board of Directors is responsible for these Financial Statements.

Signed for and on behalf of the Board by:



A.R. Gunawardena
Executive Chairman /CEO

2nd March 2020

Colombo



R. Renganathan
Deputy Chairman



P.A. Jayawardene
Director



Upali Witharana
Director

INCOME STATEMENT

For the Year Ended 31 December	Page No	Note	Group			Company		
			2019	2018	Change	2019	2018	Change
			Rs.'000	Rs.'000	%	Rs.'000	Rs.'000	%
Net Income	164	29 (c)	52,539,868	49,425,436	6	1,401,344	1,268,568	10
Gross Written Premium	162	29 (a)	40,217,891	38,161,544	5	-	-	-
Premium Ceded to Reinsurers	163	29 (b)	(7,614,913)	(6,219,044)	22	-	-	-
Net Written Premium			32,602,978	31,942,500	2	-	-	-
Net Change in Reserve for Unearned Premium			69,343	(253,400)	(127)	-	-	-
Net Earned Premium			32,672,321	31,689,100	3	-	-	-
Revenue from Non Insurance Subsidiaries	118	5	3,756,530	3,462,653	8	-	-	-
			36,428,851	35,151,753		-	-	-
Fees and Commission Income	164	30	1,042,737	921,311	13	-	-	-
Investment Income	164	31	14,536,695	12,989,964	12	1,404,507	1,268,568	11
Net Realised Gains	165	32	346,144	348,368	(1)	(3,163)	-	-
Net Fair Value Gains and Losses	165	33	185,441	14,040	1,221	-	-	-
Other Revenue			16,111,017	14,273,683		1,401,344	1,268,568	-
Gross Benefits and Claims Paid	166	34(a)	(21,676,070)	(19,731,664)	10	-	-	-
Claims Ceded to Reinsurers	166	34(b)	3,123,552	2,487,910	26	-	-	-
Gross Change in Contract Liabilities	166	34(c)	(7,379,267)	(6,611,224)	12	-	-	-
Change in Contract Liabilities Ceded to Reinsurers	166	34(d)	(139,585)	18,084	(872)	-	-	-
Net Benefits and Claims			(26,071,370)	(23,836,894)		-	-	-
Cost of Sales - Non Insurance Subsidiaries	118	5	(1,158,046)	(933,644)	24	-	-	-
Acquisition Cost	168	35	(3,868,493)	(3,676,363)	5	-	-	-
Other Operating and Administrative Expenses	168	36	(10,596,142)	(10,389,247)	2	(109,902)	(68,580)	60
Finance Cost	169	37	(288,606)	(170,888)	69	(864)	(384)	125
Total Benefits, Claims and Other Expenses			(41,982,657)	(39,007,036)		(110,766)	(68,964)	
Profit Before Share of Associates			10,557,211	10,418,400	1	1,290,578	1,199,604	8
Share of Profit of Associates	136	12(b)	493,980	646,371	(24)	-	-	-
Profit Before Tax			11,051,191	11,064,771	-	1,290,578	1,199,604	8
Income Tax Expense	169	38(a)	(2,268,103)	(2,399,319)	(5)	(25,480)	(20,375)	25
Profit for the Year			8,783,088	8,665,452	1	1,265,098	1,179,229	7
Profit Attributable to:								
Equity Holders of the Parent			8,543,718	8,393,520		1,265,098	1,179,229	
Non-Controlling Interests	171	39(b)	239,370	271,932		-	-	
			8,783,088	8,665,452		1,265,098	1,179,229	
Basic/Diluted Earnings Per Share	171	40	323.45	317.76		47.89	44.64	
Dividend Per Share	172	41	35.00	31.50		35.00	31.50	

The notes on pages 99 through 191 form an integral part of the Financial Statements.

STATEMENT OF COMPREHENSIVE INCOME

For the Year Ended 31 December	Note	Group		Company	
		2019	2018	2019	2018
		Rs.'000	Rs.'000	Rs.'000	Rs.'000
Profit for the Year		8,783,088	8,665,452	1,265,098	1,179,229
Other Comprehensive Income					
Other Comprehensive Income to be reclassified to Income Statement in subsequent period					
Net Gain/(Loss) on Available-for-Sale Assets	42	(153,791)	(376,507)	(616)	2,161
Exchange Differences on Translating Foreign Operations	42	(3,252)	67,165	-	-
Income Tax relating to Components of Other Comprehensive Income	42	(27,751)	(18,792)	-	-
Net Other Comprehensive Income to be reclassified to Income Statement in subsequent period		(184,794)	(328,134)	(616)	2,161
Other Comprehensive Income not to be reclassified to Income Statement in subsequent period					
Revaluation Surplus/ (Deficit) During the Year	42	2,768,383	20,326	-	-
Actuarial Gain/(Loss) on Defined Benefit Plans	42	(1,362,179)	851,368	-	-
Income Tax relating to Components of Other Comprehensive Income	42	(250,384)	(95,370)	-	-
Net Other Comprehensive Income not to be reclassified to Income Statement in subsequent period		1,155,820	776,324	-	-
Other Comprehensive Income for the Year, Net of Tax		971,026	448,190	(616)	2,161
Total Comprehensive Income for the Year, Net of Tax		9,754,114	9,113,642	1,264,482	1,181,390
Total Comprehensive Income Attributable to:					
Equity Holders of the Parent		9,143,461	8,812,650	1,264,482	1,181,390
Non-Controlling Interests		610,653	300,992	-	-
		9,754,114	9,113,642	1,264,482	1,181,390

The notes on pages 99 through 191 form an integral part of the Financial Statements.

STATEMENT OF CHANGES IN EQUITY

Group	Attributable to Equity holders of the Parent										
	Note	Stated Capital Rs.'000	Revaluation Reserves Rs.'000	Restricted Regulatory Reserve Rs.'000	Other Retained Reserves Rs.'000	Retained Earnings Rs.'000	Available-for-Sale Reserve Rs.'000	Foreign Currency Translation Reserve Rs.'000	Ordinary Share-Holders' Equity Rs.'000	Non-Controlling Interests Rs.'000	Total Equity Rs.'000
Balance As at 1st January 2018		1,324,822	3,365,706	3,456,184	2,057,437	26,794,398	637,746	(138)	37,636,155	1,658,418	39,294,573
Profit for the Year		-	-	-	-	8,393,520	-	-	8,393,520	271,932	8,665,452
Other Comprehensive Income for the Year		-	(42,004)	-	-	813,824	(392,989)	40,299	419,130	29,060	448,190
Total Comprehensive Income for the Year		-	(42,004)	-	-	9,207,344	(392,989)	40,299	8,812,650	300,992	9,113,642
Final Dividend of Parent Company		-	-	-	-	(832,057)	-	-	(832,057)	-	(832,057)
Subsidiary Dividend to Non-Controlling Interest		-	-	-	-	-	-	-	-	(88,268)	(88,268)
Changes in Control in Subsidiaries		-	2,233	-	-	4,783	3,377	-	10,393	18,889	29,282
Transfer to Long Term Fund		-	-	-	-	-	131,849	-	131,849	-	131,849
Balance As At 31st December 2018		1,324,822	3,325,935	3,456,184	2,057,437	35,174,468	379,983	40,161	45,758,990	1,890,031	47,649,021
Profit for the Year		-	-	-	-	8,543,718	-	-	8,543,718	239,370	8,783,088
Other Comprehensive Income for the Year		-	2,094,422	-	-	(1,309,898)	(182,596)	(2,185)	599,743	371,283	971,026
Total Comprehensive Income for the Year		-	2,094,422	-	-	7,233,820	(182,596)	(2,185)	9,143,461	610,653	9,754,114
Final Dividend of Parent Company	41	-	-	-	-	(924,506)	-	-	(924,506)	-	(924,506)
Subsidiary Dividend to Non-Controlling Interest		-	-	-	-	-	-	-	-	(98,471)	(98,471)
Changes in ownership in Subsidiaries/ Associates		-	932	-	-	17,780	-	12,530	31,242	(78,106)	(46,864)
Transfer to Long Term Fund		-	(986,294)	-	-	-	33,109	-	(953,185)	-	(953,185)
Balance As At 31st December 2019		1,324,822	4,434,995	3,456,184	2,057,437	41,501,562	230,496	50,506	53,056,002	2,324,107	55,380,109

The Notes on pages 99 through 191 form an integral part of the Financial Statements.

STATEMENT OF CHANGES IN EQUITY

Company	Total				
	Stated Capital Rs.'000	Other Retained Reserves Rs.'000	Retained Earnings Rs.'000	Available-for-Sale Reserve Rs.'000	Ordinary Share-Holders' Equity Rs.'000
Balance As At 1st January 2018	1,324,822	2,057,437	13,885,048	(16,176)	17,251,131
Profit for the Year	-	-	1,179,229	-	1,179,229
Other Comprehensive Income for the Year	-	-	-	2,161	2,161
Total Comprehensive Income for the Year	-	-	1,179,229	2,161	1,181,390
Final Dividend Paid	-	-	(832,057)	-	(832,057)
Balance As At 31st December 2018	1,324,822	2,057,437	14,232,220	(14,015)	17,600,464
Profit for the Year	-	-	1,265,098	-	1,265,098
Other Comprehensive Income for the Year	-	-	-	(616)	(616)
Total Comprehensive Income for the Year	-	-	1,265,098	(616)	1,264,482
Final Dividend Paid	-	-	(924,506)	-	(924,506)
Balance As At 31st December 2019	1,324,822	2,057,437	14,572,812	(14,631)	17,940,440

The notes on pages 99 through 191 form an integral part of the Financial Statements.

STATEMENT OF CASH FLOWS

For the Year Ended 31 December	Note	Group		Company	
		2019	2018	2019	2018
		Rs.'000	Rs.'000	Rs.'000	Rs.'000
Cash Flows from Operating Activities					
		42,357,239	40,550,643	-	-
		(5,889,668)	(4,831,859)	-	-
		(3,716,891)	(3,630,740)	-	-
		(21,509,548)	(19,626,526)	-	-
		3,249,050	2,342,087	-	-
		13,951,366	11,137,942	1,447,954	1,239,859
		(12,590,547)	(10,439,971)	(141,184)	(99,225)
		464,214	491,205	-	1,686
		(1,022,888)	(816,923)	-	-
		(878,076)	(400,438)	(24,459)	(11,139)
		(159,279)	(170,450)	(10)	(9)
		14,254,972	14,604,970	1,282,301	1,131,172
Cash Flows from Investing Activities					
		(407,237)	(230,553)	(21,259)	-
		-	44,184	-	-
	13 (e)	(302,141,668)	(328,746,021)	(800,070)	(860,061)
	13 (e)	290,144,906	317,211,025	449,925	570,285
	9(b)	(1,432,854)	(1,999,863)	-	-
	7(a)	(308,260)	(47,904)	-	-
		-	1,250	-	-
		279,569	264,883	-	-
		(13,865,543)	(13,502,999)	(371,404)	(289,776)
Cash Flows from Financing Activities					
		(263,087)	(73,880)	-	-
		(1,022,977)	(920,325)	(924,506)	(832,057)
		(1,286,064)	(994,205)	(924,506)	(832,057)
		(896,633)	107,766	(13,609)	9,340
Note A					
Reconciliation of Profit Before Tax with Net Cash Flows from Operating Activities					
		11,051,191	11,064,771	1,290,578	1,199,604
Adjustments for:					
	36	930,835	848,548	-	58
	7	143,029	83,616	-	-
		(5,413,346)	(3,741,654)	(35,560)	234
		137,322	(217,577)	-	-
		7,189,811	6,457,292	-	-
		153,727	476,312	-	-
		1,853,091	1,125,913	51,742	(57,585)
		(302,262)	(332,175)	-	-
		(149,694)	(10,516)	-	-
		33,324	(102,751)	-	-
		(878,076)	(400,438)	(24,459)	(11,139)
		(493,980)	(646,371)	-	-
		14,254,972	14,604,970	1,282,301	1,131,172
Note B					
		936,272	828,506	8,333	(1,007)
	Note C	39,639	936,272	(5,276)	8,333
		(896,633)	107,766	(13,609)	9,340
Note C					
	21	1,128,411	1,358,954	70,727	10,490
	26	(1,088,772)	(422,682)	(76,003)	(2,157)
		39,639	936,272	(5,276)	8,333

The notes on pages 99 through 191 form an integral part of the Financial Statements.

INSURANCE REVENUE ACCOUNT

For the Year Ended 31 December		Glossary	2019	2018	Change
	Item		Rs.'000	Rs.'000	%
Non - Life Insurance					
	Gross Written Premium	20	19,802,995	19,186,707	3.21
	Net Earned Premium	31	14,386,415	14,192,538	1.37
	Net Claims Incurred	36	(8,253,594)	(7,523,261)	9.71
	Underwriting and Net Acquisition Costs (Including Reinsurance)	2 & 44	(1,112,842)	(1,034,245)	7.60
	Underwriting Result	54	5,019,979	5,635,032	
	Other Operating, Investments Related and Administrative Expenses		(4,800,854)	(4,933,854)	(2.70)
	Investment and Other Income		1,605,967	1,686,768	(4.79)
	Interest Expense		(90,576)	(52,124)	73.77
	Profits From Operations After Interest Expense		1,734,516	2,335,822	(25.74)
Key Ratios Non - Life Insurance					
	Net Loss Ratio	33	57.37	53.01	(8.23)
	Net Expense Ratio	32	41.74	42.42	1.61
	Net Combined Ratio	30	99.11	95.43	(3.86)
Life Insurance					
	Gross Written Premium	19	18,718,553	17,812,774	5.08
	Net Written Premium (Net of Reinsurance Premium and Commission)	35	18,168,431	17,355,265	4.69
	Investment and Other Income Attributable to Policyholders		10,856,304	10,102,085	7.47
	Net Benefits Payable		(10,604,066)	(9,803,550)	8.17
	Increase in Long Term Insurance Fund		(7,189,811)	(6,457,292)	11.34
	Acquisition Cost	1	(1,962,792)	(1,926,454)	1.89
	Operating and Administrative Expenses Attributable to Policyholders		(4,414,501)	(4,228,218)	4.41
	Interest Expense		(41,090)	(17,268)	137.95
	Tax Expenses		(912,475)	(149,568)	510.07
	Surplus from Life Insurance Business	25	3,900,000	4,875,000	(20.00)
	Surplus From Life Insurance Business		3,900,000	4,875,000	(20.00)
	Investment & Other Income not Attributable to Policyholders		2,536,251	1,292,149	96.28
	Operating and Administrative Expenses not Attributable to Policyholders		864,292	843,732	2.44
	Interest Expenses		(1,080)	(3,060)	64.71
	Tax Expenses		(627,794)	(1,213,532)	48.27
	Profits From Operations After Interest Expense		6,671,669	5,794,289	15.14

The notes on pages 99 through 191 form an integral part of the Financial Statements.

NOTES TO THE FINANCIAL STATEMENTS

1 CORPORATE INFORMATION

1.1 General

Ceylinco Insurance PLC (the Company) is a public limited liability company incorporated and domiciled in Sri Lanka and its shares are publicly traded on the Colombo Stock Exchange. The registered office and the main place of business of the Company is located at No. 69, Janadhipathi Mawatha, Colombo 1. Additional corporate information is given on page 4.

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

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

1.2 Principal Activities and Nature of Operations

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

1.3 Ultimate Parent Company

The Company has no identified parent Company.

1.4 Date of Authorization for Issue

The Consolidated Financial Statements of Ceylinco Insurance PLC for the year ended 31 December 2019 were authorised for issue in accordance with a resolution of the Board of Directors on 2nd March 2020.

2 BASIS OF PREPARATION

2.1 Statement of Compliance

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

2.2 Basis of Measurement

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

- ↘ Investment property is measured at fair value
- ↘ Available for sale financial assets and financial assets at fair value through profit or loss are measured at fair value
- ↘ Land and buildings are stated at revalued amounts
- ↘ Defined benefit obligations are actuarially valued and recognised at present value of the defined benefit obligation
- ↘ The ultimate cost of outstanding claims (IBNR) of General Insurance business is estimated by using a

range of standard actuarial claims projection techniques, such as Chain Ladder and Bornheutter- ferguson methods.

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

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

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

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

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

2.3 Materiality & Aggregation

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

NOTES TO THE FINANCIAL STATEMENTS

2.4 Functional and Presentation Currency

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

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

2.5 Going Concern

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

2.6 Comparative information

The comparative information is consistently applied during the year.

2.7 Basis of Consolidation

2.7.1 Subsidiaries

Subsidiaries are entities controlled by the Group. The Consolidated Financial Statements comprise the financial statement of the Company and its subsidiaries as at 31 December 2019. Control is achieved when the Group is exposed or has the right to variable returns from its involvement with the investee and has the ability to affect those returns through its power over

the investee. Especially, the Group controls an investee if, and only if, the Group has:

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

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

1. The contractual agreement with the other vote holders of the investee
2. Rights arising from other contractual agreements
3. The Group's voting rights and potential voting rights

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

date the Group ceases to control the subsidiary. Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity while any resultant gain or loss is recognized in profit or loss. Any investment retained is recognized at fair value.

The consolidated financial statements comprise the financial statements of the Group as at 31 December each year. The financial statements of the subsidiaries are prepared for the same reporting year as the parent company, using consistent accounting policies. Losses within a subsidiary are attributed to the non-controlling interest even if this results in a deficit balance. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

Transactions Eliminated on Consolidation

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

Business Combination

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

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

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

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

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

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent

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

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

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

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

Where goodwill has been allocated to a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the

disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained

2.7.2 Associates (equity accounted investees)

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

The Group's investment in associates includes goodwill identified on acquisition, net of any accumulated impairment losses. The financial statements include the Group's share of the income and expenses and equity movements of equity accounted investees, after adjustments to align the accounting policies of the associate with those of the Group, from the date that significant influence commences until the date that significant influence ceases.

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

NOTES TO THE FINANCIAL STATEMENTS

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

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

3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies have been applied consistently to all periods presented in these financial statements of the Company and Group except for the policy changes raised due to adoption of SLFRS 16.

(a) Product Classification

Insurance contracts are those contracts when the Group (the insurer) has accepted significant insurance risk from another party (the policyholders) by agreeing to compensate the policyholders if a specified uncertain future event (the insured event) adversely affects the policyholders. As a general guideline,

the Group determines whether it has significant insurance risk, by comparing benefits paid with benefits payable if the insured event did not occur.

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

- ↳ Likely to be a significant portion of the total contractual benefits
- ↳ The amount or timing of which is contractually at the discretion of the issuer

That are contractually based on:

- ↳ The performance of a specified pool of contracts or a specified type of contract
- ↳ Realised and or unrealised investment returns on a specified pool of assets held by the issuer
- ↳ The profit or loss of the company, fund or other entity that issues the contract

(b) Deferred Acquisition Costs (DAC)

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

DAC for general insurance is amortised over the period in which the related revenues are earned. The reinsurers' share of deferred acquisition costs is amortised in the same manner as the underlying asset amortisation is recorded in the income statement. An impairment

review is performed at each reporting date or more frequently when an indication of impairment arises. When the recoverable amount is less than the carrying value an impairment loss is recognised in the income statement. DAC are also considered in the liability adequacy test for each reporting period. DAC are derecognised when the related contracts are either settled or disposed of.

(c) Intangible Assets

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

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

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

category consistent with the function of the intangible asset. The estimated useful lives for the current and comparative periods are as follows:

Item	Useful Life
Computer software	03 - 05 Years
Leasehold rights	15 years

Intangible assets with infinite useful lives are tested for impairment annually either individually or at the cash generating unit level. Such intangibles are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is made on a prospective basis. Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the income statement when the asset is derecognised.

(d) Segment Reporting

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

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

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

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

(e) Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial Assets

Initial recognition and measurement

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

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

The classification depends on the purpose for which the investments were acquired or originated. Financial assets are classified as at fair value through profit or loss where the Group's documented investment strategy is to manage

financial investments on a fair value basis, because the related liabilities are also managed on this basis. The available-for-sale and held to maturity categories are used when the relevant liability (including shareholders' funds) is passively managed and/or carried at amortised cost.

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

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

Subsequent measurement

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

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and those designated upon initial recognition at fair value through profit or loss. Investments typically bought with the intention to sell in the near future are classified as held for trading.

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

The Group evaluated its financial assets at fair value through profit and loss (held for trading) whether the intent to sell them in the near term

NOTES TO THE FINANCIAL STATEMENTS

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

Available-for-sale financial assets

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

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

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

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

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

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

Loans and other receivables

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

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

Held to maturity financial assets

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

These investments are initially recognised at cost, being the fair value of the consideration paid for the acquisition of the investment. All transaction costs directly attributable to the acquisition are also included in the cost of the investment. After initial measurement, held to maturity financial assets are measured at amortised cost, using the EIR method, less impairment. Gains and losses are recognised in the income statement when the investments are derecognised or impaired, as well as through the amortization process.

Derecognition of financial assets

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

- ↳ The rights to receive cash flows from the asset have expired

↳ The Group retains the right to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either:

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

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

(f) Impairment of Financial Assets

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

A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, defaulter

delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

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

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

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

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

Future cash flows on a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions on

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which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently. Estimates of changes in future cash flows reflect, and are directionally consistent with, changes in related observable data from year to year (such as changes in unemployment rates, property prices, commodity prices, payment status, or other factors that are indicative of incurred losses in the group and their magnitude). The methodology and assumptions used for estimating future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

Available-for-sale financial investments

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

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

increases in their fair value after impairment are recognised directly in other comprehensive income.

In the case of debt instruments classified as available-for-sale, impairment is assessed based on the same criteria as financial assets carried at amortized cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortized cost and the current fair value, less any impairment loss on that investment previously recognised in the income statement. Future interest income continues to be accrued based on the reduced carrying amount of the asset and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income. If, in a subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the income statement, the impairment loss is reversed through the income statement.

(g) Offsetting of Financial Instruments

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

(h) Fair Value of Financial Instruments

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

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

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

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

(i) **Reinsurance**

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

The Group also assumes reinsurance risk in the normal course of business for life insurance and non-life insurance contracts where applicable. Premiums and claims on assumed reinsurance are recognised as revenue or expenses in the same manner as they would be if the reinsurance were considered direct business, taking into account the product classification of the reinsured business. Reinsurance liabilities represent balances due to reinsurance companies. Amounts payable are estimated in a manner consistent with the related reinsurance contract.

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

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

If a reinsurance asset is impaired, the Group reduces the carrying amount accordingly and is recognized in income statement. A reinsurance asset is impaired if there is objective evidence, as a result of an event that occurred after the initial recognition of the reinsurance asset, that the

Group may not receive all amounts due to it under the terms of the contract, and the event has a reliably measurable impact on the amount that the company will receive from the re-insurer.

(j) **Insurance Receivables**

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

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

(k) **Taxes**

↳ **Income Tax**

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

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

The Inland Revenue Act No. 24 of 2017 and amendments thereto are applied in determining the taxable

income/loss of the Company and its subsidiaries.

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

↳ **Deferred Tax**

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

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

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

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

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

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

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

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. Unrecognized deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside income statement is recognised outside

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

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

Sales Taxes and Premium Taxes

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

↘ Where the sales or premium tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable.

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

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

(I) Investment Properties

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

servicing of an investment property. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair values of investment properties are included in the income statement in the year in which they arise.

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

Investment properties are derecognised either when they have been disposed of, or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in the income statement in the year of retirement or disposal.

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

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

(m) Investment in Subsidiaries

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

(n) Investments in Associates

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

(o) Property, Plant and Equipment

(i) Recognition and Measurement

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

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

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

(ii) Subsequent Costs

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount

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

(iii) Depreciation

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

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

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

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

(iv) Revaluations

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

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

(v) De-recognition

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

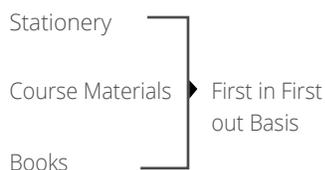
(p) Other Assets

(a) Inventories

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

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



(q) Impairment of Non-Financial Assets

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

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

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

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

used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognised.

(r) Cash and Cash Equivalents

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

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

(s) Leasing (Policy applicable as of 1st January 2019)

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

i) Group as a lessee

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

ii) Right-of-use assets

The Group recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost,

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

- Buildings 2 to 5 years

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

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

iii) Lease liabilities

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

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

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

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

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

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

(v) Group as a lessor

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

(vi) Leases (policy applicable before 1 January 2019)

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

(t) Foreign Currency Transactions

Transactions in foreign currencies are translated to the functional currency of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at the date. The foreign currency gain or loss on monetary items is the difference between the cost in the functional currency at the beginning of the period adjusted for payments during the period and the cost in the foreign currency translated at the exchange

rate at the end of the period. Foreign currency differences arising on retranslation is recognised in income statement. The Group's consolidated financial statements are presented in Sri Lankan rupees which is also the parent company's functional currency and items included in the financial statements of each entity are measured using that functional currency.

(i) Transactions and Balances

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

All differences are taken to the income statement.

(ii) Group Companies

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

(u) Life Insurance Contract Liabilities

These liabilities are calculated as the total of best estimate liability and a risk margin for adverse deviation. The best estimate liabilities are measured by using the gross premium method. The liability is determined as the sum of the discounted value of the

NOTES TO THE FINANCIAL STATEMENTS

expected future benefits, claims handling and policy administration expenses, policyholder options and guarantees, investment income from assets backing such liabilities and investment management expenses, which are directly related to the contract, less the discounted value of the expected premiums that would be required to meet the future cash outflows, based on the valuation assumptions used, charges and fees. Adjustments to the liabilities at each Reporting date are recorded in the Income Statement in 'Increase in life insurance contract liabilities.

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

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

(v) **Non-life Insurance Contract Liabilities**

Non-life insurance contract liabilities include the outstanding claims provision, the provision for unearned premium and the provision for premium deficiency. The outstanding claims provision is based on the estimated ultimate cost of all claims incurred but not settled at the reporting date, whether reported or not, together with related claims handling costs and reduction for the expected value of salvage and other recoveries. Delays can be experienced in the notification and settlement of certain types of claims, therefore the ultimate cost of these cannot be known with certainty at the reporting date. The liability is calculated at the reporting date

using a range of standard actuarial claim projection techniques, based on empirical data and current assumptions that may include a margin for adverse deviation. The liability is not discounted for the time value of money. No provision for equalisation or catastrophe reserves is recognised. The liabilities are derecognised when the obligation to pay a claim expires, is discharged or is cancelled.

