



INCLUSIVE INSURANCE

ANNUAL REPORT 2020



INCLUSIVE INSURANCE

Our ideal of "one for all", is echoed in the theme this year, highlighting our efforts to include more communities, segments and age groups under our banner. While the pandemic did not do the economy any favours, it tested our resilience and our ability to adapt quickly and seamlessly in continuing to serve our customers while adding value to our stakeholder expectations. As we extend our protection all over the island with customised products, we hope to engage more deeply in understanding and catering to a new generation of SLIC (Company) clientele, brought together in inclusive insurance.



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“SLIC gives me peace of mind, knowing that my precious family is under the best care”



ABOUT SRI LANKA INSURANCE CORPORATION LTD

As Sri Lanka's national insurance services provider and the country's pioneer in insurance, Sri Lanka Insurance Corporation (SLIC) is backed by decades of industry expertise and the most experienced insurance sector technical knowledge base in the country.

The long history of SLIC in driving the development and advancement of the insurance industry in Sri Lanka has recorded many landmark achievements, such as the largest claim ever paid of Rs. 39.5 Bn, and the largest bonus ever declared to its policyholders of Rs. 8.7 Bn. SLIC's total assets are worth Rs. 235 Bn. and in the Sri Lankan insurance sector, accounts for the largest Shareholders' Fund of Rs. 63 Bn. and the highest Life Fund of Rs. 134 Bn.

SLIC continues to be the trusted national insurer of the people of Sri Lanka as it strives to enhance its service reach and service quality each year to serve the people of Sri Lanka better.



OUR VISION

What do we aspire to be?

Our Vision

- ◆ To be the Nation's first choice for Risk Protection and Life Investment Optimisation

OUR MISSION

Why are we in business?

Our Mission

- ◆ We provide risk protection and life investment optimisation, that will deliver value to our customers
- ◆ Through a team of committed professionals, whose contribution we recognise and value
- ◆ Leading to superior shareholder value, whilst being a responsible corporate citizen



Board of Directors



1. MR. JAGATH WELLAWATTA
Chairman

2. MR. K. A. VIMALENTHIRARAJAH
Director

3. MR. ANIL KOSWATTE
Director



4. MR. M. P. ANIL KUMARA
Director

5. MS. J. SUREKHA ALLES
Director

6. MR. S. A. NISHANTHA DAYANANDA
Director

Board of Directors Contd.

1. MR. JAGATH WELLOWATTA**Chairman**

Mr. Jagath Wellawatta's corporate experience spans across a spectrum of diverse fields, encompassing high level decision making within the private sector, to policy making at national level. In his long history in the capacity of driving national policy, Mr. Wellawatta served as the Chairman of the State Mortgage and Investment Bank (from May 2010 to January 2015) and was the former Chairman of the National Child Protection Authority (from April 2007 to May 2010). He also served as the Chairman of the Sri Lanka Bureau of Foreign Employment (from December 2005 to April 2007). He also serves the Board of The Lanka Hospitals Corporation PLC.

Supporting the formulation of national policies through his academic career as a practicing sociologist, Mr. Wellawatta serves as a Senior Lecturer at the Department of Sociology, University of Colombo. He has nearly 29 years of experience in the academic field. His academic excellence records a Bachelor of Arts (Hon.) in Development Sociology from the University of Colombo, a Master of Family Sociology from the University of Colombo and an MPhil in Political Sociology from the University of Sri Jayewardenepura. He is presently reading for his PhD in Political Sociology, at the University of Colombo (Affiliated with the Deakin University, Australia)

2. MR. K. A. VIMALENTHIRARAJAH**Director**

Mr. K. A. Vimalenthirarajah is an officer of the Sri Lanka Administrative Service, counting over 27 years of experience in the public service. He is presently working as the Director General, of the Department of Trade and Investment Policy.

He is an Attorney at Law.

Mr. Vimalenthirarajah holds a Special Degree in Economics from the University of Jaffna, Master of Philosophy in Economics from the University of Peradeniya, Master of Business Administration from the University of Moratuwa and Bachelor of Laws from the Open University of Sri Lanka. He has also obtained a Postgraduate Diploma in Development Studies and Public Policy, Postgraduate Diploma in International Relations, a Diploma in Human Resource Management and Diploma in Information Technology.

Prior to his appointment as the Director General of the Department of Trade and Investment Policy of the General Treasury, he has held various positions in the public service including the positions of Director General of the Department of Fiscal Policy, Director General of the Department of Trade and Investment Policy, Senior Assistant Secretary in charge of Administrative Reforms, the Chief Information Officer of the Ministry of Public Administration and Home Affairs and Minister Counsellor of the Sri Lanka Embassy, Beijing, China.

Mr. Vimalenthirarajah is currently a member of the Board of Directors of the Peoples' Bank. He was a member of Board of Directors of several State-owned Enterprises, representing the General Treasury, including the Board of Directors of the Sri Lanka Tourism Promotion Bureau, the Board of Investment of Sri Lanka, the Ceylon Petroleum Corporation, the Bank of Ceylon and the Institute of Human Resource Advancement of the University of Colombo.

He is presently the Director of Sri Lanka of the SAARC Development Fund (SDF) and the Commonwealth Small States Trading Financing Facility (CSSTFF)

3. MR. ANIL KOSWATTE

Director

Mr. Anil Koswatte is the present Chairman and Chief Executive Officer at Litro Gas Lanka Ltd and Litro Gas Terminal Lanka (Pvt) Ltd and he serves as a Member of the Board of Directors at Sri Lanka Insurance Corporation Limited.

Mr. Koswatte, is also a well-known Sales and Marketing professional, a leading entrepreneur and the founder, Chief Executive Officer and Managing Director of LAKARCADE (Pvt) Ltd.

He also counts over 25 years of Marketing and Strategic experience at Nestle Lanka PLC, the leading multinational Company as well as over 15 years of distinguished track record in leading a number of public sector service corporations, including the Sri Lanka Export Development Board (EDB) and the National Gem & Jewellery Authority (NGJA).

Mr. Koswatte also served in the capacity of an Advisor to Hon. Minister Prof. G.L.Pieris - Economic Development, Export Development and International Trade by Cabinet of Ministers.

He is a Fellow of the Chartered Management Institute (FCMI), Fellow of the Chartered Institute of Marketing (FCIM) and a Founding Member of the Chamber of Young Lankan Entrepreneurs (COYLE).

4. MR. M. P. ANIL KUMARA

Director

Mr. Anil Kumara was the Snr. Executive Vice President / CEO of EAP Holdings and a Director of EBC TV/Radio /EAP Films. He was the former CEO of Swarnawahini and ETV.

He was the former country head for Samsung Mobile in Sri Lanka. Previously, he was the Director Sales and International Business at Hemas Consumer Goods, for Sri Lankan and International Business and was responsible for a Rs. 9 Bn turnover. He directly managed the sales operations, distribution, customer marketing, international business and the sales management team. The 235 strong sales team and 108 distributors came under the sales management function. Previously he headed one of the largest sales teams in the country at Sri Lanka Insurance Corporation as the General Manager, overlooking the branch network, sales and marketing, a 5,000 member sales team and 1,200 staff.

Mr. Anil has over 20 years of corporate experience at Unilever. Having joined Unilever in 1988, he held many leadership positions, such as Sales Executive, Sales Administration Manager, Area Sales Manager, and as Trade Category Manager looking after Home and Personal Care. He then moved on to Modern Trade, as the Trade Activation Manager. After working at Vietnam Unilever, he became the Channel Development and Trade Marketing Manager for Home and Personal Care categories and headed the pharmacy and cosmetic channel at Unilever. He is the Chairman of Canwill Holdings (Pvt) Ltd.

In a professional capacity Mr. Anil holds an MBA, a professional postgraduate Diploma in Marketing (DipM MCIM), from the Chartered Institute of Marketing, UK and is reading for his PhD at the Colombo University.

Mr. Anil also has over 12 years of lecturing experience for CIM and ICSA students.

Board of Directors Contd.

5. MS. J. SUREKHA ALLES

Director

Ms. Surekha Alles counts more than 35 years in the field of insurance, where she has held very senior positions in the industry. Having commenced her insurance career at the National Insurance Corporation, she joined Union Assurance Limited during its inception as an Executive and rose to the level of Asst. General Manager (General Insurance) and was later heading the Strategic Management Unit as its Asst. General Manager.

She joined Allianz Insurance Lanka Limited as Head of General Insurance operations in 2005 and was appointed as its Chief Executive Officer in 2006 and CEO of Allianz Life Insurance Lanka Limited in 2008. Mrs. Alles was appointed to the Board of Allianz Insurance Lanka Limited and Allianz Life Insurance Lanka Limited in June 2010 and became its Managing Director in 2017.

Ms. Surekha Alles is a Chartered Insurer and a Fellow of the Chartered Insurance Institute of London (FCII) and a Senior Associate of the Australian & New Zealand Institute of Insurance and Finance (Snr. Associate-ANZIIF). She has an MBA from University of Western Sydney.

She has been the recipient of several prestigious awards, which include, the 'Woman Super Achiever Award' in 2019, the 'Women Icon of the Year' in 2018, 'CEO of the Year' in 2017 and 'Career Role Model of the Year' in 2016.