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

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

(w) **Financial Liabilities – Initial Recognition and Subsequent Measurement**

Initial recognition and measurement

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

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

Subsequent measurement

The subsequent measurement of financial liabilities as follows:

Interest bearing loans and borrowings

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

Derecognition of financial liabilities

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

(x) **Insurance payables**

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

Derecognition insurance payables

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

<p>(y) Provisions-General</p> <p>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.</p>	<p>↘</p> <p>The date that the Group recognises restructuring- related costs</p> <p>The defined benefit asset or liability comprises the present value of the defined benefit obligation less the fair value of plan assets out of which the obligations are to be settled directly.</p> <p>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.</p>	<p>(bb) Short-Term Benefits</p> <p>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.</p>
<p>(z) Defined Contribution Plans</p> <p>A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions (%) into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to a defined contribution pension plan are recognised as an employee benefit expense in income statement when they are due.</p>	<p>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.</p>	<p>(cc) Stated Capital</p> <p>The Group has issued ordinary shares that are classified as equity. Incremental external costs that are directly attributable to the issue of these shares are recognised in equity, net of tax.</p>
<p>(aa) Pensions and Other Post-Employment Benefits</p> <p>The Group operates a defined benefit pension plan, which requires contributions to be made to a separately administered fund. The cost of providing benefits under the defined benefit plan is determined separately using the projected unit credit valuation method. Actuarial gains and losses are recognised immediately in the statement of financial position with a corresponding debit or credit to retained earnings through other comprehensive income in the period in which they occur. Re-measurements are not reclassified to income statement in subsequent periods.</p> <p>Past service costs are recognised in income statement on the earlier of:</p>	<p>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.</p> <p>Actuarial gains and losses for the defined benefit plans are recognised in full in the period in which they occur in other comprehensive income.</p> <p>However, according to the Payment of Gratuity Act No. 12 Of 1983, the liability for gratuity payments to an employee arises on the completion of five years of continued service with the Company. The provision is externally funded.</p>	<p>(dd) Dividends on Ordinary Share Capital</p> <p>Interim dividends are deducted from equity when they are paid. Dividends for the year that are approved after the reporting date are dealt with as an event after the reporting date.</p>
<p>↘</p> <p>The date of the plan amendment or curtailment, and</p>		<p>(ee) Earnings Per Share</p> <p>Basic earnings per share amounts is calculated by dividing the net profit for the year attributable to ordinary shareholders of the parent by the weighted average number of ordinary shares outstanding at the reporting date.</p>
		<p>(ff) Gross Written Premium</p> <p>(1.) Non Life Insurance</p> <p>Gross written premium is generally recognised as written upon inception of the policy. Upon inception of the contract, premiums are recorded as written and are earned primarily on a pro-rata basis over the term of the related policy coverage. However, for those contracts for which the period of risk differs significantly</p>

NOTES TO THE FINANCIAL STATEMENTS

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

(2.) **Life Insurance**

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

(gg) **Reinsurance Premium**

(1.) **Non Life Insurance**

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

(2.) **Life Insurance**

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

(hh) **Unearned Premiums- Non Life Insurance**

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

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

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

(ii) **Revenue from Other Operations**

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

(1) **Healthcare Segment**

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

(2) **Services**

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

(3) **Power Generation**

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

(4) **Education**

Revenue from rendering of services is recognised when control of the services is transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services.

Income from relevant services are recognised as an income on periodic basis over time. Income from services relate to future periods are shown in the statement of financial position under other liabilities.

(jj) **Acquisition Costs**

(1.) **Non Life Insurance**

Acquisition costs, representing commissions, which vary with and are directly related to the production of business are deferred and amortised over the period in which the related written premiums are earned. Reinsurance commission is also treated in the same manner within deferred acquisition costs.

(2.) **Life Insurance**

Commission Expense is charged to the period in which it's incurred. Commission payable on accrued premium is recognised to the extent that these costs are recoverable out of future premiums. All expenses vary with, and are primarily related to, the acquisition of new insurance contracts.

(kk) **Claims**

(1.) **Non Life Insurance**

Claims expenses and liabilities for outstanding claims are recognised in respect of direct and inwards reinsurance business. The liability covers claims reported but not yet paid, incurred but not reported claims ("IBNR") and the anticipated direct and indirect costs of settling those claims. Claims outstanding are assessed by review of individual claim files estimating changes in the ultimate cost of settling claim. The provision in respect of IBNR & IBNER (Incurred But Not Enough Reported) are actuarially valued to ensure a more realistic estimation of the future liability based on the past experience and trends.

Actuarial valuation is performed on an annual basis.

While the Directors consider that the provision for claims is fairly stated on the basis of information currently available, the ultimate liability will vary as a result of subsequent information and events. This may result in adjustments to the amounts provided. Such amounts are reflected in the financial statements for estimates of that period. The methods used and the estimates made are reviewed regularly.

(2.) Life Insurance

Gross benefits and claims for life insurance contracts include the cost of all claims arising during the year, including internal and external claims handling costs that are directly related to the processing and settlement of claims and policyholder bonuses. Death claims and surrenders are recorded on the basis of notifications received. Maturities, annuity payments and interim payments are recorded when due.

(3.) Reinsurance on Claims

Reinsurance on claims are recognised when the related gross insurance claim is recognised according to the terms of the relevant contract.

(II) Other Income

(1.) Rental Income

Rental income from property is recognised in income statement on a straight-line basis over the term of the lease.

(2.) Fees and Commission Income

Insurance contract policyholders are charged for policy administration services, surrenders and other contract fees. These fees are

recognised as revenue when the related services are performed.

(3.) Investment Income

Interest income is recognised in the income statement as it accrues and is calculated by using the effective interest rate method.

Investment income also includes dividend income which is recognised when the right to receive payment is established. For listed securities, this is the date the security is listed as ex dividend.

(4.) Realised Gains and Losses

Realized gains and losses recorded in the income statement on investments include gains and losses on sale of financial assets. Gains and losses on the sale of investments are calculated as the difference between net sales proceeds and the original or amortized cost and are recorded on occurrence of the sale transaction.

(5.) Net fair value Gains and Losses

Net fair value gains and losses recorded in the income statement include gains and losses on fair valuation of investment properties and gain and losses on financial assets at fair value through P&L.

(mm) Finance Cost

Finance cost is recognised as expenditure in the period in which they are incurred. However, finance costs are directly attributable to the acquisition, construction or production of assets that take a substantial period of time to get ready for its intended use or sale, are capitalized as part of the assets.

(nn) Cash Flow Statement

The cash flow statement has been prepared using the "direct method".

3.1 New and amended standards and interpretations

The Group applied SLFRS 16 Leases for the first time. The nature and effect of the changes as a result of adoption of this new accounting standard is described below.

Several other amendments and interpretations apply for the first time in 2019, but do not have an impact on the financial statements of the Group. The Group has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

(a) SLFRS 16 Leases

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 recognize most leases on the balance sheet.

The Group adopted SLFRS 16 using the modified retrospective method of adoption, with the date of initial application of 1 January 2019. The Group elected to use the transition practical expedient to not reassess whether a contract is, or contains, a lease at 1 January 2019. Instead, the Group applied the standard only to contracts that were previously identified as leases applying LKAS 17 and IFRIC 4 at the date of initial application.

The Group recognised lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

NOTES TO THE FINANCIAL STATEMENTS

(b) *IFRIC Interpretation 23 Uncertainty over Income Tax Treatment*

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of LKAS 12 Income Taxes. It does not apply to taxes or levies outside the scope of LKAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The Interpretation specifically addresses the following:

- ↘ Whether an entity considers uncertain tax treatments separately
- ↘ The assumptions an entity makes about the examination of tax treatments by taxation authorities
- ↘ How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- ↘ How an entity considers changes in facts and circumstances

The Group determines whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments and uses the approach that better predicts the resolution of the uncertainty.

The Group applies significant judgement in identifying uncertainties over income tax treatments.

Upon adoption of the Interpretation, the Group considered whether it has any uncertain tax positions, particularly those relating to exemption claim on taxable profit. The Group determined, based on its tax compliance and self study, that it is probable that its tax treatments

(including those for the subsidiaries) will be accepted by the taxation authorities. The Interpretation did not have material impact on the financial statements of the Group.

3.2 Use of Judgments Estimates and Assumptions

The preparation of financial statements in conformity with Sri Lanka Accounting Standards (LKAS and SLFRS) requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about the carrying amount of assets and liabilities that are not readily apparent from other sources.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements is included in the following notes:

Critical Accounting Judgments, Estimates and Assumptions	Disclosure Note	Reference Page
Unearned premium and deferred acquisition cost	24.(b) & 8	159 & 123
Life Insurance contract liabilities	23.(a)	156
Reserve for gross outstanding claims	24.(a)	158
Valuation of investment property	11	132
Leases - Estimating the incremental borrowing rate and determining the lease term of contracts with renewal and termination options	10	131
Deferred tax	18.(b)	153
Measurement of defined benefit obligation	14	145
Revaluation of Land & Building	9	124

4. STANDARDS ISSUED BUT NOT YET EFFECTIVE

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's financial statements are disclosed below. The Group intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

SLFRS 9 Financial Instruments

SLFRS 9 replaces the existing guidance in LKAS 39 Financial Instruments: recognition and Measurement. SLFRS includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from LKAS 39. SLFRS 9 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted.

The Group meets the eligibility criteria of the temporary exemption from SLFRS 9 and intend to defer the application of SLFRS 9 until annual reporting periods beginning on or after 1 January 2021.

IFRS 17 Insurance Contracts

In 8th January 2020, the Accounting Standard Committee, the Institute of Chartered Accountants of Sri Lanka issued IFRS 17 Insurance Contracts (IFRS 17), a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. IFRS 17 will replace IFRS 4 Insurance Contracts (IFRS 4) that was issued in 2005. IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features.

A few scope exceptions will apply. The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in which are largely based on grandfathering previous local accounting policies, IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of IFRS 17 is the general model, supplemented by:

- ↘ A specific adaptation for contracts with direct participation features (the variable fee approach)
- ↘ A simplified approach (the premium allocation approach) mainly for short-duration contracts

IFRS 17 is effective for reporting periods beginning on or after 1 January 2021, with comparative figures required. Early application is permitted, provided the entity also applies IFRS 9 and IFRS 15 on or before the date it first applies IFRS 17. The Group is currently in the process of evaluating the accounting impact and prevailing system and processes will be modified if necessary.

5. SEGMENT INFORMATION

The Group's internal organisation and management are structured based on individual products and services which are similar in nature and process and where the risks and returns are similar. The Operating Segments represent this business structure.

For management purposes, the Group is organised into business units based on their products and services and has following reportable operating segments as follows:

- ↘ The life insurance segment offers a wide range of whole life products, endowment products, term products, universal life products and mortgage protection products.
- ↘ The non-life insurance segment comprises of products namely motor, fire, engineering, marine, employers' liability and miscellaneous.
- ↘ Healthcare segment includes Healthcare centre for Cancer Screening, Radiation Treatment units and Diabetes Centre.
- ↘ Maldives Foreign operations- this segment offers non-life insurance products in Maldives.
- ↘ Education Services segment includes primary, secondary, high education courses through various subsidiary companies.
- ↘ Power generation segment business is to generate and distribute hydro power to the national grid.
- ↘ Other segment includes investment holding, associate business, investment management & hotel services.

Transaction between operating segments are set on an arm's length basis in a manner similar to transactions with third parties. Segment income, expenses and results will include those transfers between business segments which will then be eliminated on consolidation.

NOTES TO THE FINANCIAL STATEMENTS

5. SEGMENT INFORMATION

Segment Income Statement For The Year Ended 31 December 2019	Life Insurance		Non-life Insurance		Education	Healthcare	Generation	Power	Other Operations	Adjustments and Eliminations		Total
	Rs.'000	Rs.'000	Domestic Rs.'000	Foreign Rs.'000						Rs.'000	Rs.'000	
Gross Premium	18,718,553	19,802,995	1,696,343		-	-	-	-	-	-	-	40,217,891
Premium Ceded to Reinsurers	(550,122)	(5,477,019)	(1,587,772)		-	-	-	-	-	-	-	(7,614,913)
Change in Reserve for Unearned Premium	-	60,439	8,904		-	-	-	-	-	-	-	69,343
Net Premium	18,168,431	14,386,415	117,475		320,038	2,904,773	423,295	124,205	(15,781)	(15,781)	(15,781)	3,756,530
Revenue from Non Insurance Subsidiaries												
Fees and Commission Income	177,935	726,094	141,108		-	-	-	-	-	(2,400)	(2,400)	1,042,737
Investment Income	12,700,887	1,390,946	27,843		63,249	217,769	11,107	1,439,308	(1,314,414)	(1,314,414)	(1,314,414)	14,536,695
Realised Gains	237,602	215,021	-		-	9,360	14,232	(3,163)	(126,908)	(126,908)	(126,908)	346,144
Fair Value Gains and Losses	276,130	-	-		472	-	-	-	(91,161)	(91,161)	(91,161)	185,441
Other Revenue & Revenue from Non Insurance Subsidiaries	13,392,554	2,332,061	168,951		383,759	3,131,902	448,634	1,560,350	(1,550,664)	(1,550,664)	(1,550,664)	19,867,547
Segment Revenue	31,560,985	16,718,476	286,426		383,759	3,131,902	448,634	1,560,350	(1,550,664)	(1,550,664)	(1,550,664)	52,539,868
Gross Benefits and Claims Paid	(10,769,988)	(10,682,651)	(223,431)		-	-	-	-	-	-	-	(21,676,070)
Claims Ceded to Reinsurers	165,923	2,764,153	193,476		-	-	-	-	-	-	-	3,123,552
Gross Change in Contract Liabilities	(7,189,811)	(250,988)	61,532		-	-	-	-	-	-	-	(7,379,267)
Change in Contract Liabilities Ceded to Reinsurers	-	(84,108)	(55,477)		-	-	-	-	-	-	-	(139,585)
Cost of Sales - Non Insurance Subsidiaries	-	-	-		(196,680)	(818,182)	(62,985)	(80,199)	-	-	-	(1,158,046)
Net Benefits and Claims & Cost of Sales - Non Insurance Subsidiaries	(17,793,876)	(8,253,594)	(23,900)		(196,680)	(818,182)	(62,985)	(80,199)	-	-	-	(27,229,416)
Acquisition Cost	(1,962,792)	(1,838,936)	(66,765)		-	-	-	-	-	-	-	(3,868,493)
Other Operating and Administrative Expenses	(3,550,209)	(4,800,854)	(146,745)		(134,458)	(1,673,254)	(145,362)	(154,587)	9,327	(10,596,142)	9,327	(10,596,142)
Finance Costs	(42,170)	(90,576)	(1,548)		(12,341)	(115,081)	(40,755)	(1,916)	15,781	(288,606)	15,781	(288,606)
Other Expenses	(5,555,171)	(6,730,366)	(215,058)		(146,799)	(1,788,335)	(186,117)	(156,503)	25,108	(14,753,241)	25,108	(14,753,241)
Segment Benefits, Claims and Other Expenses	(23,349,047)	(14,983,960)	(238,958)		(343,479)	(2,606,517)	(249,102)	(236,702)	25,108	(41,982,657)	25,108	(41,982,657)
Share of Profit of Associates	-	-	-		-	-	-	493,980	-	-	-	493,980
Profit Before Taxation	8,211,938	1,734,516	47,468		40,280	525,385	199,532	1,817,628	(1,525,556)	(1,525,556)	(1,525,556)	11,051,191
Taxation	(1,540,269)	(357,394)	(11,255)		(4,815)	(33,909)	(3,193)	(35,388)	(281,880)	(281,880)	(281,880)	(2,268,103)
Profit After Taxation	6,671,669	1,377,122	36,213		35,465	491,476	196,339	1,782,240	(1,807,436)	(1,807,436)	(1,807,436)	8,783,088

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

5. SEGMENT INFORMATION CONTD.

Segment Income Statement For The Year Ended 31 December 2018	Life				Non-life Insurance				Adjustments and								
	Insurance		Domestic		Foreign		Healthcare		Education		Power Generation		Other Operations		Eliminations		Total
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000		
Gross Premium	17,812,774	19,186,707	1,162,063	-	-	-	-	-	-	-	-	-	-	-	-	-	38,161,544
Premium Ceded to Reinsurers	(457,509)	(4,716,483)	(1,045,052)	-	-	-	-	-	-	-	-	-	-	-	-	-	(6,219,044)
Change in Reserve for Unearned Premium	-	(277,686)	24,286	-	-	-	-	-	-	-	-	-	-	-	-	-	(253,400)
Net Premium	17,355,265	14,192,538	141,297	-	-	-	-	-	-	-	-	-	-	-	-	-	31,689,100
Revenue from Non Insurance Subsidiaries	-	-	-	361,646	2,616,395	406,449	96,133	(17,970)	3,462,653	-	-	-	-	-	-	-	-
Fees and Commission Income	139,251	681,060	113,561	-	-	-	-	-	(12,561)	921,311	-	-	-	-	-	-	-
Investment Income	10,951,813	1,535,697	29,905	74,819	247,426	9,484	1,298,651	(1,157,831)	12,989,964	-	-	-	-	-	-	-	-
Realised Gains	195,068	151,071	-	-	2,229	-	-	-	348,368	-	-	-	-	-	-	-	-
Fair Value Gains and Losses	108,102	-	-	-	-	3,524	-	(97,586)	14,040	-	-	-	-	-	-	-	-
Other Revenue & Revenue from Non Insurance Subsidiaries	11,394,234	2,367,828	143,466	436,465	2,866,050	419,457	1,394,784	(1,285,948)	17,736,336	-	-	-	-	-	-	-	-
Segment Revenue	28,749,499	16,560,366	284,763	436,465	2,866,050	419,457	1,394,784	(1,285,948)	49,425,436	-	-	-	-	-	-	-	-
Gross Benefits and Claims Paid	(9,997,299)	(9,454,561)	(291,220)	-	-	-	-	-	11,416	(19,731,664)	-	-	-	-	-	-	-
Claims Ceded to Reinsurers	193,749	2,033,027	261,134	-	-	-	-	-	2,487,910	-	-	-	-	-	-	-	-
Gross Change in Contract Liabilities	(6,457,292)	24,526	(178,458)	-	-	-	-	-	(6,611,224)	-	-	-	-	-	-	-	-
Change in Contract Liabilities Ceded to Reinsurers	-	(126,253)	144,337	-	-	-	-	-	18,084	-	-	-	-	-	-	-	-
Cost of Sales - Non Insurance Subsidiaries	-	-	-	(139,799)	(664,808)	(68,128)	(60,909)	-	(933,644)	-	-	-	-	-	-	-	-
Net Benefits and Claims & Cost of Sales - Non Insurance Subsidiaries	(16,260,842)	(7,523,261)	(64,207)	(139,799)	(664,808)	(68,128)	(60,909)	11,416	(24,770,538)	-	-	-	-	-	-	-	-
Acquisition Cost	(1,926,454)	(1,715,305)	(34,604)	-	-	-	-	-	(3,676,363)	-	-	-	-	-	-	-	-
Other Operating and Administrative Expenses	(3,384,487)	(4,933,854)	(169,964)	(168,703)	(1,509,031)	(135,995)	(109,286)	22,073	(10,389,247)	-	-	-	-	-	-	-	-
Finance Costs	(20,328)	(52,124)	-	-	(68,882)	(44,172)	(3,352)	17,970	(170,888)	-	-	-	-	-	-	-	-
Other Expenses	(5,331,269)	(6,701,283)	(204,568)	(168,703)	(1,577,913)	(180,167)	(112,638)	40,043	(14,236,498)	-	-	-	-	-	-	-	-
Segment Benefits, Claims and Other Expenses	(21,592,111)	(14,224,544)	(268,775)	(308,502)	(2,242,721)	(248,295)	(173,547)	51,459	(39,007,036)	-	-	-	-	-	-	-	-
Share of Profit of Associates	-	-	-	-	-	-	646,371	-	646,371	-	-	-	-	-	-	-	-
Profit Before Taxation	7,157,389	2,335,822	15,988	127,963	623,329	171,162	1,867,608	(1,234,489)	11,064,771	-	-	-	-	-	-	-	-
Taxation	(1,363,100)	(550,942)	(5,732)	(72,887)	(113,788)	(68,428)	(29,399)	(195,043)	(2,399,319)	-	-	-	-	-	-	-	-
Profit After Taxation	5,794,289	1,784,880	10,256	55,076	509,541	102,734	1,838,209	(1,429,532)	8,665,452	-	-	-	-	-	-	-	-

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

NOTES TO THE FINANCIAL STATEMENTS

5. SEGMENT INFORMATION CONTD.

Segment Statement of Financial Position at 31 December 2019	Life Insurance		Non-life Insurance		Healthcare Rs.'000	Education Rs.'000	Generation Rs.'000	Power Rs.'000	Other Operations Rs.'000	Adjustments and Eliminations		Total Rs.'000				
	Rs.'000	Rs.'000	Rs.'000	Rs.'000						Rs.'000	Rs.'000		Rs.'000	Rs.'000	Rs.'000	Rs.'000
Intangible Assets (Incl. Goodwill)	349,627	37,971	-	253	191,680	-	-	-	-	-	-	579,531				
Property, Plant & Equipment	9,171,436	4,166,169	5,148	693,747	4,957,216	1,487,911	19,489	1,575,202	19,489	1,575,202	-	22,076,318				
Investment Property	2,470,992	133,000	-	-	-	-	153,333	(1,575,202)	153,333	(1,575,202)	-	1,182,123				
Investment in Associates	807,672	-	-	-	-	-	3,277,485	117,455	3,277,485	117,455	-	4,202,612				
Investments in Subsidiaries	1,086,000	-	-	-	-	-	15,986,822	(17,072,822)	15,986,822	(17,072,822)	-	-				
Financial Instruments	112,554,139	12,355,529	544,945	421,815	652,441	19,414	3,398,564	(357,582)	3,398,564	(357,582)	-	129,589,265				
Reinsurance Assets	273,408	2,965,845	299,121	-	-	-	-	-	-	-	-	3,538,374				
Insurance/Trade Receivables	275,381	4,862,524	855,520	9,808	296,161	250,670	77,359	(65,339)	77,359	(65,339)	-	6,550,064				
Other Assets	6,470,246	4,065,462	251,191	34,658	1,167,465	180,713	1,835,354	(17,378,288)	180,713	(17,378,288)	-	12,181,753				
Total Assets	133,458,901	28,586,500	1,955,925	1,160,281	7,264,963	1,835,354	23,016,406	(17,378,288)	23,016,406	(17,378,288)	(918,305)	179,900,040				
Insurance Contract Liabilities	95,932,662	12,089,210	445,175	-	-	-	-	-	-	-	-	107,548,742				
Other Liabilities	6,034,169	4,799,698	1,120,056	166,834	2,832,872	463,188	1,492,061	62,311	1,492,061	62,311	-	16,971,189				
Total Liabilities	101,966,831	16,888,908	1,565,231	166,834	2,832,872	463,188	1,492,061	(855,994)	1,492,061	(855,994)	(855,994)	124,519,931				

Segment Statement of Financial Position at 31 December 2018	Life Insurance		Non-life Insurance		Healthcare Rs.'000	Education Rs.'000	Generation Rs.'000	Power Rs.'000	Other Operations Rs.'000	Adjustments and Eliminations		Total Rs.'000				
	Rs.'000	Rs.'000	Rs.'000	Rs.'000						Rs.'000	Rs.'000		Rs.'000	Rs.'000	Rs.'000	Rs.'000
Intangible Assets (Incl. Goodwill)	37,358	63,036	-	-	196,766	-	-	-	-	-	-	297,160				
Property, Plant & Equipment	7,567,806	3,774,829	2,105	752,027	3,998,637	1,508,482	27,809	1,295,139	27,809	1,295,139	-	18,926,834				
Investment Property	2,304,492	133,000	-	-	-	-	153,332	(1,420,763)	153,332	(1,420,763)	-	1,170,061				
Investment in Associates	457,370	-	-	-	-	-	2,773,454	73,306	2,773,454	73,306	-	3,304,130				
Investments in Subsidiaries	1,086,000	-	-	-	-	-	15,965,563	(17,051,563)	15,965,563	(17,051,563)	-	-				
Financial Instruments	99,897,074	11,753,951	337,548	646,593	310,467	28,610	3,086,326	(294,754)	3,086,326	(294,754)	-	115,765,815				
Reinsurance Assets	269,175	3,049,953	356,568	-	-	-	-	-	-	-	-	3,675,696				
Insurance/Trade Receivables	268,334	5,132,522	532,868	6,943	335,598	117,210	57,351	(12,262)	57,351	(12,262)	-	6,393,475				
Other Assets	6,171,771	3,991,738	452,498	16,170	596,882	125,140	1,779,442	(17,410,897)	1,779,442	(17,410,897)	-	11,399,288				
Total Assets	118,059,380	27,899,029	1,681,587	1,421,733	5,438,350	1,779,442	22,063,835	(17,410,897)	22,063,835	(17,410,897)	(918,305)	160,932,459				
Insurance Contract Liabilities	88,568,897	11,898,662	518,501	-	-	-	-	-	-	-	-	100,986,060				
Other Liabilities	3,064,900	4,855,044	765,142	463,650	2,137,084	514,745	1,402,484	12,634	1,402,484	12,634	-	12,297,378				
Total Liabilities	91,633,797	16,753,706	1,283,643	463,650	2,137,084	514,745	1,402,484	(905,671)	1,402,484	(905,671)	(905,671)	113,283,438				

5. (a) Summarized information of Material Partly- Owned Subsidiaries

	Energy Lanka Holdings Rs.'000	CEG Education Holdings Rs.000'
Summarized Income Statement for the year ended 31st December 2019		
Revenue	448,634	3,131,902
Cost of Sale	(62,985)	(818,182)
Administrative Expenses	(145,362)	(1,673,254)
Finance Cost	(40,755)	(115,081)
Profit Before Tax	199,532	525,385
Profit for the year from Continuing Operation		
Total Comprehensive Income	196,412	1,334,522
Attributable to Non-Controlling Interests	4,953	591,727
Dividends paid to Non-Controlling Interests	2,036	85,232
Summarized Income Statement for the year ended 31st December 2018		
Revenue	419,457	2,866,050
Cost of Sale	(68,128)	(664,808)
Administrative Expenses	(135,995)	(1,509,031)
Finance Cost	(44,172)	(68,882)
Profit Before Tax	171,162	623,329
Profit for the Year from Continuing Operation		
Total Comprehensive Income	98,736	519,358
Attributable to Non-Controlling Interests	3,193	255,648
Dividends paid to Non-Controlling Interests	(3,059)	(75,912)
Summarized Statement of Financial Position as at 31 December 2019		
Current Assets	347,443	1,680,516
Non-Current Assets	1,487,911	5,584,447
Current Liabilities	182,790	1,876,316
Non-Current Liabilities	280,398	956,556
Total Equity	1,346,443	3,697,225
Summarized Statement of Financial Position as at 31 December 2018		
Current Assets	270,608	1,439,713
Non-Current Assets	1,508,834	3,998,637
Current Liabilities	213,958	1,617,008
Non-Current Liabilities	300,787	520,076
Total Equity	1,241,891	2,657,305
Please refer Note 39 for details of Non-Controlling Interest		
Summarized Statement of Cash Flows information for the year ended 31 December 2019		
Operating Cash Flow	111,119	769,506
Investing Cash Flow	(10,308)	(491,559)
Financing Cash Flow	(102,488)	(300,983)
Net Increase / (Decrease) In Cash and Cash Equivalents	(1,677)	(23,036)
Summarized Statement of Cash Flows information for the year ended 31 December 2018		
Operating Cash Flow	155,509	755,768
Investing Cash Flow	(4,616)	(579,835)
Financing Cash Flow	(132,547)	(99,081)
Net Increase / (Decrease) In Cash and Cash Equivalents	18,346	76,852

NOTES TO THE FINANCIAL STATEMENTS

6. GOODWILL

	Group	
	2019	2018
	Rs.'000	Rs.'000
Cost		
At 1 January	188,057	188,057
At 31 December	188,057	188,057
Accumulated Impairment		
At 1 January	6,753	6,753
Impairment during the year	-	-
At 31 December	6,753	6,753
Carrying Amount		
At 31 December	181,304	181,304

The amount represents Goodwill reflected in the CEG Education Holdings (Pvt) Ltd which is included under Education Segment.