6. MR. S. A. NISHANTHA DAYANANDA

Director

Mr. Nishanth Dayananda is a prominent lawyer with an illustrious 19 year career in the legal profession. He is a product of Maliyadeva College and the University of Colombo, Faculty of Law, where he obtained his LLB in 1999. Further, he obtained his Attorney- at-Law in 2001 from Sri Lanka Law College.

His academic prowess was evident at an early age as he secured a scholarship at the year 5 scholarship from the Mawathagama Central College to the Maliyadeva College in Kurunegala, where he reached his goal of university entrance.

His character is always epitomized by the concept of "balance in life" and core competency of leadership, which was evident in the school cadet platoon, where he represented his school in the Hermann Loos Challenge and led his platoon in various events. Further, he is a well recognized volleyball player at national level. During his years at the Law Faculty, he led initiatives for the wellbeing of students and provided much needed direction for his members as a student council member. He continues to show leadership as a prominent lawyer and as a cricket all-rounder for his law society, and was the Vice President of the Bar Association of Mt. Lavinia during 2017- 2018. He is the Chairman of Canowin Hotels and Spas (Pvt) Ltd.

7. MR. SAMANTHA UPANANDA *(no picture)*

Director

Mr. Samantha Upananda is a Public Financial Management Professional having over 28 years of professional experience in public sector. He has joined the Government Accountants' service in 1992 and has worked in various Government organizations including General Treasury, Presidential Secretariat and Parliament of Sri Lanka. He assumed duties as the Director General of Department of State Accounts, General Treasury on 1st January 2021.

Mr. Samantha Upananda graduated from the University of Sri Jayawardenepura with a Bachelor of Science (Business Administration) Special Degree with 2nd class and obtained a Master's Degree in IT (MSc in IT). He also completed a Post Graduate Diploma in Management, Post Graduate Diploma in IT, Diploma in Public Financial Management, Diploma in E-Government and Diploma in System Security Control and Auditing (DISSCA).

In addition, Mr. Samantha Upananda is a Member of the Chartered Public Finance Accountants (CPFA) of the Institute of Public Finance and Accounts UK. He is also a Fellow Member of Certified Management Accountants of Sri Lanka (FCMA) and a Fellow Member of the Institute of Public Finance & Development Accountants. (FPFA).

Leadership Team



1. MR. CHANDANA L. ALUTHGAMA

Chief Executive Officer
BCom (Sp), MBA, FCMI (UK)



2. MR. SURESH PARANAVITANA

Chief Officer – Life Insurance
FCII, MBA, DipM, FCIM, MI Mgt, CMA (Aus)
(resigned w.e.f 11th May 2021)



3. MS. RUANTHI GOONERATNE

Chief Officer – General Insurance
FCII (UK), Chartered Insurer



4. MS. MALANIE TENNAKOON

Chief Financial Officer
MBA, FCA (SL), CPA (Aus),
CIMA (UK)



5. MR. RUKMAN WEERARATNE

Chief Officer – Business Development
ACIM



6. MR. ALOKA JAYAWARDENA

Chief Information Officer
DCSD, HDCBS (NIBM), BSc (MIS),
PGDBFA (ICASL), MBA, PMP, SAP, CISM

1. MR. CHANDANA L. ALUTHGAMA

Chief Executive Officer

Mr. Aluthgama assumed duties as the Chief Executive Officer of the Sri Lanka Insurance Corporation Ltd in 2018. He counts over 29 years of experience across diverse facets within the Insurance industry. During his career, he has held many senior roles in organizations such as Eagle Insurance PLC and HNB Assurance PLC etc. Further, he has held many leadership positions outside his insurance career in both local and international associations. Mr. Aluthgama has conducted lectures as a visiting lecturer at the Postgraduate Unit of the University of Colombo - Management & Finance Faculty. He holds a Master's Degree in Business Administration from the University of Colombo, a Bachelor of Commerce Degree from the University of Kelaniya and he is a fellow of the Chartered Management Institute of UK (FCMI). He has presented research papers at local and international conferences on Insurance & Bancassurance and has undergone extensive training both locally and overseas including, at Generali Insurance AG, Vienna, Austria and NUS Business School, Singapore. Prior to taking up this appointment, Mr. Aluthgama functioned as the Chief Business Officer and the Principal Officer of HNB General Insurance Ltd. Mr. Aluthgama also serves as the Principal Officer for the Sri Lanka Insurance Corporation Ltd.