The Group performs its annual impairment test as at 31 December of each financial year. The Group considers the net assets position and future cashflows of each operating segment when assessing the recoverable amount. As at 31 December 2019, there were no potential impairment of goodwill except Net Assist International (Pvt) Ltd for which provision has been made in 2015.

Accounting Judgments, Estimates and Assumptions

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use (VIU). The fair value less costs to sell calculation is based on available data from an active market, in an arm's length transaction, of similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance of the cash generating unit being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows and the growth rate used for extrapolation purposes.

7. OTHER INTANGIBLE ASSETS/LEASEHOLD RIGHT

	Note	Group		Total Rs.'000
		Lease Hold Right Rs.'000	Computer Software & License Rs.'000	
Cost				
At 1 January 2019		9,250	652,453	661,703
Cost Capitalised		-	425,048	425,048
At 31 December 2019		9,250	1,077,501	1,086,751
Accumulated Amortisation and Impairment				
At 1 January 2019		8,898	536,597	545,495
Amortisation During the Period	36	352	142,677	143,029
At 31 December 2019		9,250	679,274	688,524
Carrying Amount				
At 1 January 2019		352	115,856	116,208
At 31 December 2019		-	398,227	398,227

7. (a) Acquisition of Other Intangible Assets during the year

During the financial year, the Group acquired/capitalised Intangible Assets (Computer Software & License) to the aggregate value of Rs. 425,048,000 (2018 - 47,904,000). Cash payments amounting to Rs. 308,260,000 (2018 - 47,904,000) were made during the year for purchase of Intangible assets (Computer Software & License).

7. (b) Title Restriction on Other Intangible Assets

There are no restrictions that existed on the title of the intangible assets as at the reporting date.

7. (c) Assessment of Impairment of Intangible Assets

The Board of Directors has assessed potential impairment indicators of Intangible Assets as at 31st December 2019. Based on the assessment, no impairment indicators were identified.

7. (d) Capitalisation of Borrowing Costs

There were no capitalised borrowing costs related to the acquisition of Intangible Assets during the year (2018 - Nil)

7. (e) Fully amortized intangible assets in use

Intangible assets include fully amortized computer software which are in the use of normal business activities having a gross carrying amount of Rs. 417,811,050 (2018- Rs. 349,017,000)

8. DEFERRED EXPENSES

	Group	
	Deferred Acquisition Costs on Insurance Contracts	
	2019	2018
	Rs.'000	Rs.'000
At 1 January	1,036,571	957,884
Expenses Deferred	2,019,925	1,942,980
Amortisation	(1,986,689)	(1,864,293)
At 31 December	1,069,807	1,036,571

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

NOTES TO THE FINANCIAL STATEMENTS

9. PROPERTY, PLANT AND EQUIPMENT

Group	Freehold Land Rs.'000	Building Rs.'000	Plant & Machinery Rs.'000	Motor Vehicles Rs.'000	Office Equipment Rs.'000	Computer Equipment Rs.'000	Furniture & Fittings Rs.'000	Capital WIP Rs.'000	Total Rs.'000
At Cost/Valuation									
At 1 January 2019	8,063,853	6,536,764	2,119,672	3,261,366	1,371,339	1,040,340	922,393	70,406	23,386,133
Additions/Transfers	-	289,605	52,554	868,396	150,659	64,386	47,442	226,114	1,699,156
Disposals/Transfers	(195,248)	(83,742)	(6,369)	(274,738)	(18,786)	(4,551)	(836)	-	(584,270)
Revaluation	1,685,126	797,351	-	-	-	-	-	-	2,482,477
At 31 December 2019	9,553,731	7,539,978	2,165,857	3,855,024	1,503,212	1,100,175	968,999	296,520	26,983,496
Group	Freehold Land Rs.'000	Building Rs.'000	Plant & Machinery Rs.'000	Motor Vehicles Rs.'000	Office Equipment Rs.'000	Computer Equipment Rs.'000	Furniture & Fittings Rs.'000	Capital WIP Rs.'000	Total Rs.'000
Accumulated Depreciation									
At 1 January 2019	-	406,381	563,369	1,085,172	963,617	810,933	629,826	-	4,459,298
Depreciation/Reclassification	-	154,615	127,014	388,480	129,115	95,251	75,964	-	970,439
Disposals	-	(78,679)	(4,934)	(181,115)	(16,900)	(3,898)	(396)	-	(285,922)
Revaluation	-	(236,638)	-	-	-	-	-	-	(236,638)
At 31 December 2019	-	245,679	685,449	1,292,537	1,075,832	902,286	705,394	-	4,907,177
Group	Freehold Land Rs.'000	Building Rs.'000	Plant & Machinery Rs.'000	Motor Vehicles Rs.'000	Office Equipment Rs.'000	Computer Equipment Rs.'000	Furniture & Fittings Rs.'000	Capital WIP Rs.'000	Total Rs.'000
Carrying Amount at Cost/Valuation									
At 1 January 2019	8,063,853	6,130,383	1,556,303	2,176,194	407,722	229,407	292,567	70,406	18,926,835
At 31 December 2019	9,553,731	7,294,299	1,480,408	2,562,487	427,380	197,889	263,605	296,520	22,076,319

9. PROPERTY, PLANT AND EQUIPMENT CONTD.

Movement of Revalued Free Hold Land and Building if accounted on Cost basis

Group	Freehold Land Rs.'000	Building Rs.'000
At Cost		
At 1 January 2019	5,500,419	4,958,640
Additions/Transfers	-	11,226
Reclassification	(380,060)	(362,687)
Disposals/Transfers	(167,541)	(21,747)
At 31 December 2019	4,952,818	4,585,432

Group	Freehold Land Rs.'000	Building Rs.'000
Accumulated Depreciation		
At 1 January 2019	-	413,370
Depreciation	-	115,301
Disposals	-	(4349)
At 31 December 2019	-	524,321

Carrying Amount at cost		
At 1 January 2019	5,500,419	4,545,270
At 31 December 2019	4,952,818	4,061,111

Company	Freehold Land Rs.'000	Building Rs.'000	Total Rs.'000
At Cost			
At 1 January 2019	500	2,900	3,400
Disposals	(500)	(2,900)	(3,400)
At 31 December 2019	-	-	-

Company	Freehold Land Rs.'000	Building Rs.'000	Total Rs.'000
Accumulated Depreciation			
At 1 January 2019	-	232	3,400
Disposals	-	(232)	(3,400)
At 31 December 2019	-	-	-
Carrying Amount at cost			
At 1 January 2019	500	2,668	3,168
At 31 December 2019	-	-	-

NOTES TO THE FINANCIAL STATEMENTS

9. (a) Details of Freehold Land & Building Group Non Life Insurance Business

Addresses	Building Sq. Ft.	Land Extent	Method of Valuation	Significant Unobservable Inputs	Estimation for Unobservable Inputs	Value of		Total	Date of the Valuation
						Land	Buildings		
						Rs.'000	Rs.'000	Rs.'000	
282, High Level Road, Kottawa	862	Condominium	Investment Method	Rent per Sq.ft per month	Rs. 2,500	7,875	2,125	10,000	31/12/2019
97, Bauddhaloka Mawatha, Gampaha	8,360	A-0-R-0-P.16.50	Market Comparable Method	Price per per Sq ft	Rs.1,750,000	74,250	37,250	111,500	31/12/2019
42/1, Mihidu Mawatha, Kurunegala	8,425	A-0-R-0-P.8.2	Market Comparable Method	Price per per Sq ft	Rs. 7,600,000	62,000	55,000	117,000	31/12/2019
583/63 Lijanagemulla, Seeduwa	43,080	A-3-R-1-P.3.6	Market Comparable Method	Price per per Sq ft	Rs. 300,000	157,000	42,000	199,000	31/12/2019
60, Yovunpiyaya Watte, Gnanawimala Mawatha, Kosgoda, Balapitiya	11,282	A-0-R-1-P.29	Market Comparable Method	Price per per Sq ft	Rs. 450,000	31,000	55,000	86,000	31/12/2019
63, Janadhipathi Mawatha, Colombo 1.	-	A-0-R-0-P.13.84	Market Comparable Method	Price per per Sq ft	Rs. 12,000,000	154,000	-	154,000	31/12/2019
3 rd, 4 th, 7 th & 11 th Floors of Ceylinco House Building	31,332	-	Investment Method	Rent per Sq.ft per month	Rs. 190,200	-	749,000	749,000	31/12/2019
69, "Ceylinco House", Janadhipathi Mawatha, Colombo 1.	18,068	A-0-R-0-P.19.00	Market Comparable Method	Price per per Sq ft	Rs. 16,000,000	304,000	115,000	419,000	31/12/2019
46 / 34, "VIP Centre", Nawam Mawatha , Colombo 2.	608	A-0-R-0-P.16.25	Market Comparable Method	Price per per Sq ft	Rs. 373,000	7,312	1,500	8,812	31/12/2019
Madabawita, Warakapola	650	A-0-R-0-P.15.00	Market Comparable Method	Price per per Sq ft	Rs.525,000	15,000	1,500	16,500	31/12/2019
Malangama, Kuruwita	856	A-0-R-0-P.24.30	Market Comparable Method	Price per per Sq ft	Rs. 2,343	9,800	1,600	11,400	31/12/2019
Induruwa, Kosgoda	620	A-0-R-1-P.00.00	Market Comparable Method	Price per per Sq ft	Rs. 490,000	9,000	1,200	10,200	31/12/2019
Ibbagamuwa, Melsiripura	798	A-0-R-1-P.20.00	Market Comparable Method	Price per per Sq ft	Rs. 1,892	6,500	1,500	8,000	31/12/2019
Unakuruwa , Tangalle	5,326	A-0-R-2-P.00.07	Market Comparable Method	Price per per Sq ft	Rs. 225,000	25,500	15,250	40,750	31/12/2019
Bibiloya, Kithulgala	705	A-0-R-0-P.20.0	Market Comparable Method	Price per per Sq ft	Rs. 325,000	3,100	900	4,000	31/12/2019
Puttalam -South, Mundel				Price per per Sq ft	Rs. 2,875 -3,500				
				Price per per Sq ft	Rs. 125,000				
				Price per per Sq ft	175,000				
				Price per per Sq ft	Rs. 1,240				
Total						866,337	1,078,825	1,945,162	

9. PROPERTY, PLANT AND EQUIPMENT CONTD.

9. (a) Details of Freehold Land & Building

Group

Life Insurance Business

Addresses	Building Land Extent Sq. Ft.	Method of Valuation	Significant Unobservable Inputs	Estimation for Unobservable Inputs	Value of		Total	Date of the Valuation
					Land	Buildings		
					Rs.'000	Rs.'000	Rs.'000	
No.115, Greens Road, Negombo	13,169	A-0-R-0-P-15.00	Contractor's Test Method	Price per perch Price per Sq ft	Rs. 2,467,000 Rs. 5,000	37,000 74,000	111,000	31/12/2019
No. 63, Janadhipathi Mawatha, Colombo 1	-	A-0-R-0-P-13.84	Residual Method	Price per perch	Rs. 11,127,000	154,000	-	31/12/2019
No.60, Colombo Road, Kaluwella, Galle	11,385	A-0-R-0-P-15.00	Contractor's Test Method	Price per perch Price per Sq ft	Rs. 3,230,000 Rs. 6,500	52,000 120,000	53,000	31/12/2019
No.54, Dharmapala Mawatha, Anuradhapura	23,100	A-0-R-1-P-10.68	Contractor's Test Method	Price per perch	Rs. 2,249,000	114,000	234,000	31/12/2019
No.144, Hambanthota Road, Kachcheriyagama, Tissamaharama	8,130	A-0-R-1-P-01.00	Replacement Cost Method	Price per Sq ft	Rs. 6,500	41,000	48,000	31/12/2019
No. 45, Dharmapala Mawatha , Rathnapura	2,560	A-0-R-0-P-35.50	Investment Method	Price per Sq ft	Rs. 6,000	74,000	10,000	31/12/2019
No. 45, Dharmapala Mawatha , Rathnapura (New Building)	8,102	-	Investment Method	Price per Sq ft	Rs. 8,500	-	71,000	31/12/2019
No. 401, Main street, Panadura	7,116	A-0-R-1-P-4.12	Contractor's Test Method	Price per perch Price per Sq ft	Rs. 3,500,000 Rs. 7,200	154,000	59,000	31/12/2019
No. 423, Main Street , Kalutara	12,000	A-0-R-0-P-32.75	Contractor's Test Method	Price per perch Price per Sq ft	Rs. 1,985,000 Rs. 8,000	65,000	89,000	31/12/2019
No. 327, Badulla Road , Bandarawela	8,970	A-0-R-0-P-17.01	Market Comparable Method	Price per perch Price per Sq ft	Rs. 1,205,000 Rs. 9,800	20,500	89,500	31/12/2019
No. 106, Havelock Road, Colombo 05	61,630	A-0-R-0-P-35.27	Contractor's Test Method	Price per perch Price per Sq ft	Rs. 11,993,000 Rs. 11,500	423,000	693,000	31/12/2019
No. 32, Mistry Hills, Nuwara Eliya	5,227	A-0-R-0-P-26.9	Direct Comparison Method	Price per perch Price per Sq ft	Rs. 558,000 Rs. 2,000 - 5,000	15,000	22,000	31/12/2019
No15, Rexdias Mawatha, Wennappuwa	9,114	A-0-R-0-P-37.40	Contractor's Test Method	Price per perch Price per Sq ft	Rs. 989,000 Rs. 6,500	37,000	61,000	31/12/2019
No 91, Bauddhaloka Mawatha, Gampaha	9,458	A-0-R-0-P-32.5	Contractor's Test Method	Price per perch Price per Sq ft	Rs. 2,982,000 Rs. 8,000	97,000	70,000	31/12/2019
No. 40, Rajapiphilla Road, Kurunegala	10,485	A-0-R-0-P-15.5	Contractor's Test Method	Price per perch Price per Sq ft	Rs. 2,484,000 Rs. 9,000	38,500	89,500	31/12/2019
No.90/4, Kurunegala Road, Chilaw	6,150	A-0-R-0-P-30.0	Direct Comparison Method	Price per perch	Rs. 833,000	25,000	55,000	31/12/2019
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	-	31/12/2019
No 406, Galle Road, Rawatawatta, Moratuwa	6,874	A-0-R-0-P-39.73	Contractor's Test Method	Price per perch	Rs.3,247,000	129,000	16,000	31/12/2019
No. 37.39 & 41, Kannarthiddy Road, Jaffna	4,144	A-0-R-1-P-7.9	Contractor's Test Method	Price per Sq ft	Rs. 4,000 - 4,500	96,000	78,000	31/12/2019
				Price per Sq ft	Rs. 2,004,000	96,000	78,000	31/12/2019
				Price per Sq ft	Rs. 4,500	96,000	174,000	31/12/2019

NOTES TO THE FINANCIAL STATEMENTS

9. (a) Details of Freehold Land & Building Contd.

Addresses	Building Sq. Ft.	Land Extent	Method of Valuation	Significant Unobservable Inputs	Estimation for Unobservable Inputs	Value of Land	Value of Buildings	Total	Date of the Valuation
No.22 (New 32) Lloyds Avenue, Batticaloa	11,690	A-0-R-0-P-23.83	Market Comparable Method	Price per perch Price per Sq ft	Rs.1,742,000 Rs.7,000	41,500	79,500	121,000	31/12/2019
No.2, Gower Street, Colombo-05	5,210	A-0-R-1-P-27.25	Market Comparable Method	Price per perch Price per Sq ft	Rs.12,000,000 Rs.5,000	807,000	14,000	821,000	31/12/2019
No. 20 & 22/3 Kandy Road, Trincomalee	11,340	A-0-R-1-P-20	Contractor's Test Method	Price per perch Price per Sq ft	Rs.2,550,000 Rs.8,000	51,000	91,000	142,000	31/12/2019
No.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	31/12/2019
No.92 & 98 Jampettah Street, Colombo -13	19,470	A-0-R-1-P-11.22	Market Comparable Method	Price per perch	Rs.2,870,000	147,000	72,000	219,000	31/12/2019
No.70, Park Street, Colombo 02	4,510	A-0-R-1-P-32.4	Replacement Cost Method	Price per perch Price per Sq ft	Rs.12,000,000 Rs.27,000	869,000	121,500	990,500	31/12/2019
No.615, Galle Road, Mount Lavinia	4,315	A-0-R-1-P-12.5	Market Comparable Method	Price per perch Price per Sq ft	Rs.4,000,000 Rs.5,000	210,000	19,000	229,000	31/12/2019
No.274, Panadura Road, Horana	5,670	A-0-R-0-P-25.5	Contractor's Test Method	Price per perch Price per Sq ft	Rs.2,750,000 Rs.7,000	70,000	44,000	114,000	31/12/2019
No.65, King Street, Kandy	14,650	A-0-R-1-P-1.25	Contractor's Test Method	Price per perch Price per Sq ft	Rs.6,000,000 Rs.5,000	247,500	47,500	295,000	31/12/2019
No.45, Anagarika Dharmapala Mawatha, Matara	7,232	A-0-R-0-P-26.44	Replacement Cost Method	Price per perch	Rs.6,486,000	171,500	25,500	197,000	31/12/2019
No.213, Highlevel Road, Nuwegoda	-	A-0-R-0-P-23.75	Market Comparable Method	Price per Sq ft	Rs.4,500	-	-	-	-
No.15A, Jaya Mawatha, Kadawatha	5,914	A-0-R-0-P-19.5	Market Comparable Method	Price per perch	Rs.3,495,000	83,000	-	83,000	31/12/2019
No.26 Gammedda Road, Jaela	-	A-0-R-0-P-32	Market Comparable Method	Price per perch	Rs.1,487,000	29,000	50,000	79,000	31/12/2019
190, Horana Road, Mampe, Kesbewa	-	A-0-R-0-P-25.35	Market Comparable Method	Price per perch	Rs.3,788,000	50,000	-	50,000	31/12/2019
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.3,000,000	76,000	-	76,000	31/12/2019
No.582, Malabe Road, Malabe	5,600	A-0-R-0-P-29	Contractor's Test Method	Price per perch Price per Sq ft	Rs.15,000,000 Rs.6,500	379,000	39,000	418,000	31/12/2019
No.301, Merigama Road, Wevagedara, Divulapitiya	-	A-0-R-0-P-40	Contractor's Test Method	Price per perch	Rs.700,000	28,000	-	28,000	31/12/2019
No.301A, Point pedro Road, Nellyyadi Jaffna	-	A-0-R-0-P-53.92	Contractor's Test Method	Price per Sq ft	Rs.6,500	-	-	-	-
No.301, Point pedro Road, Nellyyadi Jaffna	-	A-0-R-0-P-44.32	Contractor's Test Method	Price per perch Price per Sq ft	Rs.160,000 Rs.6,500	8,600	-	8,600	31/12/2019
				Price per perch	Rs.474,000	21,000	-	21,000	31/12/2019
				Price per Sq ft	Rs.6,500	-	-	-	-

Addresses	Building Sq. Ft.	Land Extent	Method of Valuation	Significant Unobservable Inputs	Estimation for Unobservable Inputs	Value of		Total	Date of the Valuation
						Land	Buildings		
No. 60, Park Street, Colombo 02	34,854	A-0-R-1-P-2.82	Investment Method	Rent per Sq.ft per month	Rs.125 - Rs. 160	514,000	211,000	725,000	31/12/2019
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	31/12/2019
Serene Resorts, Bopitiya Road, Uswetakeiyawa	37,184	A-2-R-3-P-30	Market Comparable Method	Price per perch	Rs.300,000	211,000	242,000	453,000	31/12/2019
Ceylinco House, No.69, Janadhipathi Mawatha, Colombo 01 (5th Floor)	11,323		Investment Method	Rent per Sq.ft per month	Rs. 160		240,000	240,000	31/12/2019
Ceylinco House, No.69, Janadhipathi Mawatha, Colombo 01 (6th Floor)	1,300		Investment Method	Rent per Sq.ft per month	Rs. 165		28,703	28,703	31/12/2019
Total						6,303,600	3,198,703	9,502,303	
Sub Total						7,169,937	4,277,528	11,447,465	
Land & Buildings - Ceylinco Insurance PLC and Other Subsidiaries						2,383,794	3,262,450	5,646,244	
Group -Total						9,553,731	7,539,978	17,093,709	

The Group uses the revaluation model of measurement of land and buildings. The Land and Buildings of Ceylinco General Insurance Ltd., Ceylinco Life Insurance Ltd., and CEG Education Group were revalued by an independent expert valuers, Mr. W.M. Chandrasena and Mr. W.A.T.I.P. Jayatilake Incorporated valuers, to determine the fair value of its land and buildings. Fair value is determined by reference to market-based evidence of transaction prices for similar properties. Valuation is based on open market prices, adjusted for any difference in the nature, location or condition of the specific property.

The net revaluation surplus was transferred to Revaluation Reserve.

The group has 56 number of buildings.

NOTES TO THE FINANCIAL STATEMENTS

9. (b) Acquisition of Property, Plant and Equipment during the year

During the financial year, the Group acquired Property, Plant and Equipment to the aggregate value of Rs. 1,699,156,000 (2018 - 2,379,930,000). Cash payments amounting to Rs. 1,432,854,000 (2018 - 1,999,863,000) were made during the year to purchase of PPE.

Description of the above valuation techniques together with narrative descriptions on sensitivity of the fair value measurement to changes in significant unobservable inputs are tabulated below;

The fair value measurement for all of the Freehold Land and Building has been categorized as a Level 3 based on the inputs to the valuation techniques used.

Valuation Technique	Significant Unobservable Valuation Inputs	Sensitivity of the Fair Value Measurement to Inputs
<p>Market Comparable Method</p> <p>This method considers the selling price of a similar property within a reasonably recent period of time in determining the fair value of the property being revalued. This involves evaluation of recent active market prices of similar assets, making appropriate adjustments for differences in size, nature, location, condition of specific property in this process outlier transactions, indicative of particularly motivated buyers or sellers are too compensated for since the price may not adequately reflect the fair market value.</p>	<p>Price per perch for Land</p> <p>Price per square foot for Building</p>	<p>Estimated fair value would increase (decrease) if; Price per perch increases (decreases) Price per square foot increases (decreases) Depreciation rate for building (decreases)/increases</p>
<p>Investment Method</p> <p>This method involves capitalisation of the expected rental income at an appropriate rate of years purchase currently characterised by the real estate market.</p>	<p>Gross Monthly Rental Years</p>	<p>Estimated fair value would increase (decrease) if; Gross Annual Rental increases (decreases) Years Purchase increases (decreases) Void Period (decrease) / increases</p>

9. (c) Fully Depreciated Property, Plant and Equipment

The initial cost of fully depreciated Property, Plant and Equipment which are still in use as at reporting date is as follows;

As at 31 December	Group	
	2019 Rs.'000	2018 Rs.'000
Plant and Machinery	108,077	155,491
Computer Equipment	319,209	303,611
Office Equipments	578,751	566,568
Furniture and Fittings	398,734	346,370
Motor Vehicles	246,774	242,942
	1,651,545	1,614,982

9. (d) Capital Commitments

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

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

There are no items of Property, Plant and Equipment pledged as securities for liabilities during the year other than those disclosed in Note 46.

9. (f) Title Restriction on Property, Plant and Equipment

There are no restrictions that existed on the title of the Property, Plant and Equipment of the Company as at the reporting date.

9. (g) Assessment of Impairment

The Board of Directors has assessed the potential impairment indicators of Property, Plant and Equipment as at 31st December 2019. Based on the assessment, no impairment indicators were identified.

9. (h) Capitalisation of Borrowing Costs

There were no capitalised borrowing costs relating to the acquisition of Property, Plant and Equipment during the year. (2018 - Nil)

9. (i) Temporarily idle Property, Plant and Equipment

There were no temporarily idle Property, Plant and Equipment as at the year ended 31st December 2019. (2018 - Nil)

10. RIGHT OF USE ASSETS

	Group 2019 Rs.'000
As at 31 December	
Buildings	1,228,606
Depreciation charged Right of Use Assets	(278,180)
As at 31st December 2019	950,426

Leases - Estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

NOTES TO THE FINANCIAL STATEMENTS

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the financial statements:

Determining the lease term of contracts with renewal and termination options – Group as lessee

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has several lease contracts that include extension and termination options. The Group applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customisation to the leased asset).

The Group included the renewal period as part of the lease term for leases of buildings with shorter non-cancellable period (i.e., three to five years). The Group typically exercises its option to renew for these leases because there will be a significant negative effect on revenue generation if a replacement asset is not readily available. Furthermore, the periods covered by termination options are included as part of the lease term only when they are reasonably certain not to be exercised.

11. INVESTMENT PROPERTIES

	Note	Group		Company	
		2019 Rs.'000	2018 Rs.'000	2019 Rs.'000	2018 Rs.'000
At 1 January		1,170,061	1,124,061	153,332	153,332
Disposal/Transfers		(62,778)	-	-	-
Fair Value Gains	33	74,839	46,000	-	-
At 31 December		1,182,122	1,170,061	153,332	153,332

As at 31st December 2019, Investment Properties were valued by qualified valuers Mr. W.M. Chandrasena and Mr.W.A.T.I Jayatilake.

11. INVESTMENT PROPERTIES CONTD.

11. (a) Details of Investment Property

Group

Non Life Insurance Business

Addresses	Building Sq. Ft.	Land Extent	Method of Valuation	Significant Unobservable Inputs	Estimation for Unobservable Inputs	Value of		Total	Date of Valuation
						Land	Building		
						Rs.'000	Rs.'000	Rs.'000	
No.34, Muhandiram ED Dabare Mawatha, Colombo-05 (1 Apartment)	2663	-	Investment Method	Rent per Sq.ft per month	Rs.65/-	-	33,000	33,000	31/12/2019
583/63, Liyanagemulla, Seeduwa	-	A-2-R-2-P-21.5	Cost Approach	Price per perch	Rs.500,000/-	100,000	-	100,000	31/12/2019
Total						100,000	33,000	133,000	

Life Insurance Business

Addresses	Building Sq. Ft.	Land Extent	Method of Valuation	Significant Unobservable Inputs	Estimation for Unobservable Inputs	Value of		Total	Date of Valuation
						Land	Building		
						Rs.'000	Rs.'000	Rs.'000	
No. 36, Talbot Town, Galle	6,668	A-0-R-0-P-20	Investment Method	Rent per Sq.ft per month	Rs.85 - Rs. 130	100,000	18,000	118,000	31/12/2019
No.24A, New Galle Road, Nambimulla, Ambalangoda	4,614	A-0-R-0-P-20	Investment Method	Rent per Sq.ft per month	Rs.75 - Rs. 100	70,000	18,000	88,000	31/12/2019
No. 115, Green Road, Negombo	-	A-0-R-0-P-37.5	Market Comparable Method	Price per perch	Rs.2,500,000	131,000	-	131,000	31/12/2019
No. 428, 428/2/1, R. A. De Mel Mawatha, Colombo 03	8,249	Condominium	Investment Method	Rent per Sq.ft per month	Rs.120 - Rs. 160	-	136,000	136,000	31/12/2019
No. 06, Railway Station Road, Matara	2,982	A-0-R-0-P-25.88	Investment Method	Rent per Sq.ft per month	Rs.40 - Rs. 60	77,500	5,500	83,000	31/12/2019
Ceylinco House, No.69, Janadhipathi Mawatha, Colombo 01 (7th Floor)	5,318	-	Investment Method	Rent per Sq.ft per month	Rs. 170	-	118,000	118,000	31/12/2019
Ceylinco House, No.69, Janadhipathi Mawatha, Colombo 01 (6th Floor)	10,023	-	Investment Method	Rent per Sq.ft per month	Rs. 165	-	221,790	221,790	31/12/2019
Total						378,500	517,290	895,790	

Investment Property - Ceylinco Insurance PLC

Group Total 104,288 49,044 153,332
582,788 599,334 1,182,122

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

The group has 8 number of buildings.

NOTES TO THE FINANCIAL STATEMENTS

11. (b)

Company

Addresses	Building Sq. Ft.	Land Extent	Method of Valuation	Significant Unobservable Inputs	Estimation for Unobservable Inputs	Value of Land Building		Total
						Rs.'000	Rs.'000	
No.2, R.A.De Mel Mawatha, Colombo-04 (Note 11.c)	12432	A-0-R-0-P-11	Market Comparable Method	Rent per Sq. ft. Per Month or Price per perch	52.50 or 2,500,000	104,288	49,044	153,332
						104,288	49,044	153,332

11 (c) Title Restriction for use

Golden Key Building situated at No 2, R.A.De Mel Mawatha, Colombo 04, which is jointly owned by the Company & Golden Key Credit Card Company Limited, mortgaged to Seylan Bank PLC by Golden Key Credit Card Company Limited to obtain loan facility. (value of the property is amounting to Rs.153Mn). (Refer note 46). The Property was not fair valued as at the reporting date.

Description of the above valuation techniques together with narrative descriptions on sensitivity of the fair value measurement to changes in significant unobservable inputs are tabulated below;

The fair value measurement for all of the Land and Building held for the investment purpose has been categorized as a Level 3 based on the inputs to the valuation techniques used.

Valuation Technique

Valuation Technique	Significant Unobservable Valuation Inputs	Sensitivity of the Fair Value Measurement to Inputs
Market Comparable Method This method considers the selling price of a similar property within a reasonably recent period of time in determining the fair value of the property being revalued. This involves evaluation of recent active market prices of similar assets, making appropriate adjustments for differences in size, nature, location, condition of specific property in this process outlier transactions, indicative of particularly motivated buyers or sellers are too compensated for since the price may not adequately reflect the fair market value.	Price per perch for Land Price per square foot for Buildings	Estimated fair value would increase (decrease) if; Price per perch increases (decreases) Price per square foot increases (decreases) Depreciation rate for building (decreases)/increases
Investment Method This method involves capitalisation of the expected rental income at an appropriate Rate of years purchase currently characterised by the real estate market.	Gross Monthly Rental Years	Estimated fair value would increase (decrease) if; Gross Annual Rental increases (decreases) Years Purchase increases (decreases) Void Period (decrease) / increases

12. (a) Investment in Subsidiaries

Investment in Subsidiaries As at 31 December	% of Direct/Indirect Holding		Company Number of Shares		Cost	
	2019	2018	2019	2018	2019 Rs.'000	2018 Rs.'000
Company						
Serene Resorts Ltd.	100	100	500,000	500,000	-	-
Ceylinco Healthcare Services Ltd.	99	99	-	-	-	-
Ceylinco Investcorp (Pvt) Ltd.	75	75	112,500	112,500	1,125	1,125
Ceylinco Insurance						
Company (Pvt) Ltd (Maldives)	79	60	12,252	9,339	63,981	42,723
Energy Lanka Holdings Ltd	100	100	166,603,438	166,603,438	666,414	666,414
International College of Business & Technology Ltd.	64	64	150,000	150,000	1,500	1,500
Ceylinco General Insurance Ltd.	100	100	2,501,000	2,501,000	7,348,359	7,348,359
Ceylinco Life Insurance Ltd.	100	100	10,000,050	10,000,050	7,811,652	7,811,652
CEG Education Holdings (Pvt) Ltd	63	63	2,912,499	2,912,499	64,007	64,007
American Education Centre Ltd.	41	41	460,000	460,000	4,600	4,600
Preference Shares						
International College of Business and Technology Ltd.-10%			195,828	195,828	1,958	1,958
International College of Business and Technology Ltd.-08%			2,322,500	2,322,500	23,225	23,225
					15,986,821	15,965,563

Principal place of business of all Subsidiaries' except Ceylinco Insurance Company (Pvt) Ltd Maldives is Sri Lanka. The Principal place of business of Ceylinco Insurance Company (Pvt) Ltd (Maldives) is Maldives.

Summarised financial information material Partly-Owned Subsidiaries are set out in note 5(a).

12.(a). i Acquisition of non-controlling interests

On 31 December 2018, the Group acquired 94.6% of the voting shares of in Regent International College Ltd through CEG Education Holdings (Pvt) Ltd. The Group has elected to measure the non-controlling interests in the acquiree at fair value.

Bargain purchase gain arose due to the group company continuous negotiation with the seller over a period of time for the purchase consideration.

Assets acquired and liabilities assumed

The fair values of the identifiable assets and liabilities of Regent International College Ltd as at the date of acquisition were:

NOTES TO THE FINANCIAL STATEMENTS

12. (a) Investment in Subsidiaries

	Fair Value Recognised on Acquisition Rs.'000
Assets	
Property, Plant and Equipment	380,059,575
Cash and Cash Equivalents	9,447,310
Trade Receivables	33,237,422
Inventories	1,027,967
	423,772,274
Liabilities	
Trade Payables	55,466,415
Retirement Benefits Obligations	2,863,575
Loan & Lease Payable after one year	16,017,920
	74,347,910
Total Identifiable Net Assets at Fair Value	349,424,364
Non-Controlling Interest Measured at Fair Value	18,868,916
Negative Goodwill arising on Acquisition	55,621,759
Purchase Consideration-Investment	34,933,831
Purchase Consideration-Cash	239,999,858
Analysis of Cash Flows on Acquisition:	
Net Cash Acquired with the Subsidiary	9,447,310
Cash Paid	(239,999,858)
Net Cash Flow on Acquisition	(230,552,549)

The negative goodwill/ bargain purchase arising on acquisition amounting to Rs Nil (2018-Rs 55.6 Mn) included in the investment income (note 31).

12. (b) Investment in Associates

Company / Group Investments in Associates	% Direct/Indirect Holding		Number of Shares		Value	
	2019	2018	2019	2018	2019	2018
As at 31 December					Rs.'000	Rs.'000
Company						
Unquoted Investments						
Ceylinco Homes International Ltd.	33	33	1,300,000	1,300,000	13,050	13,050
Sagaramatha Insurance Ltd	20	20	1,076,388	1,076,388	18,557	18,557
Energy Generators (Pvt)Ltd.	23	23	86,483,872	86,483,872	60,907	60,907
Company Investment in Associates (At cost)					92,514	92,514
Group						
Citizens Development Business Finance PLC (Cost)	39	39			926,287	490,330
Negative Goodwill on Acquisition Over Consideration						
Ceylinco Homes International Ltd.					13,218	13,218
Citizens Development Business Finance PLC					14,485	14,485
Group's Share of Associates Companies Retained						
Assets						
Ceylinco Homes International Ltd.					24,860	24,761
Sagaramatha Insurance Ltd					329,741	339,082
Citizens Development Business Finance PLC					2,640,761	2,176,529
Energy Generators (Pvt)Ltd.					160,746	153,211
					4,110,098	3,211,616
Group Investments in Associates (Equity Basis)					4,202,612	3,304,130

As at 31 December	Group	
	2019 Rs.'000	2018 Rs.'000
Share of Associate's Statement of Financial Position		
Total Assets	32,584,494	31,797,541
Total Liabilities	(28,381,882)	(28,493,411)
Net Assets	4,202,612	3,304,130
Share of Associate's Revenue and Profit		
Revenue	5,492,726	4,881,851
Profit	493,980	646,371
Profit attributable to Ordinary Shareholders	493,980	646,371
Share of Associate ownership in Other Comprehensive Income	32,537	(52,626)

Principal place of business of Associate Companies' except Sagaramatha Insurance Ltd is Sri Lanka. The principal place of business of Sagaramatha Insurance Ltd is Nepal.

Fair Value of Investment in Citizens Development Business Finance PLC is amounted to Rs. 1,928,492,176 as at 31st December 2019 (2018 -Rs. 1,536,197,449)

13. FINANCIAL INSTRUMENTS AND FAIR VALUES OF FINANCIAL INSTRUMENTS

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

As at 31 December	Note	Group		Company	
		2019 Rs.'000	2018 Rs.'000	2019 Rs.'000	2018 Rs.'000
Held to Maturity Financial Assets	13(a)	57,153,974	60,801,425	-	-
Loans and Receivables	13(b)	56,267,699	45,986,748	1,512,758	1,366,632
Available-for-Sale Financial Assets	13(c)	13,828,892	8,411,817	254,491	51,089
Financial Assets at Fair Value Through Profit or Loss	13(d)	2,338,700	565,829	-	-
Total Financial Instruments		129,589,265	115,765,819	1,767,249	1,417,721

NOTES TO THE FINANCIAL STATEMENTS

13. FINANCIAL INSTRUMENTS AND FAIR VALUES OF FINANCIAL INSTRUMENTS CONTD.

Available-for-Sale Financial Assets (AFS) have been valued at fair value

Loans and Receivables (L&R) are valued at amortised cost

Financial Assets at Fair Value Through Profit or Loss have been measured at fair Value

Held to Maturity Financial Assets measured at amortised cost

The following table compares the fair values of the Financial Instruments to their carrying values:

	Group				Company			
	2019		2018		2019		2018	
	Carrying value Rs.'000	Fair value Rs.'000	Carrying value Rs.'000	Fair value Rs.'000	Carrying value Rs.'000	Fair value Rs.'000	Carrying value Rs.'000	Fair value Rs.'000
Held to Maturity Financial Assets	57,153,974	57,926,630	60,801,425	61,134,543	-	-	-	-
Loans and Receivables	56,267,699	56,267,699	45,986,748	45,986,748	1,512,758	1,512,758	1,366,632	1,366,632
Available-for-Sale Financial Assets	13,828,892	13,828,892	8,411,817	8,411,817	254,491	254,491	51,089	51,089
Financial Assets at Fair Value Through Profit or Loss	2,338,700	2,338,700	565,829	565,829	-	-	-	-
Total Financial Instruments	129,589,265	130,361,921	115,765,819	116,098,937	1,767,249	1,767,249	1,417,721	1,417,721

13. (a) Held to Maturity Financial Assets

As at 31 December	Note	Group	
		2019 Rs.'000	2018 Rs.'000
Amortised Cost			
Treasury Bills		264,108	226,031
Treasury Bonds		37,689,470	38,603,523
Debentures - Quoted	13.(a).i	19,200,396	21,971,871
Total Held to Maturity Financial Assets at Amortised Cost		57,153,974	60,801,425

As at 31 December	Group	
	2019 Rs.'000	2018 Rs.'000
Fair value		
Treasury Bills	264,108	226,031
Treasury Bonds	38,825,574	38,918,754
Debentures - Quoted	18,836,948	21,989,758
Total Held to Maturity Financial Assets at Fair Value	57,926,630	61,134,543

13. (a). i Debentures Quoted

As at 31 December	Group	
	2019	2018
	Rs.'000	Rs.'000
Hatton National Bank PLC	3,132,570	3,126,213
Bank of Ceylon	1,306,802	1,354,276
National Development Bank PLC	1,605,711	1,558,516
Sampath Bank PLC	5,709,501	5,714,498
Seylan Bank PLC	2,074,514	2,057,411
Commercial Bank of Ceylon PLC	1,399,633	1,359,656
Peoples' Leasing & Finance PLC	507,482	729,775
DFCC Bank PLC	2,743,853	5,114,293
Commercial Credit & Finance PLC	14,353	14,349
Central Finance PLC	45,111	280,932
Nations Trust Bank PLC	660,866	661,952
	19,200,396	21,971,871

13. (b) Loans and Receivables

As at 31 December	Note	Group		Company	
		2019	2018	2019	2018
		Rs.'000	Rs.'000	Rs.'000	Rs.'000
Receivables from Related Parties		-	8,022	-	-
Staff Vehicle Loans		718,566	559,522	-	-
Staff Loans other than Vehicle Loans		726,102	534,989	-	-
Repo Investment		102,186	215,675	43,000	40,000
Debentures - Unquoted	13(b).i	5,432,180	1,301,203	-	-
Debentures - Quoted		6,703,775	4,213,041	-	-
Term Deposits		42,584,890	39,154,294	1,469,758	1,326,632
Total Loans and Receivables at Amortised Cost		56,267,699	45,986,748	1,512,758	1,366,632

13. (b). i Debentures - Unquoted

As at 31 December	Group	
	2019	2018
	Rs.'000	Rs.'000
Fair value		
National Savings Bank	5,132,717	1,001,068
Regional Development Bank	299,463	300,135
Total	5,432,180	1,301,203

NOTES TO THE FINANCIAL STATEMENTS

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

As at 31 December	Note	Group		Company	
		2019 Rs.'000	2018 Rs.'000	2019 Rs.'000	2018 Rs.'000
Treasury Bonds & Bills		10,153,317	5,047,040	-	-
Unquoted Share Investment	13(c).i.	337,919	814,946	16,874	17,489
Unquoted Preference Share Investment	13.(c).ii.	30,000	30,000	30,000	30,000
Quoted Debentures	13.(c).iii	2,782,473	2,246,933	-	-
Quoted Share Investment		382,699	227,036	207,617	3,600
Unit Trust Investments	13(c).iv.	142,484	45,862	-	-
Total Available-for-Sale Financial Assets at Fair Value		13,828,892	8,411,817	254,491	51,089

13. (c). i Unquoted Share Investment

As at 31 December	Group		Company	
	2019 Rs.'000	2018 Rs.'000	2019 Rs.'000	2018 Rs.'000
Ultratech Cement Lanka (Pvt) Ltd.	300,387	761,781	-	-
Modern Montessorie (Pvt) Ltd	20,658	17,152	-	-
Asset Trust Management (Pvt) Ltd	4,712	5,076	4,712	5,076
Asian Reinsurance Corporation	12,162	12,413	12,162	12,413
Kenaga Capital Ltd.	-	18,524	-	-
	337,919	814,946	16,874	17,489

13. (c). ii Unquoted preference share investment

As at 31 December	Group		Company	
	2019 Rs.'000	2018 Rs.'000	2019 Rs.'000	2018 Rs.'000
Ceylinco Homes International (Lotus Tower) 10%	30,000	30,000	30,000	30,000
	30,000	30,000	30,000	30,000

13. (c) iii Quoted debentures

As at 31 December	Group	
	2019	2018
	Rs.'000	Rs.'000
Sampath Bank PLC	379,896	380,950
Seylan Bank PLC	513,310	278,207
People's Leasing & Finance PLC	210,112	203,297
Commercial Bank of Ceylon	564,805	545,034
Bank of Ceylon	326,475	306,469
Hatton National Bank PLC	54,480	54,507
National Development Bank PLC	72,713	66,227
DFCC Bank PLC	221,899	215,327
Central Finance PLC	10,125	20,749
Nations Trust Bank PLC	50,944	50,947
National Savings Bank	377,714	-
Siyapatha Finance PLC	-	125,219
	2,782,473	2,246,933

13. (c) iv Unit Trust Investments

As at 31 December	Group			
	2019	2018	2019	2018
	No.of Units		Rs.'000	Rs.'000
Astrue Alpha Fund	15,363,880	5,683,912	142,484	45,862
			142,484	45,862

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

As at 31 December	Group	
	2019	2018
	Rs.'000	Rs.'000
Fair value		
Treasury Bonds	2,305,764	557,918
Short Term Investment - Quoted/Unquoted	26,214	7,911
Unit Trust	6,722	-
Total Financial Assets at Fair Value Through Profit or Loss	2,338,700	565,829

NOTES TO THE FINANCIAL STATEMENTS

13. (e) Carrying Values of Financial Instruments - Company

	Loans and Receivables Rs.'000	Available- For-Sale Rs.'000	Total Rs.'000
At 1st January 2019	1,366,632	51,089	1,417,721
Purchases	596,053	204,017	800,070
Maturities	(449,926)	-	(449,926)
Fair Value Gains Recorded in Other Comprehensive Income	-	(616)	(616)
At 31 December 2019	1,512,759	254,490	1,767,249

Carrying Values of Financial Instruments - Group

	Held to Maturity Rs.'000	Loans and Receivables Rs.'000	Available- For-Sale Rs.'000	Fair value Through Profit or Loss Rs.'000	Total Rs.'000
At 1st January 2019	60,801,425	45,986,748	8,411,817	565,829	115,765,819
Purchases	827,754	159,624,992	132,291,259	9,397,663	302,141,668
Maturities	(4,350,780)	(149,158,430)	-	-	(153,509,210)
Disposals	-	(1,887,267)	(126,904,982)	(7,843,447)	(136,635,696)
Fair Value Gains Recorded in the Income Statement	-	-	(126,908)	110,602	(16,306)
Fair Value Gains Recorded in Other Comprehensive Income	-	-	(153,791)	-	(153,791)
Interest accrual adjustment	213,822	1,303,071	(172,233)	(38,336)	1,306,324
Amortisation Adjustment	(338,247)	398,585	483,730	146,389	690,457
At 31 December 2019	57,153,974	56,267,699	13,828,892	2,338,700	129,589,265

Fair Value of Financial Assets and Liabilities not Carried at Fair Value

The following describes the methodologies and assumptions used to determine fair values for those financial instruments which are not already recorded at fair value in the Financial Statements (i.e., held to maturity and loans and receivables).

Assets for which fair value approximates carrying value

For Financial Assets and Financial Liabilities that have a short-term maturity (less than three months), it is assumed that the carrying amounts approximate to their fair value. This assumption is also applied to demand deposits, and savings accounts without a specific maturity.

Fixed Rate Financial Instruments

The fair value of fixed rate Financial Assets and Liabilities carried at amortised cost are estimated by comparing market interest rates when they were first recognised with current market rates for similar financial instruments.

For quoted debt instruments the fair values are determined based on quoted market prices.

NOTES TO THE FINANCIAL STATEMENTS

13. FINANCIAL INSTRUMENTS AND FAIR VALUES OF FINANCIAL INSTRUMENTS CONTD.

	2019				2018						
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3		
	Quoted Prices in active markets Rs.'000	Significant Observable Inputs Rs.'000	Significant Unobservable Inputs Rs.'000		Quoted Prices in active markets Rs.'000	Significant Observable Inputs Rs.'000		Significant Unobservable Inputs Rs.'000	Quoted Prices in active markets Rs.'000	Significant Observable Inputs Rs.'000	Significant Unobservable Inputs Rs.'000
Total Fair Value Rs.'000				Total Fair Value Rs.'000				Total Fair Value Rs.'000			
Non Financial Assets											
Property Plant and Equipment											
Land	-	-	9,397,731	-	-	-	-	-	8,063,853	-	8,063,853
Building	-	-	7,695,978	-	-	-	-	-	6,536,764	-	6,536,764
Investment Property	-	-	17,093,709	-	-	-	-	-	14,600,617	-	14,600,617
Land	-	-	582,788	-	-	-	-	-	522,288	-	522,288
Building	-	-	377,544	-	-	-	-	-	440,322	-	440,322
	-	-	960,332	-	-	-	-	-	962,610	-	962,610
Total Non Financial Assets	-	-	18,054,041	-	-	-	-	-	15,563,227	-	15,563,227

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

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

	At 1 January 2019		Total Gains/(Loss) Recorded in Other Comprehensive Income		Additions/ Disposals		At 31 December 2019	
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Financial Assets								
Available-For-Sale Financial Assets:								
Equity Securities	761,781	-	(461,394)	-	-	-	-	300,387
Total Level 3 Financial Assets	761,781	-	(461,394)	-	-	-	-	300,387
In case of change in assumptions having 10% variation in Price Earnings ratio, the effect to Other Comprehensive Income could be as follows:								
	Carrying Amount 31/12/2019		Effect of Possible Alternate Assumptions		Carrying Amount 31/12/2018		Effect of Possible Alternate Assumptions	
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Equity Securities	300,387	30,039	30,039	30,039	761,781	76,178	76,178	76,178
	300,387	30,039	30,039	30,039	761,781	76,178	76,178	76,178

13. (g) Financial Instruments not under the fair value measurement hierarchy

The following is a list of financial instruments which have not been considered under the fair value measurement hierarchy, because the carrying amount of those financial instruments is a reasonable approximation of fair value since they are short-term in nature or reprice to current market rates frequently.

Assets

Cash and Cash Equivalents
Repo
Reinsurance Receivables
Premium Receivables
Loans to Policyholders

Liabilities

Reinsurance Payables
Trade & Other Liabilities (Excluding Government Levies and Accruals)

14. GRATUITY BENEFIT LIABILITY/(ASSET)

This note indicates the assumptions used and the movement in the Employee Benefit Plan. As at 31 December 2019 the Gratuity Liability was actuarially valued under the Projected Unit Credit Method (PUC) by M/S. K.A. Pandit Actuarial valuer. The valuation performed annually

The amounts recognised in the Income Statement are as follows:

As at 31 December	Group	
	2019	2018
	Rs.'000	Rs.'000
Current Service Cost	119,507	134,279
Interest Cost on Benefit Obligation	339,385	312,219
Expected Return on Plan Assets	(836,334)	(575,944)
	(377,442)	(129,446)
Net Actuarial Gain/ (Loss) recognised in the Other Comprehensive Income	(917,251)	575,963

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

As at 31 December	Group	
	2019	2018
	Rs.'000	Rs.'000
Present Value of the Defined Benefit Obligation	(3,152,918)	(2,808,979)
Fair Value of Plan Assets	7,559,148	6,941,308
Total Net Defined Benefit Asset	4,406,230	4,132,329

NOTES TO THE FINANCIAL STATEMENTS

14. GRATUITY BENEFIT LIABILITY/(ASSET) CONTD.

The Movement in the Defined Benefit Liability is as follows:

	Group	
	2019	2018
	Rs.'000	Rs.'000
At 1 January	3,028,660	3,165,572
Current Service Cost	160,791	159,883
Interest Cost	361,258	332,021
Benefits Paid	(435,215)	(424,325)
Actuarial (Gains)/ Losses	305,126	(204,491)
At 31 December	3,420,621	3,028,660
Defined Gratuity Benefit Obligation of the Insurance Business	(3,152,918)	(2,808,979)
Gratuity Liability -Other Subsidiaries	267,703	219,681

The Gratuity Benefit Liability of the Insurance Businesses is valued by M/S.K.A.Pandit Actuarial valuer.

Following payments are expected contributions to the defined benefit plan obligation on the future years.

The Movement in the Plan Assets is as follows: :

	Group	
	2019	2018
	Rs.'000	Rs.'000
At 1 January	(6,941,308)	(4,709,079)
Expected Return on Plan Assets	(836,334)	(575,944)
Recognition of Plan Assets	-	(776,178)
Actuarial Gains	612,895	(382,915)
Benefit Paid	82,321	274,120
Contribution Paid by Employer	(476,722)	(771,312)
At 31 December	(7,559,148)	(6,941,308)

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

	Group	
	2019	2018
	Rs.'000	Rs.'000
Investment in Shares	5,976,535	4,530,463
Short term Investment	28,074	772,026
Other Assets	1,554,539	1,638,819
Total Plan Assets	7,559,148	6,941,308

Gratuity funds' Plan Assets include investment in equity shares of Ceylinco Insurance PLC, market value amounting to Rs. 1,720,107,015 as at the reporting date.(2018 - Rs. 3,278,200,630).

The overall expected rate of return on assets is determined based on market expectations prevailing on that date, applicable to the period over which the obligation is to be settled.

The principal actuarial assumptions used in determining the Gratuity Benefit Obligation for the Group's plan assets are as follows:

As at 31 December	2019	2018
Future Salary Increases	10.00%	10.00%
Discount Rate	10.23%	12.13%
Expected Rate of Return on Plan Assets	10.23%	12.13%
Retirement Age	55Years	55Years

NOTES TO THE FINANCIAL STATEMENTS

Changes in the Defined Benefit Obligation and Fair Value of Plan Assets

Group - 2019	Amount Charged to Income Statement				Re-measurement Gains/(Losses) in Other Comprehensive Income								
	1-Jan-19	Recognition of Plan assets	Service Cost	Net Interest	Subtotal included in Profit or Loss	Benefit Paid	Assets transferred	Return on Plan Assets (Excluding amounts included in Net Interest Expenses)	Actuarial Changes Arising from Financial Assumptions	Experience Adjustments	Subtotal included in OCI	Contribution by Employers	31-Dec-19
	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000
Defined Benefit Obligation	(2,808,979)	-	(119,507)	(339,385)	(458,892)	419,309	-	-	(321,959)	17,603	(304,356)	-	(3,152,918)
Fair Value of Plan Assets	6,941,309	-	-	-	-	(82,321)	(150,000)	836,334	-	(612,895)	(612,895)	626,722	7,559,148
Benefit Assets/(Liability)	4,132,329	-	(119,507)	(339,385)	(458,892)	336,988	(150,000)	836,334	(321,959)	(595,292)	(917,251)	626,722	4,406,230

Group - 2018	Amount Charged to Income Statement				Re-measurement Gains/(Losses) in Other Comprehensive Income								
	1-Jan-18	Recognition of Plan assets	Service Cost	Net Interest	Subtotal included in Profit or Loss	Benefit Paid	Assets transferred	Return on Plan Assets (Excluding amounts included in Net Interest Expenses)	Actuarial Changes Arising from Financial Assumptions	Experience Adjustments	Subtotal included in OCI	Contribution by Employers	31-Dec-18
	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000
Defined Benefit Obligation	(2,973,599)	-	(134,279)	(312,219)	(446,498)	418,032	-	-	256,507	(63,421)	193,086	-	(2,808,979)
Fair Value of Plan Assets	4,709,080	776,098	-	-	-	(274,120)	-	575,944	-	382,915	382,915	771,391	6,941,308
Benefit Assets/(Liability)	1,735,481	776,098	(134,279)	(312,219)	(446,498)	143,912	-	575,944	256,507	319,494	576,001	771,391	4,132,329

A quantitative sensitivity analysis for significant assumptions as at 31 December 2019 is shown below:

As at 31 December	Discount Rate		Future Salary Increment Rate	
	Increase	Decrease	Increase	Decrease
	1%	1%	1%	1%
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Impact on Defined Benefit Obligation	(183,512)	210,729	209,162	(185,444)

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

As at 31 December	2019		2018	
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Within the next 12 Months	949,865	1,086,144		
Between 2 and 5 Years	743,866	626,344		
Between 6 and 10 Years	1,423,170	1,266,709		

The average duration of the Defined Benefit Plan Obligation at the end of the reporting period is 14-18 years.