2. MR. SURESH PARANAVITANA

Chief Officer-Life Insurance

Mr. Suresh Paranavitana began his career in the insurance industry in the year 1986 and has worked in the life insurance field for most of this duration. He is a Fellow of the Chartered Insurance Institute, a Fellow of the Chartered Institute of Marketing, a Certified Management Accountant and has a Master of Business Administration.

3. MS. RUANTHI GOONERATNE

Chief Officer-General Insurance

Ms. Ruanthi joined Sri Lanka Insurance in January 2017 as Chief Officer – General Insurance and holds that position to date. She counts over 31 years in the field of insurance. She commenced her career in insurance in 1989 at Union Assurance, where she worked for a period of 6 years. Thereafter, she joined Janashakthi Insurance, where she served for a period of 11 years. She was holding the position of Asst. General Manager – Corporate at Janashakthi Insurance prior to joining Union Assurance as the Asst. General Manager – General Insurance in 2007. In 2009, she was promoted to the position of General Manager – General Insurance at Union Assurance, which she held until 2016. She is a Fellow of the Chartered Insurance Institute, UK and is a Chartered Insurer.

4. MS. MALANIE TENNAKON

Chief Financial Officer

Ms. Tennakoon counts over 31 years of experience in Audit and Finance sectors. She assumed duties as the Chief Financial Officer of the Sri Lanka Insurance Corporation in 2017. She has held multiple senior management positions, which includes Head of Group Restructuring at EAP Holdings, Finance Controller at EAP Broadcasting Corporation and has held managerial positions at Sri Lanka Telecom, the Road Development

Authority, and the Auditor General's Department. Ms Tennekoon also has finance experience in multiple foreign corporations and Government organizations (SunCorp Insurance, Government Shared Service Agency and Brisbane City Council) in Brisbane, Australia.

She is a Fellow member of the Institute of Chartered Accountants of Sri Lanka, an Associate Member of the Institute of Chartered Management Accountants, UK and a Member of the Institute of Certified Practising Accountants of Australia. She holds a Master of Business Administration from the Postgraduate Institute of Management – Sri Jayawardanepura University, specializing in Employee Psychology.

5. MR. RUKMAN WEERARATNE

Chief Officer – Business Development

Mr. Rukman Weeraratne rejoined the Sri Lanka Insurance Corporation Ltd in July 2018 as the Chief Officer – Business Development. He has over 37 years of extensive experience in the corporate sector in Sri Lanka, as well as overseas. Having started his career with Aitken Spence Insurance (Pvt) Ltd in 1983, he has contributed his services to James Finlay Insurance, Mercantile Credit Insurance, CTC Eagle Insurance Co Ltd, Eagle Star Insurance (UK), Sri Lanka Insurance Corporation Ltd, Union Assurance PLC and Janashakthi Insurance Ltd. Apart from the insurance sector, he has exposure into the hospitality industry, where he functioned as Director Sales – Asst. Vice President Cinnamon City Hotels under the John Keells Holdings Group.

Mr. Weeraratne is an Associate Member of the Chartered Institute of Marketing (ACIM) and he has been awarded Asia's Best Marketer in 2016.

6. MR. ALOKA JAYAWARDANE

Chief Information Officer

Mr. Aloka Jayawardane is a professional Executive in the Information Technology, ERP & Project Management fields with around 21 years of experience in business domains like Telecommunications, Manufacturing, Sales & Distributions, Software, Capital Markets and Insurance.

He obtained his BSc in Management Information Systems from the University College Dublin, Ireland and a Master of Business Administration from University of Southern Queensland, Australia. Further, he obtained a Higher Diploma in Computer Studies from the National Institute of Business Management and a Post Graduate Diploma in Business and Financials from The Institute of Chartered Accountants of Sri Lanka. He is a PMP certified Project Manager and CISM Certified Information Security Manager as well as SAP certified Consultant on Sales and Distribution.

Currently he is reading for Doctoral in Business Administration at Asia e University Malaysia.

Leadership Team Contd.

DEPUTY GENERAL MANAGERS



1. MS. THANUJA HINGULAGE
DGM – General Insurance
BSc (Hons), FCII (UK),
Chartered Insurer, ANZIIF (Fellow)
CIP



**2. MS. B. A. RUWANI
DHARMAWARDANA**
*DGM-Compliance, Risk & Corporate
Planning*
LLB (Hons), Attorney-at-Law, MBA
(UK), ACISI (UK)



3. MR. DAYARATNE PERERA
DGM – Life (Technical)
BSc (Hons), FCII, Dip. in BA,
Chartered Insurer, MBA (USJ),
ANZIIF (Fellow) CIP