15. PENSION BENEFIT OBLIGATION

The Group has two Defined Benefit Pension Plans, both of which require contributions to be made to separately administered funds namely Pension Trust Fund of Ceylinco Insurance PLC and The Pension Fund of Ceylinco Insurance PLC.

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

Group - 2019	Amount Charged to Income Statement			Re-measurement Gains/(Losses) in Other Comprehensive Income									
	1-Jan-19 Recognition of Plan assets	Service Cost	Net Interest	Subtotal included in Profit or Loss	Benefit Paid	Return on Plan Assets (Excluding amounts included in Net Interest Expenses)	Recognised in Income Statement	Actuarial Changes in Demographic Assumptions	Actuarial Changes Arising from Changes in Financial Assumptions	Experience Adjustments	Subtotal included in OCI	Contribution by Employers	31-Dec-19
	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000
Defined Benefit Obligation	(1,799,363)	(2,718)	(121,996)	(124,714)	308,563	-	(51,571)	-	(4,291)	(1,561)	(5,852)	-	(1,621,366)
Fair Value of Plan Assets	3,590,222	290,424	-	290,424	(308,563)	141,838	137,070	(284,224)	-	(138,276)	(422,500)	106,726	3,398,147
Total Recognised Benefit (Liability) / Asset	1,790,859	287,706	(121,996)	165,710	-	141,838	85,499	(284,224)	(4,291)	(139,837)	(428,352)	106,726	1,776,779
Group - 2018	Amount Charged to Income Statement			Re-measurement Gains/(Losses) in Other Comprehensive Income									
	1-Jan-18 Recognition of Plan assets	Service Cost	Net Interest	Subtotal included in Profit or Loss	Benefit Paid	Return on Plan Assets (Excluding amounts included in Net Interest Expenses)	Recognised in Income Statement	Actuarial Changes in Demographic Assumptions	Actuarial Changes Arising from Changes in Financial Assumptions	Experience Adjustments	Subtotal included in OCI	Contribution by Employers	31-Dec-18
	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000
Defined Benefit Obligation	(1,682,265)	(3,492)	(134,142)	(137,634)	77,994	-	(47,675)	391	7,261	(65,110)	(57,458)	-	(1,799,363)
Fair Value of Plan Assets	3,681,325	(776,178)	-	(776,178)	(77,994)	305,122	(549,050)	-	195,415	138,894	334,309	123,638	3,590,222
Total Recognised Benefit (Liability) / Asset	1,999,060	(776,178)	(134,142)	(913,812)	-	305,122	(596,725)	391	202,676	73,784	276,851	123,638	1,790,859

NOTES TO THE FINANCIAL STATEMENTS

A quantitative sensitivity analysis for significant assumption as at 31 December 2019 as shown below.

Sensitivity level	Change in Discounting Rate	
	Increase	Decrease
	1%	1%
Impact on defined benefit obligation	(2,487,392)	2,826,930

The distribution of the plan assets at the reporting date is as follows:

	2019	2018
	Rs.'000	Rs.'000
Investment in shares	1,785,679	2,699,184
Others *	1,612,464	891,035
	3,398,143	3,590,219

*Others include Fixed Deposit, interest receivable and others.

Projected Pension Benefit Obligation has been valued based on Projected Unit Cost Method.

Actuarial Gains and Losses have been recognised immediately in the Statement of Other Comprehensive Income.

The principal assumptions used in determining pension and post-employment medical benefit obligations for the Company's plans are shown below:

		2019	2018
Discount Rate		10.23%	8% -12.04%
Rate of Return on Plan Assets	Current	10.23%	12.04%
Salary Escalation Rate	Scheme A,B &D	0%	0%
	Scheme C	10%	10%
Attrition Rate		0%	1%
Retirement Age	Scheme A	60 Yrs	60 Yrs
	Scheme B, C &D	55Yrs	55Yrs
Mortality Table		IALM2006/08	IALM2006/08

Plan Assets include investment in equity shares of Ceylinco Insurance PLC , market value amounting to Rs. 1,785,680,000 /- at the Reporting date. (2018 - Rs.2,699,184,260/-).

16. REINSURANCE RECEIVABLES

As at 31 December	Group	
	2019	2018
	Rs.'000	Rs.'000
Reinsurance of Insurance Contracts	3,538,374	3,675,696
Total Reinsurance Receivables	3,538,374	3,675,696

Reinsurance receivables on paid claims represent dues within 6 months..

The carrying amounts disclosed above is in respect of the reinsurance of insurance contracts approximate fair value at the reporting date.

17. LOANS TO POLICY HOLDERS

Policyholder Loans are granted up to 90% of the surrender value of a Life Insurance Policy at a rate equivalent to market rate.

Policyholder loans are initially measured at fair value of loan amount granted and subsequently measured at the amortised cost. If the policyholder dies before the full repayment of the loan, the loan balance is deducted from the death benefit.

Policyholder Loans are reviewed for impairment at each reporting date. Loans recivable as at reporting date as follows.

	Group	
	2019	2018
	Rs.'000	Rs.'000
At 1 January	1,190,274	1,630,346
Loans Granted During the Period	1,414,928	1,235,746
Repayment During the Period	(1,269,733)	(1,675,818)
At 31 December	1,335,469	1,190,274

17. (a).i Fair value of Loans to Life Policyholders

The fair value of the policyholder loans are equal to its carrying value as those are given at competitive market rates.

17. (a).ii Concentration risk of Loans to Life Policyholders

There is lower concentration of credit risk with respect to policyholders, as the Group has a large number of dispersed receivables. The total receivable of the loan, including interest due and accrued, exceeds the cash surrender value, the policy terminates and becomes void. The Group has a first lien on all policies which are subject to policy loans. This mitigates the Group's credit exposure on Policy Loans.

17. (a).iii Impairment of Loans to Life Policyholders

The Board of Directors has assessed the potential impairment loss of Loans to Life Policyholders as at 31st December 2019.

Based on the assessment, no impairment provision is required to be made in the Financial Statements as at the reporting date in respect of Loans to Life Policyholders

17. (a).iv Number of Policy Loans

Number of policy loans due as at 31 December 2019 was 35,948 (2018 - 43,159)

17. (a).v Collateral Details

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

NOTES TO THE FINANCIAL STATEMENTS

18. TAXATION

	Group		Company	
	2019 Rs.'000	2018 Rs.'000	2019 Rs.'000	2018 Rs.'000
Tax Receivable				
At 1 January	273,901	811,146	(14,923)	(7,493)
Amounts recorded in the Income Statement	(2,150,936)	(2,073,489)	(25,480)	(20,375)
Notional Tax Recognised	531,368	728,590	-	43
Payments made on-account during the year	683,822	239,575	27,272	12,902
At 31 December	(661,845)	(294,178)	(13,131)	(14,923)
Payable balance included under Other payable	735,266	568,077	13,131	14,923
At 31 December	73,420	273,900	-	-

There is a tax appeal relating on VAT on Reinsurance Recoveries and there is a tax intimation on life insurance taxation. (Refer Note 45 a i and 45 a ii)

18. (a) Deferred Tax Asset- Group

As at 31 December	Other Comprehensive Income Statement		Income Statement		Statement of Financial Position	
	2019 Rs.'000	2018 Rs.'000	2019 Rs.'000	2018 Rs.'000	2019 Rs.'000	2018 Rs.'000
Temporary Difference from Retirement Benefit Liability	51,992	(29,746)	(10,908)	(481,650)	536,675	500,248
Temporary Difference from Property Plant and Equipment	224	(178)	44,111	328,671	(299,541)	(343,816)
Revaluation Reserve	(86,446)	-	-	26,226	(182,090)	(95,644)
Available For Sale Financial Assets	(23,282)	(18,792)	-	-	(83,355)	(64,789)
Temporary Difference from allowance for Impairment	-	-	360	301	10,945	10,585
Temporary Difference from Allowance for net of ROU & Lease creditors	-	-	15,337	-	15,337	-
Temporary Difference from Intangible Assets	-	-	(7,003)	2,519	6,627	13,630
Deferred Tax Expense/(Income)	(57,512)	(48,716)	41,897	(123,933)		
Deferred Tax Asset					4,598	20,214

Total Deferred Tax Assets

	Group	
	2019 Rs.'000	2018 Rs.'000
At 1 January	20,214	192,771
Amounts recorded in the Income Statement	41,897	(123,933)
Amounts recorded in Other Comprehensive Income	(57,512)	(48,624)
At 31 December	4,598	20,214

A deferred tax asset is recognised for a tax loss carried forward only to the extent that realisation of the related tax benefit is probable.

18. (b) Deferred Tax Liabilities- Group

As at 31 December	Other Comprehensive Income Statement		Income Statement		Statement of Financial Position	
	2019	2018	2019	2018	2019	2018
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Losses Carried Forward	-	-	1,517	40,577	-	100,360
Temporary Difference from Retirement Benefit Obligation	(494)	1,465	10,600	(6,323)	(29,358)	(26,304)
Temporary Difference from Property Plant and Equipment	-	-	29,387	105,138	298,214	191,953
Revaluation Reserve	215,050	1,049	-	5,898	411,259	158,047
Temporary Difference from Allowance for impairment	-	-	(115)	-	(115)	-
Right of Use Asset	-	-	(1,530)	-	(1,530)	-
Available For Sale Financial Assets	4,468	-	-	-	4,468	-
Temporary Difference from Retained Reserves of Associates	-	-	113,525	57,490	281,480	167,958
	219,024	2,514	153,384	202,780	964,418	592,014

Total Deferred Tax Liability

	Group	
	2019	2018
	Rs.'000	Rs.'000
At 1 January	592,014	386,629
Amounts recorded in the Income Statement	153,384	202,780
Amounts recorded in Other Comprehensive Income	219,024	2,605
At 31 December	964,418	592,014

The Inland Revenue Act No 24 of 2017 applied in determining the differed tax asset/liabilities of the group.

NOTES TO THE FINANCIAL STATEMENTS

19. INSURANCE RECEIVABLES/TRADE DEBTORS

As at 31 December	Group	
	2019	2018
	Rs.'000	Rs.'000
Premium Receivables	5,993,425	5,933,724
Due from Trade Debtors	556,639	459,751
	6,550,064	6,393,475

19. (a) Credit Quality of Premium Receivables/Trade Debtors that are neither past due nor impaired is explained below;

As at 31 December	Group		
	Below 60 days	Above 60 days	Total
	Rs.'000	Rs.'000	Rs.'000
2019	5,384,996	1,165,068	6,550,064
2018	5,028,772	1,364,703	6,393,475

In the age analysis Loans to policyholders are not included.

20. OTHER ASSETS

As at 31 December	Group		Company	
	2019	2018	2019	2018
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Advances, Deposits & Prepayments	936,953	941,318	5,923	6,485
Inventories	68,848	78,745	-	-
Deferred Staff Benefits	92,113	175,920	-	-
Other Receivables	338,699	399,848	15,441	2,443
	1,436,613	1,595,831	21,364	8,928

21. CASH AND CASH EQUIVALENTS

As at 31 December	Group		Company	
	2019	2018	2019	2018
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Favourable Balances				
Cash in Hand and at Bank	1,128,411	1,358,954	70,727	10,490
Unfavourable Balances				
Bank Overdraft	(1,088,772)	(422,682)	(76,003)	(2,157)
Total Cash and Cash Equivalents	39,639	936,272	(5,276)	8,333

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

22. (a) Stated Capital

As at 31 December	Group		Company	
	2019	2018	2019	2018
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Classes of Shares				
97,500,000 Ordinary Shares				
2,500,000 Unclassified Shares				
100,000,000 Non Voting Ordinary Shares				
Issued & Fully Paid				
Ordinary Shares - Voting 22(a).i	200,000	200,000	200,000	200,000
Ordinary Shares - Non Voting 22(a).ii	1,122,534	1,122,534	1,122,534	1,122,534
Share Premium 22 (a).iii	2,288	2,288	2,288	2,288
	1,324,822	1,324,822	1,324,822	1,324,822

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

22. (a). i Ordinary Shares - Voting

As at 31 December	Group		Company	
	2019	2018	2019	2018
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
20,000,000 Ordinary Shares Voting	200,000	200,000	200,000	200,000
	200,000	200,000	200,000	200,000

22. (a). ii Ordinary Shares - Non - Voting

At 31 December	Group		Company	
	2019	2018	2019	2018
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
6,414,480 Ordinary Shares - Non-Voting	1,122,534	1,122,534	1,122,534	1,122,534
	1,122,534	1,122,534	1,122,534	1,122,534

22. (a). iii Share Premium

As at 31 December	Group		Company	
	2019	2018	2019	2018
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Balance as at year end	2,288	2,288	2,288	2,288
	2,288	2,288	2,288	2,288

NOTES TO THE FINANCIAL STATEMENTS

22. (b) Other Reserves

As at 31 December	Group		Company	
	2019 Rs.'000	2018 Rs.'000	2019 Rs.'000	2018 Rs.'000
Other Retained Reserves	2,057,437	2,057,437	2,057,437	2,057,437
Available for Sale Reserve	230,496	379,983	(14,631)	(14,015)
Foreign Currency Translation Reserve	50,506	40,161	-	-
	2,338,439	2,477,581	2,042,806	2,043,422

Other Retained Reserves represent General Reserves.

23. INSURANCE CONTRACT LIABILITIES

As at 31 December	Note	Group	
		2019 Rs.'000	2018 Rs.'000
Life Insurance Contract	23. (a)	95,349,737	87,194,850
Non-life Insurance Contracts	24	12,470,431	12,353,210
Total Insurance Contract Liabilities		107,820,168	99,548,060

Unearned Premium Reserve Included in non-life insurance contract liabilities had been presented on net basis.

The actuaries have performed Liability Adequacy Test in accordance with SLFRS -4 Insurance Contracts requirements.

23. (a) Life Insurance Contract Liabilities

	Insurance Contract Liabilities with DPF Rs.'000	Insurance Contract Liabilities without DPF Rs.'000	Total Gross Insurance Contract Liabilities Rs.'000
At 1 January 2019	51,430,903	35,763,948	87,194,850
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)	(5,368,066)
Underwriting and Net Acquisition Cost	(727,011)	(1,235,780)	(1,962,791)
Net transfer to Shareholder	(186,979)	(3,713,021)	(3,900,000)
Increase in Pension Saver Fund	-	11,891	11,891
Revaluation Reserve and AFS Reserve Transferred to Life Fund	958,592	(5,408)	953,184
At 31 December 2019	57,264,214	38,085,524	95,349,737

The valuation of the Life Insurance business as at 31 December 2019 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 Life 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 2019 the Consulting Actuary has approved a transfer of Rs. 3.90 Bn (2018 - Rs.4.875 Bn) from the Life Fund to the Shareholder's Retained Profit Account.

The Life Company's Capital Adequacy Ratio (CAR) as at 31 December 2019 is 345% (2018- 364%) and is well above the minimum requirement of 120%.

23. (b) Restricted Regulatory Reserve

Restricted Regulatory reserve is created as result of One-Off Surplus generated due to change in valuation method from 'Net Premium Valuation' to 'Gross Premium Valuation' as specified in Direction 16, issued by IRCSL on 20th March 2018, for identification and treatment of One-Off Surplus. Complying with the same, the transfer made from policyholders' to Shareholders' fund is limited to surplus generated from other than participating business, whereas the surplus generated from the participating business will be maintained within the participating fund.

The basis for computation of one-off surplus is in line with the Direction issued by IRCSL titled "Directions on the Identification and Treatment of One-off Surplus" dated 20th March 2018.

The Company's One-off Surplus is equal to the minimum One-off Surplus prescribed in the recommendations in the Direction issued by the IRCSL. The basis is same for both participating business and other than participating business.

The One-Off Surpluses in amounts, created for participating business and other than participating business are as follows:

Line item	One-off Surplus Rs.000
Participating Business	2,736,685
Other than Participating Business/Restricted Reserve	3,456,184
Tabarru Reserve	1,920
Total	6,194,789

Distribution of One-Off Surplus to Shareholders, held as part of the Restricted Regulatory Reserve, is subject to meeting governance requirements stipulated by the IRCSL and can only be released upon receiving approval from IRCSL. The One-Off Surplus in the SHF will remain invested in assets in below note as per directions of IRCSL.

One-off surplus of participating business amounted to Rs. 2,736,685,339/- will be held within the participating fund as part of the unallocated valuation surplus and may only be transferred to the shareholders by means of bonuses to policyholders in line with Section 38 of the "Regulation of Insurance Industry, Act No.43 of 2000".

NOTES TO THE FINANCIAL STATEMENTS

The composition of the assets, which will be held to support the Restricted Regulatory Reserves (One-off Surplus for other than participating business) as at 31 December 2019 are disclosed below at their market values:

Assets	Market Value (Rs. 000)
Government Debt Securities	1,299,660
Deposits	
Bank of Ceylon	2,799,241
Total	4,098,901

24. NON-LIFE INSURANCE CONTRACT LIABILITIES

As at 31 December	Note	2019 Insurance Contract Liabilities Rs.'000	2018 Insurance Contract Liabilities Rs.'000
Provision for Reported Claims by Policyholders		4,342,943	4,207,267
Provision for Claims IBNR/IBNER		422,432	371,219
Outstanding Claims Provision	24 (a)	4,765,375	4,578,486
Provision for Unearned Premiums	24.(b)	7,705,056	7,774,724
Total Non Life Insurance Contract Liabilities		12,470,431	12,353,210

24. (a) Outstanding Claims Provision

	2019			2018		
	Insurance Contract Liabilities Rs.'000	Reinsurance of Liabilities Rs.'000	Net Rs.'000	Insurance Contract Liabilities Rs.'000	Reinsurance of Liabilities Rs.'000	Net Rs.'000
At 1 January	4,578,486	3,406,522	1,171,964	4,377,517	3,343,109	1,034,408
Claims Incurred in the Current Accident Year	10,838,937	2,384,831	8,454,106	9,520,228	2,097,662	7,422,566
Other Movements in Claims Incurred in Prior Accident Years	254,024	431,242	(177,218)	415,106	259,911	155,195
Claims Paid During the year	(10,906,072)	(2,957,629)	(7,948,443)	(9,734,365)	(2,294,161)	(7,440,204)
At 31 December	4,765,375	3,264,966	1,500,409	4,578,486	3,406,522	1,171,964

Reinsurance Receivable on paid claims are included under above Reinsurance Receivables amounting to Rs.531,018,000 in 2019 and Rs. 1,045,156,000 in 2018 respectively.

Reinsurance Receivables on paid claims represent dues within 6 months.

Significant delays occur in the notification of claims and a substantial measure of experience and judgment is involved in assessing outstanding liabilities, the ultimate cost of which cannot be known with certainty as of the reporting date.

The Incurred But Not Reported (IBNR) and Incurred But Not Enough Reported (IBNER) claim reserve have been actuarially computed by M/S K.A.Pandit - Consultants and Actuaries. The valuation is performed on an annual basis.

The reserves are determined based on the information currently available. However, it is inherent to the nature of the business written that the ultimate liability may vary as a result of subsequent developments.

24. (b) Provision for Unearned Premiums

Group	2019	2018
	Insurance Contract Liabilities Rs.'000	Insurance Contract Liabilities Rs.'000
At 1 January	7,774,724	7,509,633
Premiums Written in the Year	14,434,525	14,587,235
Premiums Earned During the Year	(14,504,193)	(14,322,144)
At 31 December	7,705,056	7,774,724

25. DEFERRED REVENUE

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

Group	2019	2018
	Deferred Revenue on Insurance Contracts Rs.'000	Deferred Revenue on Insurance Contracts Rs.'000
At 1 January	353,737	274,445
Revenue Deferred	903,481	809,824
Amortisation	(819,530)	(730,532)
At 31 December	437,688	353,737

NOTES TO THE FINANCIAL STATEMENTS

26. INTEREST BEARING LOANS & BORROWINGS

As at 31 December	Note	Group		Company	
		2019	2018	2019	2018
		Rs.'000	Rs.'000	Rs.'000	Rs.'000
Bank Overdraft		1,088,772	422,682	76,003	2,157
Borrowings	26 (a)	1,586,867	1,773,356	-	-
Total Borrowings		2,675,639	2,196,038	76,003	2,157

26. (a) Borrowings

As at 31 December	Note	Group	
		2019	2018
		Rs.'000	Rs.'000
Bank Loans	26 (a) i	640,159	800,146
Corporate Borrowings		155,023	25,151
Repo Borrowings		699,651	857,920
Funds under Management Agreement		77,034	75,139
Promissory Notes		15,000	15,000
Total		1,586,867	1,773,356

26. (a). i Bank Loans

	As at 01 Jan	Loans	Repayments	As at 31 Dec
	2019	Obtained		2019
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Sampath Bank PLC	462,647	-	(123,130)	339,517
Nation Trust Bank PLC	217,429	170,000	(100,206)	287,223
People's Bank	-	19,275	(5,856)	13,419
Hatton National Bank PLC	120,070	-	(120,070)	-
Total	800,146	189,275	(349,262)	640,159

Loans were obtained at variable rates and it is assumed that the carrying value approximates fair value.

The Assets pledged against borrowings are disclosed in Note 46.

27. REINSURANCE PAYABLES

As at 31 December	Group	
	2019	2018
	Rs.'000	Rs.'000
Domestic Reinsurer - National Insurance Trust Fund (NITF)	482,798	208,385
Domestic Reinsurers - Others	3,752	10,823
Foreign Reinsurers	3,002,804	2,400,379
	3,489,354	2,619,587

The above amounts include Reinsurance payable to National Insurance Trust Fund, Local reinsurers and Foreign reinsurers.

28. TRADE AND OTHER PAYABLES

As at 31 December	Note	Group		Company	
		2019 Rs.'000	2018 Rs.'000	2019 Rs.'000	2018 Rs.'000
Policyholders Payment in Advance		654,058	909,062	-	-
Agency Commission Payable		1,170,434	985,597	-	-
Government Levies		141,178	303,605	-	-
Trade Creditors		4,032,186	3,587,305	57,100	34,172
Death Claims Payable		119,727	97,310	-	-
Accrued Expenses		486,482	783,670	-	-
Lease Creditors	28.ii	942,705	-	-	-
Income Tax Payable		735,266	568,077	13,131	14,923
Total		8,282,036	7,234,626	70,231	49,095

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

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

28.i The lease liabilities as at 1 January 2019 can be reconciled to the operating lease commitments as of 31 December 2018, as follows:

	Group Rs.'000
Assets	
Operating lease commitments as at 31 December 2018	483,092
Weighted average incremental borrowing rate as at 1 January 2019	8.6% to 12.50%
Discounted operating lease commitments as at 1 January 2019	415,349
Less:	
Commitments relating to short-term leases	(23,720)
Add:	
Lease payments relating to renewal periods not included in operating lease commitments as at 31 December 2018	644,916
Lease liabilities as at 1 January 2019	1,036,545

Based on the above, as at 1 January 2019:

- ↘ Right-of-use assets of Rs 1,036,545 were recognised and presented in the statement of financial position
- ↘ Additional lease liabilities of Rs 1,036,545 (included in "Other liabilities") were recognised.
- ↘ The adoption of IFRS 16 had no impact on the Company's retained earnings.

28.ii Maturity analysis for lease creditors are as follows ,

As at 31 December 2019	Within 1 year Rs.'000	1-3 years Rs.'000	Above 3 years Rs.'000	Total Rs.'000
Lease creditors	220,814	557,225	164,666	942,705

NOTES TO THE FINANCIAL STATEMENTS

29. NET PREMIUMS

29. (a) Gross Written Premium

Year ended 31 December	Note	Group	
		2019	2018
		Rs.'000	Rs.'000
Non-Life Insurance	29 (a) i	21,499,338	20,348,770
Life Insurance	29 (a) ii	18,718,553	17,812,774
Total Gross Written Premium		40,217,891	38,161,544

The premium income for the year by major classes of business is as follows;

29. (a). i Non - Life Insurance

Year ended 31 December	Group		
	2019	2018	Change
	Rs.'000	Rs.'000	%
Fire	3,398,512	2,490,382	36
Motor	11,268,497	11,357,561	(1)
Marine	1,004,796	864,882	16
Miscellaneous	4,436,477	3,177,339	40
Engineering	1,207,033	2,267,679	(47)
Employers' Liability	184,023	190,927	(4)
	21,499,338	20,348,770	6

The Gross Written Premium of 2019 includes Rs. 37,330,903 and US\$ 50,445 (2018-Rs.27,715,703 and US\$ 124,315) which are collected on behalf of Co-insurance partners.

29. (a). ii Life Insurance

Year ended 31 December	Group		
	2019	2018	Change
	Rs.'000	Rs.'000	%
New Businesses	4,256,370	3,995,655	7
Single Premium	2,104,212	2,930,101	(28)
Renewal Premium	11,453,266	10,298,594	11
Group Life Premium	904,705	588,425	54
Total	18,718,553	17,812,774	5
Annualised New Business Life Premium	6,054,291	5,876,672	3

29. (b) Premiums Ceded to Reinsurers

Year ended 31 December	Note	Group	
		2019	2018
		Rs.'000	Rs.'000
Non-Life Insurance	29 (b) i	7,064,791	5,761,535
Life Insurance	29 (b) ii	550,122	457,509
Premiums Ceded to Reinsurers		7,614,913	6,219,044

29. (b) i Non- Life Insurance

Year ended 31 December		Group		
		2019	2018	Change
		Rs.'000	Rs.'000	%
Fire	2,933,107	2,328,178	26	
Motor	742,838	481,934	54	
Marine	636,674	496,738	28	
Miscellaneous	1,872,616	1,585,221	18	
Engineering	864,663	853,780	1	
Employers' Liability	14,893	15,684	(5)	
Total	7,064,791	5,761,535	23	
National Insurance Trust Fund				
Compulsory Reinsurance Cessions	863,820	737,868	17	
Strike , Riots, Civil Commotion	1,355,345	1,001,372	35	
Foreign Reinsurers	4,799,381	3,974,893	21	
Local Coinsurance Partners	46,245	47,402	(2)	
	7,064,791	5,761,535	23	

29. (b) ii Life Insurance

Year ended 31 December		Group		
		2019	2018	Change
		Rs.'000	Rs.'000	%
Foreign Reinsurers	550,122	457,509	20	
	550,122	457,509		

NOTES TO THE FINANCIAL STATEMENTS

29. (c) Net Income

Year ended 31 December	Group		Company	
	2019	2018	2019	2018
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Net Earned Premium	32,672,321	31,689,100	-	-
Revenue from Subsidiaries	3,756,530	3,462,653	-	-
Other Revenue	16,111,017	14,273,683	1,401,344	1,268,568
Total Net Income	52,539,868	49,425,436	1,401,344	1,268,568

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

30. FEES AND COMMISSION INCOME

Year ended 31 December	Group		Company	
	2019	2018	2019	2018
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Reinsurance Commission Income	983,844	883,767	-	-
Other Fees	58,893	37,544	-	-
Total Fees and Commission Income	1,042,737	921,311	-	-

31. INVESTMENT INCOME

Year ended 31 December	Group		Company	
	2019	2018	2019	2018
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Rental Income from Investment Properties	53,337	47,234	-	-
Financial Assets at Fair Value through Profit or Loss (Held for Trading Purposes)				
Interest Income	283,059	137,478	-	-
Held to Maturity Financial Assets Interest Income	5,096,995	7,434,604	-	-
Available-For-Sale Financial Assets				
Interest Income	1,268,701	907,988	-	40,054
Dividend Income	83,832	218,887	1,307,605	1,166,397
Loans and Receivables Interest Income	7,306,791	3,604,791	96,481	30,645
Interest Income from Staff Loan	23,732	36,406	-	-
Other Operating Revenue	420,248	602,576	421	31,472
Total Investment Income	14,536,695	12,989,964	1,404,507	1,268,568

32. NET REALISED GAINS

Year ended 31 December	Group		Company	
	2019	2018	2019	2018
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Property, Plant and Equipment				
Realised Gains/ (Losses)	146,536	154,820	(3,163)	-
Available-For-Sale Financial Assets				
Realised Gains				
Equity Securities	1,421	(11)	-	-
Debt Securities	202,655	193,559	-	-
Realised Losses				
Equity Securities	(4,468)	-	-	-
Total Realised Gains for Available-For-Sale Financial Assets	199,608	193,548	-	-
Total Realised Gains	346,144	348,368	(3,163)	-

33. NET FAIR VALUE GAINS AND LOSSES

Year ended 31 December	Group	
	2019	2018
	Rs.'000	Rs.'000
Fair Value Gains on Investment Properties	74,839	46,000
Fair Value Gains on Financial Assets at Fair Value Through Profit or Loss (Held for Trading Purposes)	110,602	(31,960)
Total Fair Value Gains and Losses	185,441	14,040

NOTES TO THE FINANCIAL STATEMENTS

34. NET BENEFITS AND CLAIMS

Year ended 31 December	Group	
	2019	2018
	Rs.'000	Rs.'000
34. (a) Gross Benefits and Claims Paid		
Life Insurance Contracts	10,769,988	9,997,299
Non-Life Insurance Contracts	10,906,082	9,734,365
Total Gross Benefits and Claims Paid	21,676,070	19,731,664
34. (b) Claims Ceded to Reinsurers		
Life Insurance Contracts	(165,923)	(193,749)
Non-Life Insurance Contracts	(2,957,629)	(2,294,161)
Total Claims Ceded to Reinsurers	(3,123,552)	(2,487,910)
34. (c) Gross Change in Contract Liabilities		
Change in Life Insurance Contract Liabilities	7,189,811	6,457,292
Change in Non-Life Insurance Contract Outstanding Claims Provision	189,456	153,932
Total Gross Change in Contract Liabilities	7,379,267	6,611,224
34. (d) Change in Contract Liabilities Ceded to Reinsurers		
Change in Non-Life Insurance Contract Outstanding Claims Provision	139,585	(18,084)
Total Change in Contract Liabilities Ceded to Reinsurers	139,585	(18,084)
Net Benefits and Claims	26,071,370	23,836,894
Net Benefits and Claims - Non Life Insurance	8,277,494	7,576,052
Net Benefits and Claims - Life Insurance	17,793,876	16,260,842
	26,071,370	23,836,894

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

Year ended 31 December	2019	2018
	Rs.'000	Rs.'000
Claims - Death,Disability and Hospitalisation	909,224	807,049
Policy Maturities	6,949,340	6,368,351
Interim Payments on Anticipated Endowment Plans	1,093,305	918,945
Surrenders	1,648,033	1,718,132
Cash Bonus Expenses	144,593	159,317
Annuities	25,492	25,504
	10,769,987	9,997,299
Reinsurance Recoveries	(165,923)	(193,749)
Life Insurance Net Claims and Benefits	10,604,064	9,803,550

34. (f) Non - Life Net Claims Incurred

Year ended 31 December	2019	2018
	Rs.'000	Rs.'000
Gross Claims Incurred	11,095,538	9,888,297
Reinsurance Recoveries	(2,818,044)	(2,312,245)
Total Net Claims incurred	8,277,494	7,576,052

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

Year ended 31 December	2019	2018
	Rs.'000	Rs.'000
Fire	639,379	399,046
Motor	5,705,068	5,533,472
Marine	116,203	136,800
Miscellaneous	1,410,355	1,295,440
Engineering	363,236	172,690
Employer's Liability	43,253	38,604
	8,277,494	7,576,052

NOTES TO THE FINANCIAL STATEMENTS

35. ACQUISITION COSTS

Year ended 31 December	Group		Company	
	2019	2018	2019	2018
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Fees and Commission Expenses	3,879,661	3,741,615	-	-
Deferred Expenses	(11,168)	(65,252)	-	-
	3,868,493	3,676,363	-	-

36. OTHER OPERATING AND ADMINISTRATIVE EXPENSES

Year ended 31 December	Note	Group		Company	
		2019	2018	2019	2018
		Rs.'000	Rs.'000	Rs.'000	Rs.'000
Amortisation of Intangible Assets & Goodwill	7	143,029	83,616	-	-
Depreciation on Property, Plant and Equipment		930,835	848,548	-	58
Other Operating Expenses	36 (b)	2,733,581	2,637,194	9,390	38,004
Auditors' Remuneration		22,921	20,685	975	952
Employee Benefits Expense	36 (a)	5,078,946	5,311,959	79,682	8,281
Selling Expenses		1,596,851	1,432,705	-	-
Legal Expenses		64,727	31,276	19,855	21,285
Donations		25,253	23,264	-	-
Total Other Operating and Administrative Expenses		10,596,142	10,389,247	109,902	68,580

36. (a) Employee Benefits Expense

Year ended 31 December	Note	Group		Company	
		2019	2018	2019	2018
		Rs.'000	Rs.'000	Rs.'000	Rs.'000
Wages and Salaries Including Bonus & Incentives		4,787,984	5,695,008	64,520	8,281
Employees' Provident Fund		383,828	388,517	5,333	-
Employees' Trust Fund		95,916	64,941	1,333	-
Defined Gratuity Benefit & Pension Costs	36 (c)	(534,815)	(1,150,156)	5,334	-
Other Staff Related Cost		346,033	313,649	3,162	-
Total Employee Benefits Expense		5,078,946	5,311,959	79,682	8,281

36. (b) Other Operating Expenses

The operating expenses incurred in respect of investment property which does not earn rental income is Rs.4,619,000. (2018 - Rs. 4,027,000/-)
The operating expenses incurred in respect of investment property which earns rental income is Rs.1,746,000 (2018- Rs.nil)

36. (c) Net Gratuity Benefit and Pension Cost shows a negative amount primarily due to expected return on plan assets over current service cost and interest cost on benefit obligations.

37. FINANCE COSTS

Year ended 31 December	Group		Company	
	2019	2018	2019	2018
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Current Borrowings				
Interest Expense on Bank Overdraft	53,223	26,430	-	-
Interest Expense on Loans	98,171	88,835	-	-
Other Finance Charges	42,118	55,623	864	384
Lease Interest	95,094	-	-	-
Total Finance Cost	288,606	170,888	864	384

38. INCOME TAX EXPENSE

The major components of Income Tax Expense for the years ended 31 December 2019 and 2018 are:

38. (a) Current Year Tax Charge

Year ended 31 December	Group		Company	
	2019	2018	2019	2018
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Current tax				
Income Tax (38 (c))	2,391,744	2,031,236	25,480	20,375
Over/Under Provision in respect of Previous Year	(240,808)	42,253	-	-
Total Current Tax	2,150,936	2,073,489	25,480	20,375
Deferred Tax				
Origination of Temporary Differences (note 18 a and b)	117,167	325,830	-	-
Total Income Tax Expense	2,268,103	2,399,319	25,480	20,375

38. (b) Tax recorded in Other Comprehensive income (see Note 42)

Year ended 31 December	Group		Company	
	2019	2018	2019	2018
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Deferred Tax	278,135	114,162	-	-
Total Tax Charge to Other Comprehensive Income	278,135	114,162	-	-

NOTES TO THE FINANCIAL STATEMENTS

38. (c) Reconciliation of Tax Charge

Year ended 31 December	Company	
	2019	2018
	Rs.'000	Rs.'000
Reconciliation of Effective Tax Rate		
Profit Before Tax	1,290,578	1,199,604
Income Tax using the Company's Domestic Tax Rate (28.00%)	361,362	335,889
Tax Exempt Income	(365,244)	(333,860)
Net Non-Deductible/(Deductible) Expenses	29,362	18,346
	25,480	20,375

Year ended 31 December	Group	
	2019	2018
	Rs.'000	Rs.'000
Reconciliation of Effective Tax Rate		
Profit Before Tax	11,051,191	11,064,771
Income Tax using the Company's Domestic Tax Rate	3,451,540	3,276,196
Tax Exempt Income	(1,860,122)	(868,195)
Net Non-Deductible/(Deductible) Expenses	(265,976)	(1,150,404)
Tax Effect of Loss Claimed for the Year	(31,635)	(68,684)
Income Tax for Bonuses distributed/declared to policyholders	20,151	233,322
Income Tax for Surplus distributed to Shareholders	1,092,000	609,000
Over / (Under) Provision of Previous Years	(255,022)	42,254
Deferred Tax Charge/(Reverse)	117,167	325,830
	2,268,103	2,399,319

The Company is liable to pay income tax at the rate of 28% of its taxable profits in accordance with the provisions of the Inland Revenue Act, No.24 of 2017 and subsequent amendments thereto.

Taxable profits of Long-Term insurance business is computed on following basis:

- ↘ Surplus distributed to participating policyholders - at 14% for 3 years and at 28% thereafter
- ↘ Investment income of shareholder funds less allowable expenses - at 28%
- ↘ Surplus distributed to shareholders from policyholders as certified by the appointed actuary - at 28%

CEG Education Holdings (Private) Limited and CEC Events (Pvt Ltd. are liable to pay tax at 28% on its business income. Other income of the Company is liable for taxation at the normal rate.

Education Subsidiaries are liable at 14% on its business income for the year.

The Statutory income from business of Ceypower Cascades (Pvt) Ltd and Ceyhydro Developers (Pvt) Ltd. are liable for 14% tax on the income for the year of assessment 2019/2020. Other income of the Company is liable for taxation at 28%.

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

39. NON CONTROLLING INTERESTS (NCI)

39 (a) Accumulated balances of Non-Controlling Interest

Year ended 31 December	2019	2018	Effective ownership by NCI %
	Rs.'000	Rs.'000	
Name of Company			
Ceylinco Healthcare (Pvt) Ltd	2,875	2,592	0.80
Ceylinco Insurance (Pvt) Ltd -Maldives	94,967	171,005	21
Ceylinco Investcorp (Pvt) Ltd	20,481	16,943	25
Energy Lanka Holdings Ltd	25,723	22,806	-
CEG Education Holdings Ltd	2,180,061	1,676,685	37.40
	2,324,107	1,890,031	

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

Year ended 31 December	2019	2018
	Rs.'000	Rs.'000
Name of the Company		
Ceylinco Healthcare (Pvt) Ltd	284	441
Ceylinco Insurance (Pvt) Ltd -Maldives	8,197	4,102
Ceylinco Investcorp (Pvt) Ltd	4,584	4,089
Energy Lanka Holdings Ltd	4,953	3,193
CEG Education Holdings Ltd	221,352	260,107
	239,370	271,932

40. BASIC/DILUTED EARNINGS PER SHARE

Basic/Diluted Earnings Per Share has been calculated by dividing profit after taxation attributable to ordinary shareholders of the parent by the weighted average Ordinary Shares in issue at the year end..

Year ended 31 December	Group		Company	
	2019	2018	2019	2018
Profit for the Year (Rs.'000)	8,543,718	8,393,520	1,265,098	1,179,229
Weighted Average Number of Ordinary Shares ('000)	26,414	26,414	26,414	26,414
Basic/Diluted Earnings Per Ordinary Share (Rs.)	323.45	317.76	47.89	44.64

There were no potential dilutive Ordinary Shares outstanding at any time during the year. Therefore, Diluted Earnings Per Share is same as Basic Earnings Per Share shown above.

NOTES TO THE FINANCIAL STATEMENTS

41. DIVIDENDS PAID

Year ended 31 December	2019	2018
Final Dividend Paid (Rs.'000)	924,506	832,056
No. of Shares in issue for the year ('000)	26,414	26,414
Dividend Per Share (Rs.)	35.00	31.50

42. INCOME TAX EFFECTS RELATING TO OTHER COMPREHENSIVE INCOME

Year ended 31 December	2019			2018		
	Before tax Amount Rs.'000	Tax (Expense) Benefit Rs.'000	Net of Tax Amount Rs.'000	Before Tax Amount Rs.'000	Tax (Expense) Benefit Rs.'000	Net of Tax Amount Rs.'000
Group						
Exchange Differences on Translating Foreign Operations	(3,252)	-	(3,252)	67,165	-	67,165
Net Gain/(Loss) on Available-for-Sale Financial Assets	(153,791)	(27,751)	(181,542)	(376,507)	(18,792)	(395,299)
Actuarial Gain on Defined Benefit Plans	(1,362,179)	51,900	(1,310,279)	851,368	(31,033)	820,335
Revaluation Surplus/(Deficit) During the Year	2,768,383	(302,284)	2,466,099	20,326	(64,337)	(44,011)
Total	1,249,161	(278,135)	971,026	562,352	(114,162)	448,190

42.1 Movement of share of Other Comprehensive Income /(Loss) of an associates

Year ended 31 December	2019	2018
	Amount Rs.'000	Amount Rs.'000
Actuarial Gain on Defined Benefit Plans	(16,719)	(15,562)
Revaluation Surplus/(Deficit) During the Year	49,276	20,326
Tax Expenses	(20)	(57,390)
Total	32,537	(52,626)

Year ended 31 December	2019			2018		
	Before tax Amount Rs.'000	Tax (Expense) Benefit Rs.'000	Net of Tax Amount Rs.'000	Before Tax Amount Rs.'000	Tax (Expense) Benefit Rs.'000	Net of Tax Amount Rs.'000
Company						
Net Gain/(Loss) on Available-for-Sale Financial Assets	(616)	-	(616)	2,161	-	2,161
Total	(616)	-	(616)	2,161	-	2,161

43. RISK MANAGEMENT FRAMEWORK

43. (a) Governance Framework

The primary objective of the Group's risk and financial management framework is to protect the Group's shareholders from events that hinder the sustainable achievement of financial performance objectives, including failing to exploit opportunities. Key management recognises the critical importance of having efficient and effective risk management systems in place.

The Group has established a risk management process with specified objectives with clear tasks. The board of directors and senior managers manage the risks through various committees and delegated authorities. The reviews of risks on regular basis and the strategies adopted timely ensures the risk management function an important activity within the organisation.

The risks are identified with clear understanding of market environment, regulatory environment and macro economic changes. The Group has well experienced and skilled directors who could assess the risks and execute appropriate strategies and achieve the targets with less negative effect to shareholders.

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

The Group has established the following capital management objectives, policies and approach to managing the risks that affect its capital position:

- To maintain the required level of stability of the Group thereby providing a degree of security to policyholders
- To allocate capital efficiently and support the development of business by ensuring that returns on capital employed meet the requirements of its capital providers and of its shareholders
- To retain financial flexibility by maintaining strong liquidity and access to a range of capital markets
- To align the profile of assets and liabilities taking account of risks inherent in the business
- To maintain financial strength to support new business growth and to satisfy the requirements of the policyholders, regulators and stakeholders

NOTES TO THE FINANCIAL STATEMENTS

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

Operations of the Group are also subject to regulatory requirements within the jurisdictions in which it operates. Such regulations not only prescribe approval and monitoring of activities, but also impose certain restrictive provisions (e.g., capital adequacy) to minimise the risk of default and insolvency on the part of the insurance companies to meet unforeseen liabilities as these arise.

The Insurance business maintains capital, investments and solvency as per the regulations prescribed by Insurance Regulatory Commission of Sri Lanka. (IRCSL). Further, under the parallel run requirements of IRCSL the insurance business maintains required Capital Adequacy Ratio (CAR) under the Risk Based Capital (RBC) Regime.

New changes in regulations are timely adopted and necessary changes are made to internal processes.

Approach to Capital Management

The Group allocates capital to businesses as required and ensures the sufficient returns to shareholders and policyholders. The assets and liabilities management establishes the required level of liquidity and reduces the risks of the Group and achieves the required capital levels of the Group.

The primary source of capital used by the Group is equity shareholders' funds. The Group also utilises, where efficient to do so, sources of capital such as reinsurance.

The returns expectations are regularly forecast and comparisons are made in order to ensure the requirements of stakeholders are achieved.

The Group has had no significant changes in its policies and processes to its capital structure during the past year from previous years.

Ceylinco General Insurance Ltd has following Capital Resources.

Year ended 31 December	2019 Rs.'000	2018 Rs.'000
Total Equity	11,697,592	11,145,323
Adjustments for regulatory basis	(6,047,021)	(5,249,211)
Available Capital Resources	5,650,571	5,896,112

The adjustments for regulatory basis represent assets inadmissible for regulatory reporting purposes.

The Group has had no significant changes in its policies and processes to its capital structure during the past year from previous years.

Ceylinco Life Insurance Ltd has following Capital Resources.

Year ended 31 December	2019 Rs.'000	2018 Rs.'000
Total Equity	31,492,076	26,425,583
Adjustments onto a Regulatory basis	29,903,365	27,434,492
Available Capital Resources	61,395,441	53,860,075

The adjustments onto a regulatory basis Includes the followings:.

1. Adjustment for valuation differences of Assets and Liabilities between SLFRS and RBC frameaeworks.
2. Unallocated valuation surplus maintained in the Insurance Funds.
3. 50% of net future bonuses in respect of participating business
4. Value of Inadmissible Assets under RBC framework.

43. (c) Regulatory Framework

Regulators are primarily interested in protecting the rights of policyholders and monitor them closely to ensure that the insurance business is satisfactorily managing affairs for their benefit. At the same time, regulators are also interested in ensuring that the insurance business maintains an appropriate solvency position to meet unforeseen liabilities arising from economic shocks or natural disasters.

The insurance business is regulated by Insurance Regulatory Commission of Srilanka with the objective of protecting shareholders and policyholders. There are various regulations and directive the insurance business is expected to adhere in order to achieve the expected norms, which leads the insurance business to maintain required solvency and maintain sufficient capital.

Financial risks arise due to movements in market rates. The risks mainly involve interest rates risks, share price changes etc. The Group manages these risks through various strategies adopted at asset liability committee, investment committee and risk management committees.

IRCSL ensures that the Company maintains required solvency position to meet future liabilities .The Insurance Companies successfully implemented the Risk Based Capital (RBC) framework on solvency margin as required by IRCSL.

The capital adequacy positions of the Insurance Companies as of 31st December 2019 and 2018 are as follows.

Ceylinco General Insurance Ltd

	Total Available Capital (TAC) Rs.'000	Minimum Capital Requirement Rs.'000	Risk-based Capital Adequacy Ratio (CAR) %	Regulatory Minimum CAR %
31st December 2019	5,650,571	3,168,954	178	120
31st December 2018	5,896,112	3,026,609	195	120

Ceylinco Life Insurance Ltd

	Total Available Capital (TAC) Rs.'000	Minimum Capital Requirement Rs.'000	Risk-based Capital Adequacy Ratio (CAR) %	Regulatory Minimum CAR %
31st December 2019	61,395,441	17,847,798	345%	120
31st December 2018	53,860,075	14,813,327	364%	120

NOTES TO THE FINANCIAL STATEMENTS

43. (d) Asset Liability Management (ALM) Framework

ALM is the ongoing process of formulating, implementing, monitoring and revising strategies related to assets and liabilities to achieve an organization's financial objectives, given the organization's risk tolerance and other constraints. ALM deals with the optimal investment of assets in view of meeting current goals and future liabilities.

Various financial risks arise from open positions in interest rates, currency and equity products, all of which are exposed to general and specific market movements. The main risk that the Group faces, due to the nature of its investments and liabilities, is interest rate risk.

The Investment committee identifies the nature of the liabilities arising from the product portfolio and evaluates the investment options that best suit to hedge the liability. The Group manages these selected positions within a strategically crafted ALM framework that has been developed considering the cyclical nature of the domestic interest rates to achieve investment returns in excess of its obligations in the long term.

44. INSURANCE AND FINANCIAL RISK

44. (a) Insurance Risk

The principal insurance risk the Group faces is that the actual claims and benefit payments or the timing thereof, differ from expectations. This is influenced by the frequency of claims, severity of claims, actual benefits paid and subsequent development of long-term claims. Therefore, the objective of the Group is to ensure that sufficient reserves are available to cover these liabilities.

The variability of risks is also improved by careful selection and implementation of underwriting strategy guidelines, as well as the use of reinsurance arrangements. The Group has entered into reinsurance treaties with world's leading reinsurers as a part of its risks mitigation programme. All reinsurance is designed to mitigate the group's net exposure to a single claim as well as to catastrophe losses.

Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision and are in accordance with the reinsurance contracts. Although the Group has reinsurance arrangements, it is not relieved of its direct obligations to its policyholders and thus a credit exposure exists with respect to ceded insurance, to the extent that any reinsurer is unable to meet its obligations assumed under such reinsurance agreements. The Group's placement of reinsurance is diversified such that it is not dependent on a single reinsurer. The Group has all reinsurance arrangements with many leading reinsurance companies.

44. (a). i. Life Insurance Contracts

Life insurance contracts offered by the Group include: whole life, term assurance and endowment plans, retirement plans, critical illness benefits disability insurance, daily hospital cash and major surgery benefits.

The main risks that the Group is exposed to are as follows:

Mortality risk – risk of loss arising due to policyholder death experience being different than expected

Morbidity risk – risk of loss arising due to policyholder health experience being different than expected

Investment return risk – risk of loss arising from actual returns being different than expected

Expense risk – risk of loss arising from expense experience being different than expected

Policyholder decision risk – risk of loss arising due to policyholder experiences (lapses and surrenders) being different than expected

Key Assumptions

The Life Company exercises significant judgment in determining the policy liabilities and in selecting assumptions. The key assumptions to which the liability value can be sensitive are mortality, morbidity, expenses, discount rates, lapse and surrender rates. The choice of assumptions depends on the past and current experience of the Life 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 Life Company historical experience. Discount rates are based on current industry risk free rates. All these assumptions are within the guidelines issued by the IRCSL.

Mortality rate

Mortality assumptions are based on standard mortality tables.

Lapse rates

Lapses occur due to non-payment of premiums before the policy acquires a surrender value. Surrenders occur due to termination of policies by policyholders after acquiring a surrender value.

Risk Free Rate

Risk free discount rate is used to discount the cash flows for corresponding durations for guaranteed benefits of non-participating and participating insurance fund policies. The applicable risk free rates are shared by the IRCSL every quarter.

Fund-based yield

Fund-based yield is used in the participating fund to discount the cash flows for corresponding durations where total benefits are considered.

Management Expenses

The assumptions for management expenses are determined based on the investigation into the expenses of the Insurance Company over the last four calendar years. Each expense is classified as acquisition/maintenance/termination and then classified as fixed/variable.

44. (a).(i).1 Sensitivity of the Value of Insurance Liabilities for Change in Assumptions

Sensitivity of the Value of Insurance Liabilities as at 31st December 2019	Changes in Assumptions	Impact on the Net Best Estimate Liabilities
Expenses	+10%	1.31%
Mortality	+10%	0.41%
Mortality	-10%	-0.41%
Morbidity	+20%	0.40%
Morbidity	-20%	-0.43%
Withdrawal Rate	+20%	-0.06%
Withdrawal Rate	-20%	0.00%

NOTES TO THE FINANCIAL STATEMENTS

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.

The main risk faced by non-life insurance business is that the actual claims are varying from the expected claims from different types of policies. The non-life insurance business minimises the risks by evaluating the business in detail and charges the correct premiums so that the company has sufficient reserves to meet any unforeseen claims.

There are other types of risks such as reinsurance, default risk, credit risk, concentration risk, liquidity risks and market risks. The business's risk management policies and processes mitigate the impact of these risks and also benefits the organisation by accepting some calculated risks at appropriate times.

44. (a) ii Non-Life Insurance Contracts

The non-life insurance principally issues the following types of general insurance contracts: motor, marine, engineering, fire, suwa sampatha and miscellaneous products. Risks under non-life insurance policies usually cover twelve months duration. For general insurance contracts, the most significant risks arise from accidents, climate changes, natural disasters and terrorist activities. For longer tail claims that take some years to settle, there is also inflation risk.

These risks do not vary significantly in relation to the location of the risk insured by the Group, type of risk insured and by industry.

The above risk exposure is mitigated by diversification across a large portfolio of insurance contracts and geographical areas. The variability of risks is improved by careful selection and implementation of underwriting strategies, which are designed to ensure that risks are diversified in terms of type of risk and level of insured benefits. Furthermore, strict claim review policies to assess all new and ongoing claims, regular detailed review of claims handling procedures and frequent investigation of possible fraudulent claims are all policies and procedures put in place to reduce the risk exposure of the non-life. Further on the spot claims settlement procedures also helps to reduce the exposure to unpredictable future developments that can negatively impact the business. Inflation risk is mitigated by taking expected inflation into account when estimating insurance contract liabilities.

The non-life has also limited its exposure by arranging reinsurance contracts with rated reinsurers internationally.

Key assumptions and sensitivities

The principal assumption underlying the liability estimates is that Ceylinco General Insurance Limited's future claims development may follow a similar pattern to past claims development experience. This includes assumptions in respect of average claim costs, claim handling costs, claim inflation factors and claim numbers for each accident year. Additional qualitative judgments are also used to assess the extent to which liabilities may arise in the future, but excludes one-off occurrences, changes in market factors such as public attitude to claiming, economic conditions, and internal factors such as portfolio mix, policy conditions and claims handling procedures. Judgment is further used to assess the extent to which external factors such as judicial decisions and government legislation affect the estimates. The General Insurance claim liabilities are sensitive to the key assumptions. It has not been possible to quantify the sensitivity of certain assumptions such as legislative changes or uncertainty in the estimation process.

Sensitivities

The non-life insurance claim liabilities are sensitive to the key assumptions in the table below. It has not been possible to quantify the sensitivity of certain assumptions such as legislative changes or uncertainty in the estimation process.

Ceylinco General Insurance Limited

Sensitivity of the value of insurance Liabilities as at 31/12/2019	Outstanding claims reserves based on BF with a 5% increase in the initial Estimated Ultimate Loss Ratio (IEULR)	Outstanding claims reserves based on BF with a 5% Decrease in the initial Estimated Ultimate Loss Ratio (IEULR)
Impact on the best estimate liability (Rs.000)	959,442	869,136

Claims development table

The following table shows the estimated net claims liability (after considering reinsurance) for each successive accident year at each reporting date for domestic operations of Ceylinco General Insurance Ltd.

Year	0	1	2	3
2012	-	-	4,118,362	-
2013	-	5,227,313	(8,690,169)	499,999
2014	939,339,988	(5,564,745)	(5,564,745)	-
2015	570,867,852	(103,140,094)	(38,064,835)	91,881,814
2016	(359,345,658)	(201,260,832)	60,691,997	128,184,503
2017	1,024,084,173	(364,476,124)	495,972	-
2018	988,889,167	82,953,932	-	-
2019	851,064,144	-	-	-

44. (b) Credit Risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss to the other party by failing to discharge an obligation.