4. DR. (MRS.) SHERICA FERNANDO
DGM – Medical
MBBS (SL), MSc -Community
Medicine (SL), ACII (UK), MRCGP
(INT) (UK)



5. MR. LALITH DE SILVA
Head of Distribution-General
PG in Finance and Bus
Administration, MBA



6. MR. ROHITHA AMARAPALA
*DGM – Human Resources
and Employee Relations*
FCIPM (SL), FCMI (UK), MBA
(University of Western Sydney,
Australia)



7. MS. NAMALEE A SILVA
DGM – Marketing
MCIM (UK), Chartered Marketer,
Prof Dip in Marketing – CIM,
ACIB (UK), MBA



8. MR. CHAMINDA GUNASINGHE
DGM – Administration
BB Mgt (Accountancy) Sp (Hons),
FCA, ACMA, MBA – Finance,
Colombo



9. MR. MALAKA BANDARA
DGM – Finance
BSc – Accountancy (Sp),
FCA, MBA (Colombo)

ASSISTANT GENERAL MANAGERS



1. MR. CHAMINDA ATHAUDA
AGM – Life (Technical)
BSc (Hons), FCII, AIII, ANZIIF (Fellow), MBA (Colombo), Chartered Insurer



2. MR. ROSHAN COLLAS
AGM-Bancassurance, Alternate Distribution and Business Retention (GI)
MBA, CMA (Aus), Dip in Marketing (SLIM), MSLIM, FCPM, MIM (SL)



3. MR. MAHENDRA SILVA
AGM – Administration
Attorney-at-Law, LLB (SL), MBA in HRM (OUSL), PG. Dip in HRM, NDES, MIIE (SL), I ENG, AMCIPM (SL)



4. MR. SUDATH NISHANTHA
Head of Distribution-Life
MLRHRM (UOC), Pg. Dip. in Labour Relations & HRM, BSc. (B/Admin.) (Sp.), LIMRA (USA), AMTC [USA], MIM (SL)



5. MR. SARATH FERNANDO
AGM – Motor
BSc Eng (Mechanical) Sp, AMIE (SL)



6. MR. PRIYAWANSHA DESHAPRIYA
AGM – Special Projects
FCA, BCom (Sp), FCMA



7. MR. JAGATH WELGAMA
AGM – Sales Support and Agency Administration
MBA, MABE (UK), GD in Mgt. (Aus), PG Dip. – Mkt Mgt (USJP), Ad. Dip in Mkt. Mgt. (USJP), Dip. in Mass Com. (USJP), Dip. in NIT, Licentiate – III, MSLIM



8. MR. JEEVANTHA WELIHINDA
AGM – Engineering Services
BSc (Eng)

Leadership Team Contd.

ASSISTANT GENERAL MANAGERS



9. MR. SATHIKA WICKREMESINGHE
AGM – Risk Management
BSc (Hons) – MMU (UK),
MBA (Cardiff), MBCS



10. MS. MADHUBHASHINI BAKMEDENIYA
AGM – Legal
Attorney-at-Law, MBA (PIM),
NDHRM (IPM)



11. MS. NADIRA GUNAWARDENA
AGM – Marine
BSc (Hons), MBS (Col), MBA
(PIM/Uni of Canberra, Aus), FIII,
Sp Dip in Marine (III), ACII (UK),
Chartered Insurer



12. MR. SHASHIKA RANASINGHE
AGM – Investments
CFA (USA), FRM (USA), BSc (Hons)
Engineering, ACMA (UK), AIB (SL)



13. MR. MAHESH GAMAGE
*AGM – Category Marketing
(General Insurance)*
MBA (AUS), CMA (AUS), PG. Dip. M
(SL), MSLIM, CPM (ASIA)
(Appointed w.e.f 01/04/2021)



14. MR. J. A. D. KASUN SAMEERA
*AGM – Category Marketing
(Life Insurance)*
Chartered Marketer, Pgd Dip in
Marketing (CIM, UK), CPM (Asia
Pacific), MCIM, UK
MBA (UoW, UK)
(Appointed w.e.f. 03/05/2021)

SENIOR MANAGERS



1. MR. W. D. C. VITHANAGE
*Senior Manager – Head Office
Channel*



2. MR. S. P. A. RODRIGO
Senior Manager – Security



3. MR. K. G. D. G. KANDEGAMA
Senior Manager – IT Data Centre



4. MS. W. S. KULASINGHE
Senior Manager – Finance



5. MR. D. P. J. S. MAITHIRIRATNE
Senior Manager – Casualty



6. MR. N. G. K. BANDARA
Senior Regional Engineer



7. MR. R. M. A. K. RAJAPAKSHA
Senior Regional Engineer



8. MR. M. D. CHANDIRAM
*Senior Manager – Corporate
Business Development*



9. MR. M. P. N. KUMARA
*Senior Manager – Club Members
Sales Department*



10. MR. D. N. K. NARANGAMMA
*Senior Manager – Agency
Recruitment*



11. MR. L.H.A.S. SIRIMANNA
*Senior Manager - Business
Retention*



12. MR. R. N. SENADHEERA
Senior Motor Engineer

Leadership Team Contd.

SENIOR MANAGERS



13. MS. M. D. ATTANAYAKE
Senior Manager – Legal (Life)



14. MR. P. A. M. P. W. GUNATHILAKE
Senior Manager – Network and Communication



15. MR. M. J. S. DABARERA
Senior Manager – Bancassurance (Life)



16. MS. G. K. M. S. NANAYAKKARA
Senior Manager – Life



17. MR. G. W. R. C. DE SILVA
Senior Manager – Life



18. MS. N. D. K. M. JAYATILAKA
Senior Manager – Legal (Litigation)



19. MS. W. D. T. DEP
Senior Manager – SHE & PA



20. MR. J. S. JAYAWARDANA
Senior Manager – HR



21. MR. P. N. A. DHARMASENA
Senior Manager – Life



22. MS. B. H. N. K. K. PERERA
Senior Manager – Life



23. MR. D. W. S. WAIDYARATNE
*Senior Manager
(Retired w.e.f. 09/05/2021)*



24. MR. K. A. S. RANATHUNGA
Senior Manager – Reinsurance

SENIOR MANAGERS



25. MR. A. U. RAJAPAKSHA
Senior Manager – Financial Operations



26. MR. B. C. S. PERERA
Senior Manager – Fire and Engineering Claims



27. MR. R. C. T. DE LIVERA
Senior Risk Engineer



28. MR J. M. K. C. K. L. JAYASINGHE
Senior Manager – Motor Claims



29. MS. K. V. N. NONIS
Senior Manager – Motor Underwriting



30. MR. A. H. S. ABEYGUNAWARDENA
Senior Manager – Special Projects



31. MR. K.K.A.P. MAPALAGAMA
Consultant - Investigation (Appointed w.e.f. 01/12/2020)



32. MS. S.J.P. HETTIARACHCHI
Senior Manager - Software Development (Life) (Appointed w.e.f. 01/04/2021)



33. MS. O.M. INDRANI
Senior Manager - Software Development (General) (Appointed w.e.f. 01/04/2021)



34. MR. W.A.D. GUNAWARDENA
Senior Motor Engineer (Appointed w.e.f. 01/04/2021)



35. MR. W.A.D.M. WEERAKKODY
Senior Manager - Distribution (Personal Lines - General) (Appointed w.e.f. 01/04/2021)

Leadership Team Contd.