The following policies and procedures are in place to mitigate the Life insurance segment exposure to credit risk:

- ↘ Credit risk policy is set based on the assessment and IRCSL determination. Accordingly Life insurance segment has the maximum amounts and limits that may be advanced to counter parties by reference to their long-term credit ratings. Policy is monitored at each reporting date or when required for changes in the risk environment.
- ↘ Reinsurance is placed with counter parties that have a good credit rating. At each reporting date, an assessment of creditworthiness of reinsurers are performed and updates the reinsurance purchase strategy, ascertaining suitable allowance for impairment.
- ↘ The credit risk in respect of customer balances incurred on non-payment of premiums or contributions will only persist during the grace period specified in the policy document until expiry, when the policy is either paid up or terminated. Commission paid to intermediaries is netted off against amounts receivable from them to reduce the risk of doubtful debts.
- ↘ The following processes/activities of General insurance segment division reduces the credit risk of financial instruments.
- ↘ Credit risk policy is based on the IRCSL determination. The maximum exposures to each type of financial instrument is limited based on the policy.
- ↘ The investment committee evaluates the exposure and the new investments in instruments in order to reduce the risks.
- ↘ The regular review by the Board also minimises the credit risks.

44. (b). i Credit Exposure

NOTES TO THE FINANCIAL STATEMENTS

The table below shows the maximum exposure to credit risk for the components of the Statement of Financial Position and items such as future commitments.

Year ended 31 December	Note	2019		2018	
		Group Rs.'000	Company Rs.'000	Group Rs.'000	Company Rs.'000
Financial Instruments					
Held-to-Maturity Financial Assets					
Debt Securities	13(a)	57,153,974	-	60,801,425	-
Loans and Receivables					
Debt Securities	13(b)	54,823,031	1,512,758	44,884,215	1,366,632
Other		1,444,668	-	1,102,533	-
		56,267,699	1,512,758	45,986,748	1,366,632
Available-for-Sale Financial Assets					
Equity Securities	13(c)	720,618	224,491	1,041,982	21,089
Debt Securities		13,108,274	30,000	7,369,835	30,000
		13,828,892	254,491	8,411,817	51,089
Financial Assets at Fair Value through Profit or Loss					
Equity Securities	13(d)	2,305,764	-	557,918	-
Debt Securities		32,936	-	7,911	-
		2,338,700	-	565,829	-
Reinsurance Receivables	16	3,538,374	-	3,675,696	-
Insurance Receivables	19	6,550,064	-	6,393,475	-
Cash and Cash Equivalents	21	1,128,411	70,727	1,358,954	10,490
Total Credit Risk Exposure		140,806,114	1,837,976	127,193,944	1,428,211

44. (b). ii Industry Analysis

31 December 2019	Financial Services Rs.'000	Government Rs.'000	Services Rs.'000	Manufacturing and Power Rs.'000	Others Rs.'000	Total Rs.'000
Assets						
Held-to-Maturity Financial Assets						
Debt securities	19,200,396	37,689,470	-	-	-	56,889,866
	19,200,396	37,689,470	-	-	-	56,889,866
Loans and Receivables						
Term Deposits	39,488,552	-	-	-	-	39,488,552
Repo Investments	59,186	-	-	-	-	59,186
Unquoted Debentures	5,432,180	-	-	-	-	5,432,180
Debentures Quoted	6,703,775	-	-	-	-	6,703,775
Staff and Vehicle Loans	-	-	-	-	1,154,104	1,154,104
	51,683,693	-	-	-	1,154,104	52,837,797
Available-for-Sale Financial Assets						
Equity Securities	342,483	-	4,838	310,599	1,967	659,887
Debt Securities	2,782,473	9,284,512	-	-	-	12,066,985
Unit Trust	137,211	-	-	-	-	137,211
	3,262,167	9,284,512	4,838	310,599	1,967	12,864,083
Financial Assets at Fair Value through Profit or Loss						
Equity Securities	230	-	363	11,565	-	12,158
Debt Securities	-	2,305,764	-	-	-	2,305,764
	230	2,305,764	363	11,565	-	2,317,922
Sub Total	74,146,486	49,279,746	5,201	322,164	1,156,071	124,909,668
Financial Instruments -Other Subsidiaries & Ceylinco Insurance PLC						4,679,597
Total Credit Risk Exposure						129,589,265

NOTES TO THE FINANCIAL STATEMENTS

31 December 2018	Financial Services Rs.'000	Government Rs.'000	Services Rs.'000	Manufacturing and Power Rs.'000	Others Rs.'000	Total Rs.'000
Assets						
Held-to-Maturity Financial Assets						
Debt securities	21,971,871	38,603,523	-	-	-	60,575,394
	21,971,871	38,603,523	-	-	-	60,575,394
Loans and Receivables						
Term Deposits	36,477,447	-	-	-	-	36,477,447
Repo Investments	159,918	-	-	-	-	159,918
Unquoted Debentures	1,337,364	-	-	-	-	1,337,364
Debentures Quoted	4,213,041	-	-	-	-	4,213,041
Staff and Vehicle Loans	-	-	-	-	849,870	849,870
	42,187,770	-	-	-	849,870	43,037,640
Available-for-Sale Financial Assets						
Equity Securities	348,773	-	1,879	769,863	1,631	1,122,146
Debt Securities	2,246,933	4,057,221	-	-	-	6,304,154
Unit Trust	45,862	-	-	-	-	45,862
	2,641,568	4,057,221	1,879	769,863	1,631	7,472,162
Financial Assets at Fair Value through Profit or Loss						
Equity Securities	236	-	360	7,315	-	7,913
Debt Securities	-	557,918	-	-	-	557,918
	236	557,918	360	7,315	-	565,831
Sub Total	66,801,445	43,218,662	2,239	777,178	851,501	111,651,027
Financial Instruments - Other Subsidiaries & Ceylinco Insurance PLC						4,114,792
Total Credit Risk Exposure						115,765,819

44. INSURANCE AND FINANCIAL RISK CONTD.

44. (b). iii The below table indicates the rating of investments as at 31st December 2019 & 2018.

Group

31 December 2019	AAA Rs.'000	AA+ Rs.'000	AA Rs.'000	AA- Rs.'000	A+ Rs.'000	A Rs.'000	A- Rs.'000	BBB+ Rs.'000	BBB Rs.'000	BB+ Rs.'000	BBB- Rs.'000	Unrated Rs.'000	Total Rs.'000
Insurance Business													
Financial Instruments													
Held-to-Maturity Financial Assets													
Debt Securities	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	1,273,245	22,639,660	5,716,668	4,646,760	11,998,477	299,566	3,658,376	809,819	259,011	3,576	481,135	1,051,503	52,837,796
Available-for-Sale Financial Assets													
Equity Securities	-	-	-	-	-	8	-	-	118,438	-	-	304,592	423,038
Debt Securities	9,613,286	7,074	884,207	486,492	465,317	50,944	513,837	-	-	-	713	281,964	12,303,834
Unit Trust	-	-	-	-	-	-	-	-	-	-	-	137,211	137,211
Financial Assets at Fair Value through Profit or Loss													
Equity Securities	43	-	-	267	33	-	-	-	32	-	-	11,783	12,158
Debt Securities	2,305,764	-	-	-	-	-	-	-	-	-	-	-	2,305,764
Sub Total	50,881,808	23,953,536	8,000,508	11,517,425	19,824,149	1,011,384	6,246,727	809,819	391,834	3,576	481,848	1,787,053	124,909,667
Financial Instruments - Other Subsidiaries & Ceylinco Insurance PLC													
Total													46,79,598
<hr/>													
31 December 2018													
Insurance Business													
Financial Instruments													
Held-to-Maturity Financial Assets													
Debt Securities	38,585,636	1,354,276	1,359,656	8,988,168	7,553,946	661,952	2,057,411	-	14,349	-	-	-	60,575,394
Loans and Receivables	1,931,729	12,051,062	4,213,041	9,740,568	8,844,674	1,187,346	3,528,657	5,272,214	10,903	-	141,549	860,899	43,037,642
Available-for-Sale Financial Assets													
Equity Securities	-	1,488	-	-	-	8	-	152,842	114,423	-	-	853,385	1,122,146
Debt Securities	4,057,221	306,471	54,685	963,479	467,969	50,947	403,427	-	-	-	-	-	6,304,199
Unit Trust	-	-	-	-	-	-	-	-	-	-	-	45,817	45,817
Financial Assets at Fair Value through Profit or Loss													
Equity Securities	35	66	38	295	30	-	-	-	-	-	-	7,446	7,910
Debt Securities	557,918	-	-	-	-	-	-	-	-	-	-	-	557,918
Sub Total	45,132,539	13,713,363	5,627,420	19,692,510	16,866,619	1,900,253	5,989,495	680,056	139,675	-	141,549	1,767,547	111,651,026
Financial Instruments - Other Subsidiaries & Ceylinco Insurance PLC													
Total													4,114,793
<hr/>													
Total													
												129,589,265	115,765,819

NOTES TO THE FINANCIAL STATEMENTS

44. INSURANCE AND FINANCIAL RISK CONTD.

44. (c) Liquidity Risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations associated with financial instruments. Even at a catastrophic events liquidity risk of Life insurance segment is low as the cash inflow is greater than cash outflow.

The following policies and procedures are in place to mitigate the Life insurance segment exposure to liquidity risk:

- ↘ 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.

The liquidity risks in General insurance segment is where the Group does not have enough cash/arrangements to meet payments./commitments as they fall due. Following processes/activities are in place to minimise the liquidity risk.

- ↘ The regular maintenance of investments in accordance with the IRCSL guidelines.
- ↘ The investment committee reviews the liquidity levels and take appropriate actions to improve the liquidity.
- ↘ Efficient forecasting of future commitments and making investments to meet the pay-outs, mitigate any possible liquidity concerns.

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

Table below represent the maturity profiles of Financial Assets and Financial Liabilities

Insurance Business

As at December 2019	Within One Year Rs.'000	After one year not more than to three years Rs.'000	Above Three Years Rs.'000	Total Rs.'000
Financial Assets				
Financial Instrument				
Measured at Fair Value	1,703,402	3,097,168	8,063,513	12,864,083
Measured at Amortized Cost	23,928,749	15,458,084	13,450,964	52,837,797
Reinsurance Receivable	3,239,253	-	-	3,239,253
Insurance Receivable	5,137,905	-	-	5,137,905
Other Assets	409,382	-	-	409,382
Cash and Cash Equivalents	588,914	-	-	588,914
Total Financial Assets	35,007,605	18,555,252	21,514,477	75,077,334
Financial Liabilities				
Reinsurance Payable	2,597,911	-	-	2,597,911
Other Liabilities	6,511,609	-	-	6,511,609
Total Financial Liabilities	9,109,520	-	-	9,109,520
Total Excess Liquidity	25,898,085	18,555,252	21,514,477	65,967,814
As at December 2018				
	Within One Year Rs.'000	After one year not more than to three years Rs.'000	Above Three Years Rs.'000	Total Rs.'000
Financial Assets				
Financial Instrument				
Measured at Fair Value	3,562,535	1,717,010	2,192,617	7,472,162
Measured at Amortized Cost	36,777,506	1,235,928	5,020,052	43,033,486
Reinsurance Receivable	3,319,128	3,319,128	-	6,638,256
Insurance Receivable	5,400,856	5,400,856	-	10,801,712
Other Assets	467,048	1,012,099	-	1,479,147
Cash and Cash Equivalents	767,991	767,991	-	1,535,982
Total Financial Assets	50,295,064	13,453,012	7,212,669	70,960,745
Financial Liabilities				
Reinsurance Payable	2,009,948	-	-	2,009,948
Other Liabilities	5,110,914	-	-	5,110,914
Total Financial Liabilities	7,120,862	-	-	7,120,862
Total Excess Liquidity	43,174,202	13,453,012	7,212,669	63,839,883

NOTES TO THE FINANCIAL STATEMENTS

44. (d) Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: foreign exchange rates (currency risk), market interest rates (interest rate risk) and equity price risk and commodity prices (price risk).

The investment committee reviews the impact of market risks and corrective actions are suggested regularly.

44. (d). i. Currency Risk

The Group has no significant concentration of currency risk.

However, the investments in foreign currency deposits is subject to currency risks. Since the Group makes some payments in foreign currency the impact of risk is minimised. Further the investment in subsidiary in Maldives is exposed to exchange rate risk. (translation risk.)

44.(d). ii. Interest Rate Risk

Interest rate risk is the risk that the value or future cash flows of a financial instrument will fluctuate because of changes in interest rates. Floating rate instruments expose the company to cash flow interest risk, whereas fixed interest rate instruments expose the company to fair value interest risk.

The Group's interest risk policy identifies the volatile nature of Sri Lankan interest rate environment. Therefore the Group closely monitors the re-investment calendar of the investment fund and obtains internal and external expert opinion on the behaviour of interest rate environment in taking re-investment decisions. Group maintains mix of short term and long term asset mix and also maintains interest rate sensitive and Inflation rate sensitive asset classes in managing the interest rate risk. The policy also requires it to manage the maturities of interest bearing financial assets and interest bearing financial liabilities. However, the investments in foreign currency deposits is subject to currency risks. Since the Group makes some payments in foreign currency the impact of risk is minimised. Further the investment in subsidiary in Maldives is exposed to exchange rate risk. (translation risk.)

44.(e). Operational Risks

Operational risk is the risk of loss arising from system failure, human error, fraud or external events.

The Group cannot expect to eliminate all operational risks, but by initiating a rigorous control framework and by monitoring and responding to potential risks, the Group is able to manage the risks. Controls include effective segregation of duties, access controls, authorisation and reconciliation procedures, staff education and assessment processes, including the use of internal audit.

Business risks such as changes in environment, technology and the industry are monitored through the strategic management and budgeting process. When controls fail to perform, operational risks can cause damage to reputation, have legal or regulatory implications or can lead to financial loss.

45. CONTINGENCIES AND COMMITMENTS

45. (a) Legal Proceedings and Regulations

One of the Subsidiary, Ceylinco General Insurance Ltd. operates in the insurance industry and is subject to legal proceeding in the normal course of business. While it is not practicable to forecast or determine the final results of all pending or threatened legal proceedings, management does not believe that such proceedings (including litigations) will have a material effect on its results and financial position. However, there is a tax appeal relating on VAT on reinsurance recoveries. (Note 18)

In relation to Ceylinco General Insurance Ltd. the Department of Inland Revenue has issued VAT assessments for the taxable period in the years 2003 and 2004 mainly imposing VAT on Reinsurance recoveries and reinsurance discounts. Upon the determination of the Commissioner General of Inland Revenue, holding the position they are chargeable with VAT, Company appealed to the Tax appeals Commission. The Tax appeals commission has given its decision in favour of Inland Revenue. Hence, upon the receipt of the decision of the tax appeals commission, company appealed to the Honourable Court of appeal on the questions of Law. Now the matter is pending before the Honourable court of appeal for their opinion. The amount so assessed by Inland Revenue is Rs. 195.9 Million.

45. (a). i The Department of Inland Revenue has issued a Notice of Assessment on the Income Tax Return submitted by the Ceylinco General Insurance Ltd for the Year of Assessment 2016/17 disputing some exemptions claimed by the company under Inland Revenue Act, No.10 of 2016. The Company has made an appeal against the said Notice of Assessment. However the Company is of the opinion that such Assessment will not have material impact to the financial position of the Company.

45. (a). ii Ceylinco Life Insurance Ltd has received income tax assessments for the years of assessments 2010/2011, 2011/2012, 2012/2013, 2013/2014, 2014/2015, 2015/2016, 2016/2017 and 2017/18. Further, assessments related to VAT and VAT on Financial Services have been received for years of assessments 2014/15 and 2016/17.

The Company is of the view that these assessments will not materialise as these assessments have been issued by the Department of Inland Revenue in contrary to the Inland Revenue Act No. 10 of 2006 and Value Added Tax Act No. 14 of 2002 including any amendments thereto. Therefore, there will be no additional tax liabilities arising against the Company. Hence, no provision has been made for the assessments received. The Company has made representations against the assessments issued to the Department of Inland Revenue in consultation with the tax consultants of the Company.

45. (b) Capital Expenditure Commitments

The Group has following capital commitment as at the reporting date.

45. (b). i International College of business and technology has project expenditure commitments for purposes of carrying out the Construction of new office building in Nandana Gardens, Colombo 4.

As at 31 December	2019	2018
	Rs.	Rs.
Commitment under sub-contractor agreements entered	121,724,019	-

45. (b). ii The Ceylinco Life Insurance Ltd has committed to pay an amount of Rs.155,531,937/- (2018 -Rs.62,035,731/-) as at the reporting date under contract entered into on Capital expenditure projects.

NOTES TO THE FINANCIAL STATEMENTS

46. ASSETS PLEDGED

The following assets have been pledged as security for liabilities

Nature of Assets	Nature of Liability	Carrying Amount Pledged Rs.'000	Included under
Building - Company	Mortgaged to Seylan Bank PLC by Golden Key Credit Card Company Limited to obtain loan facility (Note 11)	153,333	Investment Property
Fixed Deposit - Ceylinco General Insurance Ltd.	Pledged to Seylan Bank PLC to obtain bank overdraft facilities.	202,887	Loans & Receivables
Unquoted shares - Energy Generators (Pvt) Ltd	Mortgaged to Sampath Bank PLC by Energy Generators (Pvt) Ltd to obtain loan facility	60,907	Investment in Associates
Fixed Deposits - Ceylinco Life Insurance Ltd.	Pledged to Seylan Bank PLC to obtain banking facilities.	520,050	Loans & Receivables
Fixed Deposits - Ceylinco Life Insurance Ltd.	Pledged to Nation Trust Bank PLC to obtain banking facilities.	100	Loans & Receivables
Fixed Deposits - Ceylinco Life Insurance Ltd.	Pledged to National Development Bank PLC to obtain banking facilities.	1,249,000	Loans & Receivables
Land & Buildings - CEG Education Holdings Ltd Group	Loan facilities from Sampath Bank PLC and Seylan Bank PLC	1,249,468	Property, Plant & Equipment
Property, Plant & Equipment - Energy Lanka Holdings	Pledged to Sampath Bank PLC to obtain loan facilities.	175,000	Property, Plant & Equipment

47. RELATED PARTY DISCLOSURES

According to Sri Lanka Accounting Standard (LKAS) 24 Related Party Disclosure, Key Management Personnel (KMP) are those having authority and responsibility for planning, directing and controlling the activities of the entity. Accordingly, the Directors (including Executive and Non-Executive Directors) of the Company and their immediate family members have been classified as Key Management Personnel of the Company. In addition, Chief Executive Officer together with their immediate family members have also been classified as Key Management Personnel of the Company.

Immediate family member is defined as spouse or dependent. A dependent is defined as anyone who depends on the respective KMP for his/her financial needs. As the Ceylinco Insurance PLC (CIPLC) is the ultimate parent of the Company, and the Board of Directors of the CIPLC have the authority and responsibility of planning, directing and controlling the activities of the Company, the Directors of the CIPLC and their immediate family members have also been identified as Key Management Personnel of the Company

47. (a) Compensation of Key Management Personnel

Year ended 31 December	Group		Company	
	2019	2018	2019	2018
	Rs.	RS.	Rs.	RS.
Short-Term Employee Benefits -Company	79,520,319	8,214,900	79,520,319	8,214,900
Short Term & Long Term Employee Benefits Received from the Subsidiaries	942,304,309	1,071,547,946	-	-
	1,021,824,628	1,079,762,846	79,520,319	8,214,900

47. (b) Transaction With Related Parties-Subsidiaries

Year ended 31 December	2019	2018
	Rs.	RS.
Dividend Received/ (Paid)	1,217,895,095	1,075,951,869
	1,217,895,095	1,075,951,869

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

Year ended 31 December	2019	2018
	Rs.	RS.
Dividend Received/ (Paid)	71,115,283	65,948,672
	71,115,283	65,948,672

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

Year ended 31 December	2019	2018
	Rs.	RS.
Dividend Received/ (Paid)	18,594,032	20,453,436
	18,594,032	20,453,436

Transaction With related Parties - Subsidiaries**47. (b). i Ceylinco Investcorp (pvt) Ltd**

Year ended 31 December	2019	2018
	Rs.	RS.
Dividend Received/ (Paid)	6,385,000	5,805,000
	6,385,000	5,805,000

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

Year ended 31 December	2019	2018
	Rs.	RS.
Dividend Received/ (Paid)	47,879,982	42,559,984
	47,879,982	42,559,984

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

Year ended 31 December	2019	2018
	Rs.	RS.
Dividend Received/ (Paid)	86,633,788	99,962,063
	86,633,788	99,962,063

NOTES TO THE FINANCIAL STATEMENTS

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

Year ended 31 December	2019 Rs.	2018 RS.
Dividend Received/ (Paid)	36,521,541	27,899,080
	36,521,541	27,899,080

47. (b). v Ceylinco General Insurance Ltd.

Year ended 31 December	2019 Rs.	2018 RS.
Dividend Received/ (Paid)	457,441,804	362,071,655
	457,441,804	362,071,655

47. (b). vi Ceylinco Life Insurance Ltd.

Year ended 31 December	2019 Rs.	2018 RS.
Dividend Received/ (Paid)	583,032,980	537,654,087
	583,032,980	537,654,087

Transaction With related Parties - Sub Subsidiaries

47. (c). i American Education Centre Ltd

Year ended 31 December	2019 Rs.	2018 RS.
Dividend Received/ (Paid)	12,438,750	11,915,030
	12,438,750	11,915,030

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

Year ended 31 December	2019 Rs.	2018 RS.
Dividend Received/ (Paid)	58,676,533	54,033,642
	58,676,533	54,033,642

Transaction With Related Parties -Equity Accounted Investees

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

Year ended 31 December	2019 Rs.	2018 RS.
Dividend Received/ (Paid)	18,594,032	20,453,436
	18,594,032	20,453,436

47. (e) Citizen Development Business Finance PLC

Year ended 31 December	2019	2018
	Rs.	RS.
Purchase of Shares (No. of shares 2,379,654)	204,016,997	-
	204,016,997	-

48. EMPLOYEE AND INDUSTRIAL RELATIONS

There were no material issues pertaining to Employees & Industrial relations during the year.

49. DISCLOSURES ABOUT THE TEMPORARY EXEMPTION FROM SLFRS 9 FINANCIAL INSTRUMENTS

Group's activities are predominantly connected with Insurance and therefore its permitted by SLFRS 9 temporary exemption to defer SLFRS 9 until adoption of IFRS 17 which is expected to be adopted in 2021.

As at balance sheet date % of insurance related liabilities = 92%

As required by SLFRS 9 the minimum % to be eligible for the exemption = 90%

50. EVENTS AFTER THE REPORTING PERIOD

No circumstances have arisen since the reporting date which would require adjustment to, or disclosure in the Financial Statements except for the followings ,

Subsequent Changes in Income Tax Rates

As per the notice (PN/IT/2020-03) issued by Inland Revenue Department on 18th February 2020 "Implementation of proposed changes to the Inland Revenue Act , No. 24 of 2017 " ; the income tax rates of companies will be reduced from 28% to 24% with effect from 1st January 2020. However the proposed amendments are yet to formally approve in the parliament. Accordingly no adjustments are made in the financial statements as at the reporting date. However resulting financial impact of this amendment is amounting Rs 180 Mn to the Group Deferred tax liability.