REGIONAL MANAGERS



1. MR. BANDARA WEERASURIYA
Wayamba - 1



2. MR. SANATH FERNANDO
Upper Western



3. MR. DEEPAL NAWAGAMUWA
Western - 2



4. MR. T. D. P. PERIS
Southern - 1



5. MR. U. G. U. R. KUMARA
Western 1



6. MR. W. M. A. U. KULASENA
Ratnapura



7. MR. R. HEWAPATHIRANAGE
Western - 3



8. MR. N. K. S. S. KUMARA
Southern - 2



9. MR. P. SATHIAN
Northern



10. MR. H. J. S. MENDIS
Southern - 1



11. MR. KELUM JAYASINGHE
Uva



12. MR. SAMANTHA PEIRIS
Western - 1

REGIONAL MANAGERS



13. MR. A. M. H. ADIKARI
Central - 1



14. MR. GAMINI SARATHCHANDRA
Central - 2



15. MR. DHAMMIKA BANDARA
Uva



16. MR. AJITH THILAKARATNE
North Central - 2



17. MR. MAHINDA DISSANAYAKA
Wayamba - 1



18. MR. P. PUVENENDRAN
Eastern



19. MR. NAMAL LIYANAGE
Upper Western

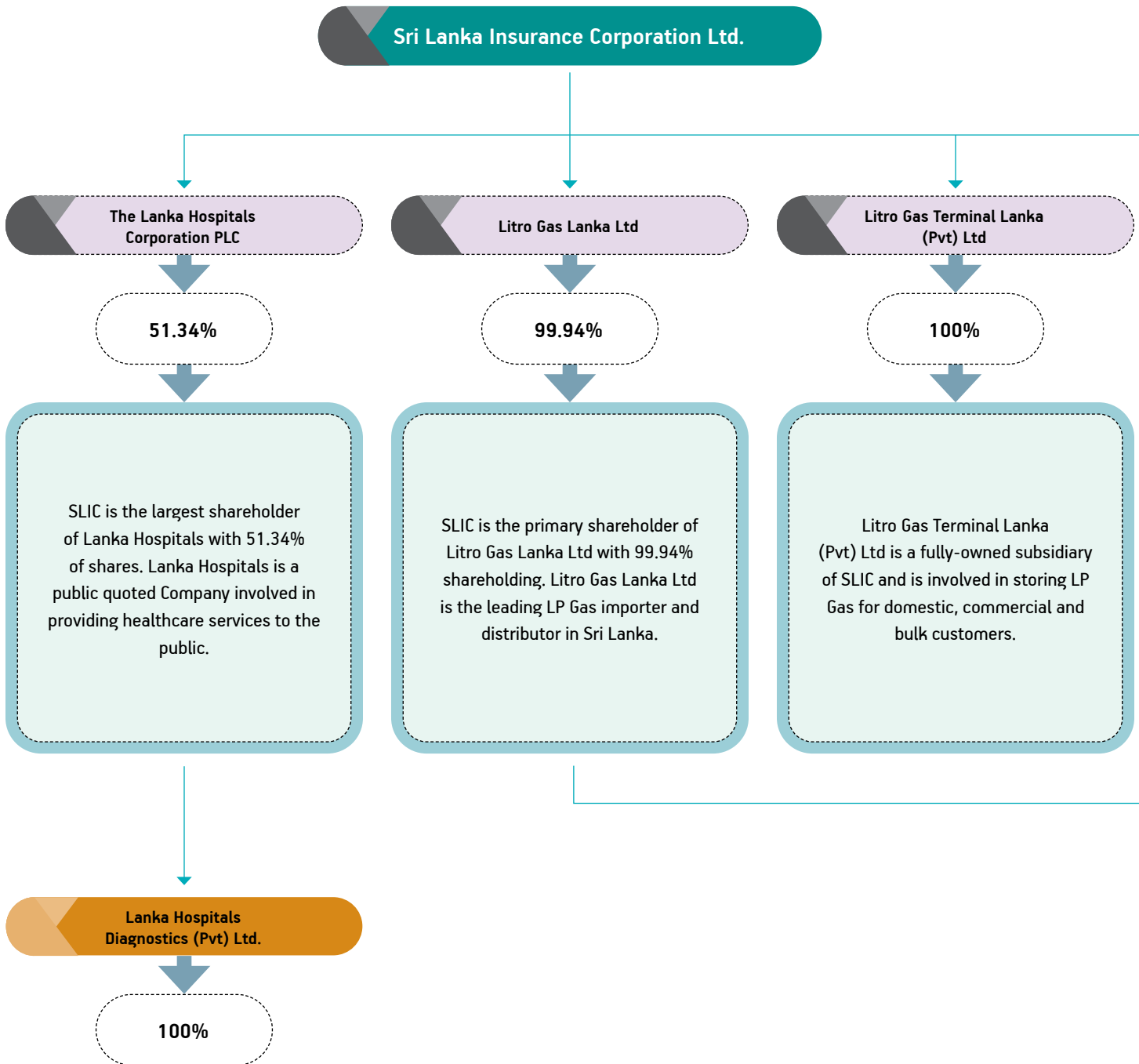


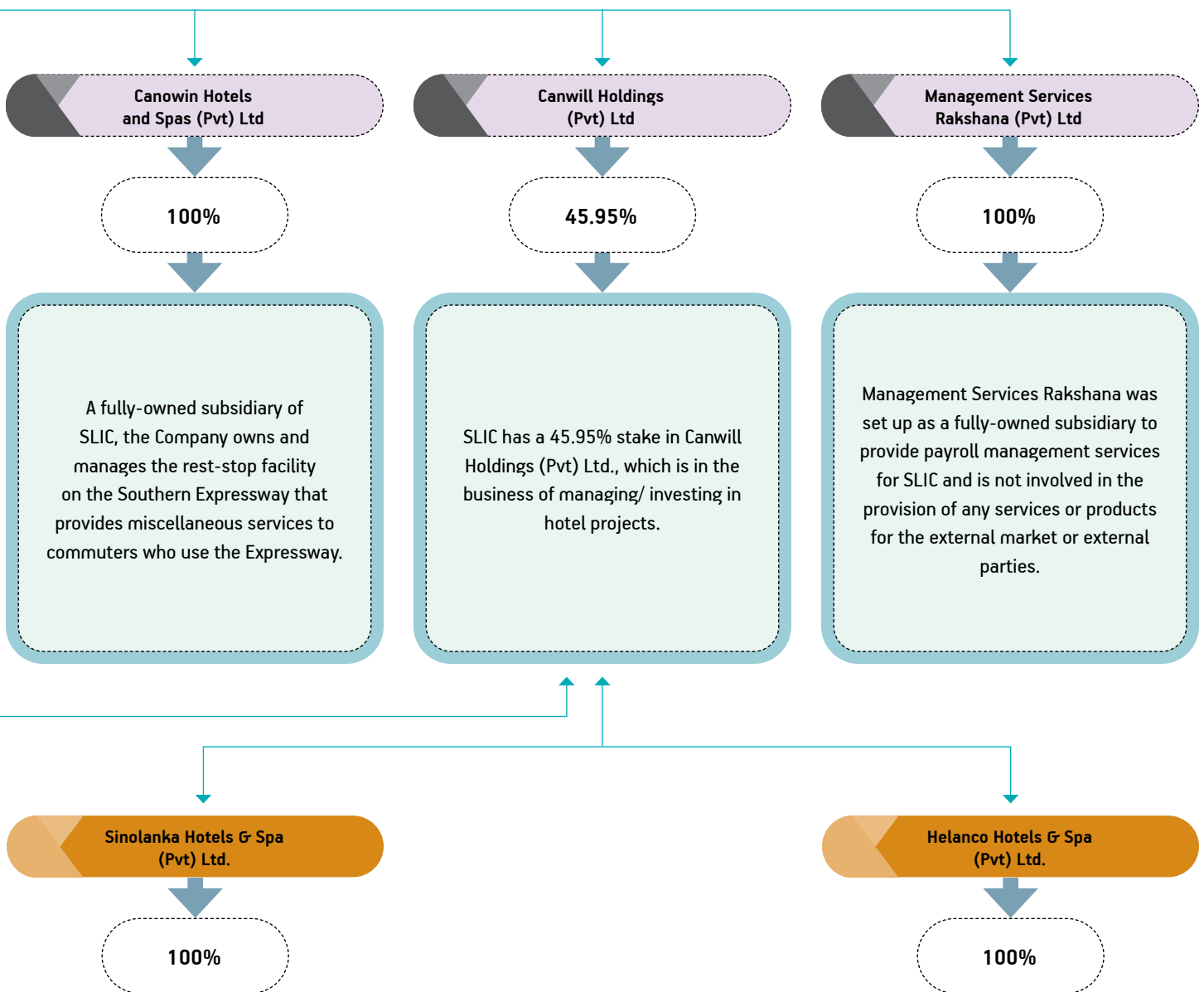
20. MR. R. LINGESHWARAN
Eastern
(Appointed w.e.f.01/03/2021)