QUARTERLY ANALYSIS 2019

CONSOLIDATED STATEMENT OF INCOME

	1st quarter Jan- Mar.19 Rs.'000	2nd quarter Apr- Jun.19 Rs.'000	3 rd quarter Jul- Sep.19 Rs.'000	4th quarter Oct- Dec.19 Rs.'000	Total Jan- Dec.19 Rs.'000
Gross Written Premiums	10,055,078	9,536,940	9,982,246	10,643,627	40,217,891
Premiums Ceded to Reinsurers	(1,743,857)	(1,761,199)	(1,743,230)	(2,366,627)	(7,614,913)
Net Written Premiums	8,311,221	7,775,741	8,239,016	8,277,000	32,602,978
Net change in Reserve for Unearned Premium	(487,969)	165,861	(9,451)	400,902	69,343
Net Earned Premium	7,823,252	7,941,602	8,229,565	8,677,902	32,672,321
Revenue from Subsidiaries	965,938	748,238	863,607	1,178,747	3,756,530
	8,789,190	8,689,840	9,093,172	9,856,649	36,428,851
Investment and Other Income	3,490,947	3,941,938	4,022,898	4,655,234	16,111,017
Net Income	12,280,137	12,631,778	13,116,070	14,511,883	52,539,868
Net Benefits and Claims	(4,460,847)	(4,564,706)	(5,236,403)	(4,619,603)	(18,881,559)
Increase in Life Insurance Fund	(1,247,847)	(1,425,512)	(1,553,566)	(2,962,886)	(7,189,811)
Acquisition Cost	(995,291)	(973,923)	(1,013,263)	(886,016)	(3,868,493)
Cost of sales of Subsidiaries	(218,532)	(219,755)	(238,143)	(481,616)	(1,158,046)
Other Operating and Administrative Expenses	(2,901,400)	(3,082,800)	(2,927,429)	(1,684,513)	(10,596,142)
Finance Cost	(52,045)	(65,306)	(40,690)	(130,565)	(288,606)
Total Benefits, Claims and Other Expenses	(9,875,962)	(10,332,002)	(11,009,494)	(10,765,199)	(41,982,657)
Profit Before Share of Associates	2,404,175	2,299,776	2,106,576	3,746,684	10,557,211
Share of Profit of Associates	245,599	96,350	9,115	142,916	493,980
Profit Before Tax	2,649,774	2,396,126	2,115,691	3,889,600	11,051,191
Income Tax Expense	(644,855)	(505,057)	(396,269)	(721,922)	(2,268,103)
Profit For the Year	2,004,919	1,891,069	1,719,422	3,167,678	8,783,088

COMPANY STATEMENT OF INCOME

	1st quarter Jan- Mar.19 Rs.'000	2nd quarter Apr- Jun.19 Rs.'000	3 rd quarter Jul- Sep.19 Rs.'000	4th quarter Oct- Dec.19 Rs.'000	Total Jan- Dec.19 Rs.'000
Gross Written Premiums	-	-	-	-	-
Premiums Ceded to Reinsurers	-	-	-	-	-
Net Written Premiums	-	-	-	-	-
Net change in Reserve for Unearned Premium	-	-	-	-	-
Net Earned Premium	-	-	-	-	-
Investment and Other Income	103,811	33,302	14,684	1,249,547	1,401,344
Net Income	103,811	33,302	14,684	1,249,547	1,401,344
Net Benefits and Claims	-	-	-	-	-
Increase in Life Insurance Fund	-	-	-	-	-
Acquisition Cost	-	-	-	-	-
Other Operating and Administrative Expenses	(39,066)	(22,957)	(23,088)	(24,791)	(109,902)
Finance Cost	(3)	(4)	(1)	(856)	(864)
Total Benefits, Claims and Other Expenses	(39,069)	(22,961)	(23,089)	(25,647)	(110,766)
Profit Before Tax	64,742	10,341	(8,405)	1,223,900	1,290,578
Income Tax Expense	(9,204)	(4,386)	(1,135)	(10,755)	(25,480)
Profit for the Year	55,538	5,955	(9,540)	1,213,145	1,265,098

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

QUARTERLY ANALYSIS 2018

CONSOLIDATED STATEMENT OF INCOME

	1st quarter Jan- Mar.18 Rs.'000	2nd quarter Apr- Jun.18 Rs.'000	3 rd quarter Jul- Sep.18 Rs.'000	4th quarter Oct- Dec.18 Rs.'000	Total Jan- Dec.18 Rs.'000
Gross Written Premiums	9,344,974	9,021,508	9,873,588	9,921,474	38,161,544
Premiums Ceded to Reinsurers	(1,602,753)	(1,352,194)	(1,654,464)	(1,609,633)	(6,219,044)
Net Written Premiums	7,742,221	7,669,314	8,219,124	8,311,841	31,942,500
Net change in Reserve for Unearned Premium	(425,819)	548	(153,640)	325,511	(253,400)
Net Earned Premium	7,316,402	7,669,862	8,065,484	8,637,352	31,689,100
Revenue from Subsidiaries	892,462	909,043	792,089	869,059	3,462,653
	8,208,864	8,578,905	8,857,573	9,506,411	35,151,753
Investment and Other Income	3,075,846	3,294,332	3,541,447	4,362,058	14,273,683
Net Income	11,284,710	11,873,237	12,399,020	13,868,469	49,425,436
Net Benefits and Claims	(3,911,329)	(4,249,411)	(4,644,169)	(4,574,693)	(17,379,602)
Increase in Life Insurance Fund	121,814	(2,800,515)	(2,441,818)	(1,336,773)	(6,457,292)
Acquisition Cost	(909,794)	(914,925)	(958,362)	(893,282)	(3,676,363)
Cost of sales of Subsidiaries	(220,102)	(220,784)	(215,868)	(276,890)	(933,644)
Other Operating and Administrative Expenses	(2,642,748)	(2,741,493)	(3,228,402)	(1,776,604)	(10,389,247)
Finance Cost	(33,940)	(35,624)	(35,239)	(66,085)	(170,888)
Total Benefits, Claims and Other Expenses	(7,596,099)	(10,962,752)	(11,523,858)	(8,924,327)	(39,007,036)
Profit Before Share of Associates	3,688,611	910,485	875,162	4,944,142	10,418,400
Share of Profit of Associates	198,418	58,683	100,847	288,423	646,371
Profit Before Tax	3,887,029	969,168	976,009	5,232,565	11,064,771
Income Tax Expense	(294,180)	(301,702)	(272,196)	(1,531,241)	(2,399,319)
Profit For the Year	3,592,849	667,466	703,813	3,701,324	8,665,452

COMPANY STATEMENT OF INCOME

	1st quarter Jan- Mar.18 Rs.'000	2nd quarter Apr- Jun.18 Rs.'000	3 rd quarter Jul- Sep.18 Rs.'000	4th quarter Oct- Dec.18 Rs.'000	Total Jan- Dec.18 Rs.'000
Gross Written Premiums	-	-	-	-	-
Premiums Ceded to Reinsurers	-	-	-	-	-
Net Written Premiums	-	-	-	-	-
Net change in Reserve for Unearned Premium	-	-	-	-	-
Net Earned Premium	-	-	-	-	-
Investment and Other Income	33,962	35,849	34,844	1,163,913	1,268,568
Net Income	33,962	35,849	34,844	1,163,913	1,268,568
Net Benefits and Claims	-	-	-	-	-
Acquisition Cost	-	-	-	-	-
Other Operating and Administrative Expenses	(11,487)	(10,645)	(15,529)	(30,919)	(68,580)
Finance Cost	-	(4)	-	(380)	(384)
Total Benefits, Claims and Other Expenses	(11,487)	(10,649)	(15,529)	(31,299)	(68,964)
Profit Before Tax	22,475	25,200	19,315	1,132,614	1,199,604
Income Tax Expense	(7,983)	(3,026)	2,506	(11,872)	(20,375)
Profit for the Year	14,492	22,174	21,821	1,120,742	1,179,229

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

TEN YEAR SUMMARY

Statement of Financial Position

Group

As at 31 December	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Assets										
Intangible Assets	398,227	116,208	165,621	136,861	89,005	45,170	46,731	76,706	73,827	90,704
Property, Plant and Equipment	22,076,319	18,926,835	17,546,527	17,546,496	11,988,889	9,889,427	9,350,410	8,751,457	7,394,394	6,995,865
Investments	134,973,999	120,240,010	107,801,759	97,387,970	78,066,663	66,832,062	59,820,194	52,071,307	47,646,298	34,312,558
Other Assets	22,451,495	21,649,406	19,030,420	17,243,197	18,020,477	19,313,528	18,206,848	12,189,006	10,935,986	10,345,841
Total Assets	179,900,040	160,932,459	144,544,327	132,314,524	108,165,034	96,080,187	87,424,183	73,088,476	66,050,505	51,744,968
Equity and Liabilities										
Issued Share Capital	1,324,822	1,324,822	1,324,822	1,324,822	1,324,822	1,324,822	1,324,822	1,324,822	1,324,822	1,324,822
Retained Earnings	41,501,562	35,174,468	26,623,524	19,630,683	16,185,402	13,739,147	11,800,609	8,030,833	5,931,099	3,141,183
Retained Reserves	2,338,439	2,477,581	2,974,246	2,703,501	2,560,652	2,892,787	2,602,521	2,375,781	2,506,812	2,364,215
Revaluation Reserve	4,434,995	3,325,935	3,365,706	3,411,509	2,141,754	2,126,854	2,120,849	2,137,318	2,149,541	1,344,336
Restricted Regulatory Reserve	3,456,184	3,456,184	3,456,184							
Total Capital and Reserve	53,056,002	45,758,990	37,744,482	27,070,515	22,212,630	20,083,610	17,848,801	13,868,754	11,912,274	8,174,556
Minority Interest	2,324,107	1,890,031	1,658,418	1,551,468	860,378	762,469	550,728	564,737	460,473	152,070
Liabilities										
Insurance Provision - Life	95,349,737	87,194,850	80,869,407	77,070,762	67,157,184	60,021,879	52,765,411	45,110,789	38,203,473	31,868,141
Unit Linked Fund	582,925	519,695	427,146	333,129	268,062	228,873	190,452	157,657	146,659	115,269
Insurance Provision - Non- Life	12,470,431	12,353,210	11,887,150	11,660,029	9,576,722	9,259,497	8,392,748	7,753,381	7,107,745	6,609,196
Other Liabilities	16,116,838	13,215,683	11,957,724	13,078,621	8,090,057	5,723,859	7,676,044	5,633,158	8,219,881	4,825,736
Total Liabilities	124,519,931	113,283,438	105,141,427	102,142,541	85,092,025	75,234,108	69,024,655	58,654,985	53,677,758	43,418,342
Total Equity and Liabilities	179,900,040	160,932,459	144,544,327	130,764,524	108,165,034	96,080,187	87,424,183	73,088,476	66,050,505	51,744,968
Long Term - Supplementary Information										
Assets										
Intangible Assets	349,627	37,358	56,950	2,759	645	2,198	4,609	15,105	42,396	82,695
Property, Plant and Equipment	9,401,315	7,567,806	7,371,782	7,068,634	5,343,752	4,760,395	4,596,053	3,906,294	3,396,144	3,090,739
Investments	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	29,836,507
Other Assets	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	3,991,859
Total Assets	133,211,402	118,059,390	106,094,805	96,458,089	80,235,165	71,068,323	63,946,012	52,891,651	48,694,628	37,001,800
Liabilities										
Insurance Provision - Life	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	31,868,141
Unit linked Fund and Other Funds	582,925	519,695	427,146	33,129	268,062	228,872	190,135	157,657	146,659	115,269
Equity and Other Liabilities	36,424,389	29,490,493	23,943,900	18,199,816	11,955,568	10,817,572	10,990,466	7,623,205	10,344,494	5,018,390
Total Equity and Liabilities	133,211,402	118,059,390	106,094,805	96,458,089	80,235,165	71,068,323	63,946,012	52,891,651	48,694,628	37,001,800

Statement of Financial Position

Group

As at 31 December	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Investor Information										
Return on Net Assets	%	20.83	24.18	24.36	21.43	19.76	17.26	16.75	14.09	13.76
Net Assets Per Share - Group	Rs.	2,008.60	1,732.34	1,428.90	1,024.84	760.33	675.72	525.04	450.98	309.47
Net Assets Per Share - Company	Rs.	679.19	666.32	653.09	639.98	671.02	601.35	475.60	413.9	285.73
Market Price Per Share 31st December										
Voting	Rs.	1986.90	1990.00	1597.00	1490.00	1379.00	1,340.00	855.90	746.70	381.00
Non -Voting	Rs.	840.00	950.00	825.10	730.00	550.00	398.00	330.50	343.00	270.00
Earnings Per Share		323.45	317.76	306.21	176.00	96.46	98.78	73.94	57.09	36.41
Price Earnings (times) - Voting	Rs.	6.14	6.26	5.22	8.47	14.00	13.00	11.58	13.08	10.47
Price Earnings (times) - Non Voting	Rs.	2.60	2.99	2.69	4.15	5.00	4.00	4.47	6.01	7.42
Market Capitalisation	Rs.Mn	45,126	45,894	37,233	34,483	31,103	29,358	19,238	17,134	9,352
Dividend Per Share	Rs.	38.00	35.00	31.50	27.50	20.00	16.00	12.50	6.50	5.50
Employee Information										
Revenue Per Employee	Rs.Mn	15,132	12,709	11,942	11,231	14,450	9,300	8,165	7,478	5,415
Net Profit Per Employee	Rs.'000	3182.95	2845.15	3403.64	1635.75	1708.41	947.00	699.33	547.11	301.99
Number of Employees	Nos.	3,472	3,889	3,717	3,546	3,556	3,253	3,321	3,067	3,744

Note: Financial information for the years 2011, 2012, 2013, 2014, 2015, 2016, 2017, 2018 & 2019 are based on LKAS/SLFRS and year 2010 is based on SLAS.

Statement of Comprehensive Income

Group	2019		2018		2017		2016		2015		2014		2013		2012		2011		2010		
	Rs.'000		Rs.'000		Rs.'000		Rs.'000		Rs.'000		Rs.'000		Rs.'000		Rs.'000		Rs.'000		Rs.'000		
Year ended 31 December																					
Non- Life (Sri Lanka)																					
Gross Written Premium	19,802,995	19,186,707	17,976,991	16,116,889	13,557,833	12,164,864	11,568,284	11,093,583	10,041,212	9,224,608											
Net Earned Premium	14,386,415	14,192,538	13,209,435	11,783,117	10,152,931	9,359,977	8,842,712	8,622,152	7,782,907	7,249,160											
Investment Income and Other Income	1,605,967	1,686,768	1,509,953	1,099,638	888,870	1,022,541	1,009,183	736,134	674,463	438,080											
Net Claims	(8,253,594)	(7,523,261)	(7,371,429)	(6,699,268)	(5,690,518)	(5,259,911)	(4,641,733)	(4,556,428)	(4,475,745)	(4,339,864)											
Acquisition Expenses (Net of Reinsurance Commission)	(1,112,842)	(1,034,245)	(1,123,388)	(883,178)	(726,892)	(570,376)	(724,493)	(709,502)	(589,533)	(478,770)											
Operating & Administrative Expenses	(4,800,854)	(4,933,854)	(4,474,776)	(3,856,112)	(3,653,431)	(3,684,496)	(3,505,144)	(3,283,927)	(2,712,239)	(2,498,266)											
Operating Profit Before Interest Expenses	1,825,092	2,387,946	1,749,795	1,444,197	970,860	867,735	980,525	808,429	679,853	370,341											
Life																					
Gross Written Premium	18,718,553	17,812,774	15,765,484	15,027,600	13,456,827	12,002,524	11,122,906	10,829,470	9,833,905	8,786,121											
Net Written Premium	18,168,431	17,355,265	15,343,267	14,653,771	13,146,772	11,715,219	10,866,904	10,576,066	9,597,478	8,639,853											
Investment Income and Other Income	13,214,619	11,254,983	10,153,418	8,660,289	6,650,585	6,735,305	6,617,979	4,754,938	3,889,608	3,454,269											
Net Claims and Benefit *	(10,604,065)	(9,803,550)	(3,230,796)	(6,651,682)	(5,956,744)	(4,893,847)	(4,757,321)	(3,990,881)	(2,946,295)	(2,685,361)											
Commission (Net of Reinsurance commission)	(1,784,857)	(1,787,203)	(1,655,350)	(1,573,586)	(1,519,801)	(1,299,135)	(1,265,544)	(1,356,742)	(1,237,818)	(1,171,497)											
Increase in Life Insurance fund	(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)	(5,418,174)											
Operating & Administrative Expenses	(3,550,209)	(3,384,487)	(3,532,496)	(2,937,262)	(2,994,098)	(2,673,584)	(2,517,219)	(2,213,918)	(2,163,561)	(2,217,267)											
Operating Profit Before Interest Expenses	8,254,108	7,177,716	9,819,541	3,753,641	2,191,410	2,327,490	1,290,177	1,003,805	804,080	601,823											
Total Business (Group)																					
Gross Written Premium	40,217,891	38,161,544	34,662,431	31,818,590	27,984,159	25,222,854	23,691,376	22,636,715	20,216,205	18,020,408											
Revenue	52,539,868	49,425,436	44,388,628	39,824,723	34,670,693	32,262,950	30,396,748	27,114,875	22,933,515	20,272,380											
Net Earned Premium	32,672,321	31,689,100	28,651,040	26,551,980	23,486,332	21,301,922	19,899,630	19,322,492	17,457,253	15,930,153											
Benefit Losses and Expenses	(27,229,416)	(24,770,538)	(18,728,842)	(22,503,122)	(19,560,433)	(18,091,004)	(17,704,318)	(15,871,737)	(13,894,730)	(14,063,375)											
Other Revenue	19,867,547	17,736,336	15,737,588	13,272,743	11,184,361	10,962,028	10,497,118	7,792,383	5,476,262	4,274,722											
Operating and Administrative expenses	(14,464,635)	(14,065,610)	(13,248,750)	(11,665,905)	(11,163,293)	(10,187,694)	(9,627,485)	(9,045,433)	(7,429,293)	(4,989,690)											
Operating Profit Before Interest Expenses	10,845,817	10,589,288	12,411,036	5,655,696	3,946,967	3,985,252	3,064,945	2,197,705	1,609,492	1,151,811											
Interest Expenses	(288,606)	(170,888)	(153,112)	(143,853)	(124,218)	(167,890)	(127,116)	(55,726)	(42,704)	(92,112)											
Income from Associates	493,980	646,371	393,414	288,518	275,724	150,917	143,421	180,494	111,189	70,945											
Profit Before Taxation	11,051,191	11,064,771	12,651,338	5,800,361	4,098,473	3,968,279	3,081,250	2,322,473	1,677,977	1,130,644											
Income Tax Expenses	(2,268,103)	(2,399,319)	(868,751)	(953,741)	(448,257)	(1,118,602)	(211,590)	(227,794)	(140,147)	(129,030)											
Profit for the Year	8,783,088	8,665,452	11,782,587	4,846,618	3,650,216	2,849,677	2,969,660	2,094,679	1,537,830	1,001,614											

Note: Financial information for the years 2011, 2012, 2013, 2014, 2015, 2016, 2017, 2018 & 2019 are based on LKAS/SIFRS and year 2010 is based on SLAS.

* Net benefits and claims of financial year 2017 is shown with the change in contract liabilities due to transfer of one - off surplus.

GLOSSARY OF FINANCIAL & INSURANCE TERMS

1. ACQUISITION EXPENSES - LONG TERM INSURANCE

All expenses which vary with and are primarily related to, the acquisition of new insurance contracts and renewal of existing Insurance contracts.

2. ACQUISITION EXPENSES - NON LIFE

All expenses which vary with and are primarily related to the acquisition of new insurance contracts and the renewal of existing insurance contracts.

3. ACTUARY

An expert concerned with the application of probability and statistical theory to problems of insurance, investment, financial management and demography.

4. ACTUARIAL VALUATION

A determination by an actuary at a specific date of the value of a life insurance Company's assets and its liabilities. The purpose of a valuation is to ensure that the Company holds adequate assets to fund the Company's liabilities.

5. ADMISSIBLE ASSETS

Assets that are included in determining an insurer's statutory solvency margin, specified under the rules made by the Insurance Regulatory Commission of Sri Lanka under the regulation of Insurance Industry Act No. 43 of 2000 (No 50 and No. 51)

6. ANNUITY

A series of regular payments. Annuities include annuities, where payments are made at definite times and life annuities where payments

depend on the survival of an annuitant. A life Annuity is a contract that provides a regular payment, typically monthly, during the life time of the policyholder or a fixed period if less. If the payment starts at the outset of the contract, it is an immediate annuity. If it starts at some point in the future, it is a deferred annuity.

7. BENEFICIARY

The person or financial institution (for e.g. a trust fund) named in the policy as the recipient of insurance money in the event of the policyholder's death.

8. BONUS

Bonus is a method of distribution of surplus amongst the participating policyholders of a Life Insurance Company. A bonus is an enhancement to the basic sum assured under a contract and is declared as a percentage of the sum assured.

9. CLAIMS

The amount payable under a contract of insurance arising from occurrence of an insured event such as destruction or damage of property and related death or injuries, the incurring of hospital or medical bills, death or disability of the insured and gratuity claims.

10. CLAIMS INCURRED

The aggregate of all claims paid during the accounting period together with attributable claims handling expenses, where appropriate, adjusted by the gross claims reserve (No.18) at the beginning and end of the accounting period.

11. CLAIMS INCURRED BUT NOT REPORTED (IBNR)

A Reserve to cover the expected cost of losses that have occurred by the Balance Sheet date but have not yet been reported to the insurer.

12. CLAIMS OUTSTANDING - LONG TERM INSURANCE

The amounts provided to cover the estimated ultimate cost of settling claims arising out of events which have been notified by the Balance Sheet date, being sums due to beneficiaries together with claims handling expenses, less amounts already paid in respect of those claims.

13. COMMISSION

Remuneration to an intermediary for services such as selling and servicing an insurer's products. This is one component of acquisition expenses. (No.1 and No.2)

14. DEFERRED ACQUISITION EXPENSES / DEFERRED ACQUISITION EXPENSE RESERVE

Expenses which vary with and are primarily related to the acquisition of new insurance contracts and renewal of existing contracts, which are deferred as they relate to a period of risk subsequent to the Balance Sheet date.

15. DIVIDEND COVER

Profits after tax divided by Dividend measures the number of times dividends are covered by distributable profits for the period.

16. EARNED PREMIUM

Written premium (No.56) adjusted by the unearned premium reserve (No.55) at the beginning and end of the accounting period.

GLOSSARY OF FINANCIAL & INSURANCE TERMS

- 17. EARNINGS PER SHARE**
Net Profits of the Company after tax divided by the Number of Ordinary shares in issue.
- 18. GROSS CLAIMS RESERVE - NON LIFE**
The amount provided, including claims incurred but not reported (No.11) and claims handling expenses, to cover the estimated ultimate cost, arising out of events occurred by the end of the accounting period, less amounts already paid in respect of those claims.
- 19. GROSS WRITTEN PREMIUM - LIFE**
Premium to which the insurer is contractually entitled and receivable in the accounting period.
- 20. GROSS WRITTEN PREMIUM - NON LIFE**
Premium which an insurer is contractually entitled to receive from the insured in relation to contracts of insurance.
- 21. INSURANCE**
Insurance is a contract whereby one party the insurer, in return for a consideration i.e, the premium, undertakes to pay to the other party - the insured, a sum of money or its equivalent in kind, upon the happening of a specified event that is contrary to the interest of the insured.
- 22. INSURANCE PROVISION - NON LIFE**
This comprises of the gross claims reserve (No.18), unearned premium reserve (No.55) net of re-insurance and the deferred acquisition expenses
- 23. INSURANCE PROVISION - LONG TERM**
The funds or funds to be maintained by an insurer in respect of its Long Term insurance business in accordance with the Regulation of Insurance Industry Act.
- 24. INTERIM PAYMENTS**
Periodic payments to the policyholders on a specific type of policy.
- 25. LIFE SURPLUS**
The excess of the assets over the liabilities as determined by the actuary and after the distribution of dividends to policyholders.
- 26. LAPSED POLICY**
A policy terminated at the end of the grace period because of non - payment of premiums.
- 27. LONG TERM INSURANCE**
Commonly referred to life insurance contracts, as opposed to annual Non - Life insurance policies.
- 28. MARKET CAPITALISATION**
Number of shares in issue multiplied by the market value of each share as at the Balance Sheet date.
- 29. MATURITY**
The time at which payment of the sum insured under a Life Insurance policy falls due at the end of its term.
- 30. NET COMBINED RATIO - NON LIFE**
This ratio indicates the profitability of the insurer's operations by combining the net loss ratio (No. 33) with net expense ratio.
- 31. NET EARNED PREMIUM**
Gross Written Premium adjusted for the reinsurance incurred and for the increase or decrease in Unearned Premium (No. 55)
- 32. NET EXPENSE RATIO - NON LIFE**
A formula used by insurance companies to relate to income to acquisition and administrative (e.g. commissions, taxes, staff, selling and operating expenses).
- Formula :
- $$\frac{\text{Reinsurance commission (net of acquisition expenses) and expenses excluding non technical expenses}}{\text{Net Earned Premium}}$$
- 33. NET LOSS RATIO - NON LIFE**
A formula used by insurers to relate net claims incurred (No.36) to net earned premium (i.e. after deducting relevant reinsurance)
- Formula:
- $$\frac{\text{Net claims incurred}}{\text{Net earned Premium}}$$
- 34. NET ASSETS PER SHARE**
Net assets attributable to Shareholders' equity divided by the number of Ordinary shares issued.
- 35. NET WRITTEN PREMIUM**
Gross Written Premium (No.19 and No.20) less reinsurance premium (No.45)
- 36. NET CLAIMS INCURRED**
Claims incurred (No.10) less reinsurance recoveries.

- 37. NON LIFE INSURANCE**
Non Life Insurance and General Insurance have the identical meaning.
- 38. POLICY**
The printed document issued to the policyholder by the Company stating the terms of the insurance contract.
- 39. POLICY LOAN**
Under an insurance policy, the amount that can be borrowed at a specific rate of interest from the issuing Company by the policyholder, who used the value of the policy as collateral for the loan. In the event the policyholder dies with the debt partially or fully unpaid, the insurance company deducts the amount borrowed, plus any accumulated interest, from the amount payable.
- 40. PRICE EARNING RATIO**
Market Price of a share divided by earnings per share.
- 41. PREMIUM**
The payment of one of the regular periodic payments that a policyholder makes to own an insurance policy.
- 42. REINSTATEMENT**
The restoration of a lapsed policy to full force and effect. The Company requires evidence of insurability and payment of past due premiums plus interest.
- 43. REINSURANCE**
A method of insurance arranged by insurers to share the exposure of risks accepted.
- 44. REINSURANCE COMMISSION**
Commission received or receivable in respect of premium paid or payable to a reinsurer.
- 45. REINSURANCE PREMIUM**
The premium payable to the reinsurer.
- 46. SEGMENT**
Constituent business units grouped in terms of nature and similarity of operations.
- 47. RETURN ON SHAREHOLDERS' EQUITY**
Profits after tax divided by the Capital employed as at Balance Sheet date.
- 48. RETURN ON TOTAL ASSETS**
Profits after Tax divided by Total assets attributable to Shareholders.
- 49. REVENUE RESERVE**
An account which shows a financial summary of the insurance related revenue transactions for the accounting period.
- 50. RIDER**
An amendment to an insurance policy that modifies the policy by expanding or restricting its benefits or excluding certain conditions from coverage.
- 51. RISK BASED CAPITAL (RBC)**
An amount of capital based on an assessment of risks that company should hold to protect policy holders against adverse developments.
- 52. SURPLUS**
This is the excess of assets held by the Company after deducting the actuarial liability and the provision for margin of solvency as determined by the actuary at the actuarial valuation.
- 53. SURRENDER**
The amounts refundable to Life policyholders when they terminate their insurance contracts after a specific period.
- 54. UNDERWRITING RESULT**
This is the profit generated purely from the Non life Insurance business without taking into account the investment income and other non-technical income and expenses.
- 55. UNEARNED PREMIUM / UNEARNED PREMIUM RESERVE**
It represents the portion of premium already entered in the accounts as due but which relates to a period of risk subsequent to the Balance Sheet date.
- 56. WRITTEN PREMIUM**
Total premium received or due from all sources, including premiums for reinsurance assumed, during a period.

NOTICE OF MEETING

Notice is hereby given that the Thirty third Annual General Meeting of the Shareholders of the Company will be held on 09th April, 2020 at 10.30 a.m. at the Auditorium - Level 7, ICBT Building, No. 36, De Krester Place, Bambalapitiya, Colombo 04 and the business to be brought before the meeting will be :

1. To read the Notice convening the Meeting.
2. To receive, consider and adopt the Report of the Directors and the Financial Statements for the year ended 31st. December, 2019 and the Report of the Auditors thereon.
3. To declare a Dividend for the year ended 31st. December, 2019.
4. To re-elect Mr. Ajith Rohan Gunawardena, who retires by rotation at the Annual General Meeting in terms of Article 95, as a Director.
5. To re-elect Dr. Watuthanthrige Chakrine Jagath Alwis, who retires by rotation at the Annual General Meeting in terms of Article 95, as a Director.
6. To re-elect Mr. Palitha Abeysekera Jayawardena, who retires by rotation at the Annual General Meeting, in terms of Article 95, as a Director.
7. To re-elect Mr. Don Herschel Jayaprithi Gunawardena, who retires at the Annual General Meeting as a Director, in terms of Section 210 of the Companies Act No. 07 of 2007. Special Notice having been given pursuant to Sections 210 and 211 of the Companies Act No. 07 of 2007 of the intention to propose the following resolution as an ordinary resolution :

“Resolved that Mr. Don Herschel Jayaprithi Gunawardena who will be 71 years in December, 2020 be re-elected as a Director of the Company and it is specifically declared that the age limit specified in Section 210 of the Companies Act No. 07 of 2007 shall not apply to Mr. Don Herschel Jayaprithi Gunawardena”

8. To re-elect Mr. Namasivayam Vasantha Kumar who retires at the Annual General Meeting in terms of the Article 87, as a Director.
9. To authorise the Directors to determine payments for charitable purposes for the year 2020.
10. To re-appoint Auditors and authorise the Board of Directors to determine their remuneration.
11. To transact any other business of which due notice shall be given.

By Order of the Board of Ceylinco Insurance PLC



Mrs. Nilika Abhayawardhana

Company Secretary

2nd March 2020

Note :

Any shareholder unable to attend the Meeting may appoint another to attend and vote for him and such proxy need not be a shareholder of the Company.

A Form of Proxy is attached to the Report. The completed Form of Proxy should be deposited at the Head Office of the Company at 5th. Floor - “Ceylinco House”, 69, Janadhipathi Mawatha, Colombo 1, before 10.30 a.m. on 06th April, 2020. A Proxy drop box is also available on 3rd floor.

Shareholders/Proxyholders should bring with them their National Identity Card or any form of valid identification when attending the Meeting.

It is proposed to post ordinary dividend warrants on 23rd April 2020, and in accordance with the rules of the Colombo Stock Exchange, the shares of the Company will be quoted ex-dividend with effect from 15th April, 2020

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