21. MR. D.M.S. DISSANAYAKE
Ratnapura
(Appointed w.e.f. 01/04/2021)

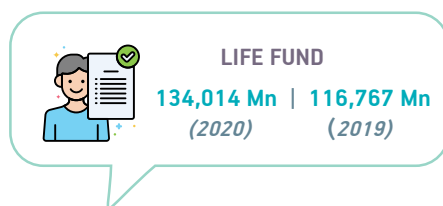
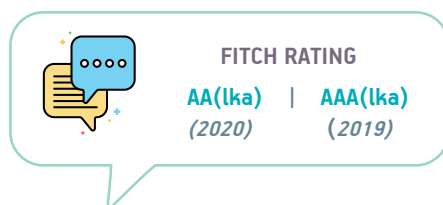
SLIC Group Structure





Financial Highlights

	2020 Rs.Mn.	2019 Rs.Mn.
Results for the Year		
Total Revenue	52,614	48,609
Gross Written Premium	39,421	33,794
Net Earned Premium	34,206	29,772
Investment and Other Income	18,408	18,837
Profit Before Tax (PBT)	7,972	8,205
Profit After Tax (PAT)	5,789	7,029
Benefits/Claims, Operating, Admin & Other Expenses	28,524	28,744
General Insurance		
General Insurance Fund	18,866	16,648
Net Claim Ratio	51	61
Expense Ratio	37	35
Life Insurance		
Life Insurance Fund	134,014	116,767
Expense Ratio	37	46
Face Value Bonus	8,694	8,244

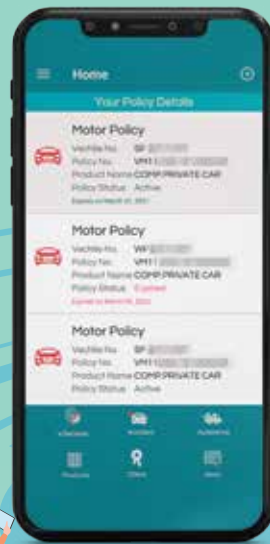


Non-Financial Highlights

'Most Loved Insurance Brand' by Brand Finance Sri Lanka

Three years' strategic plan allows to put business challenges into perspective

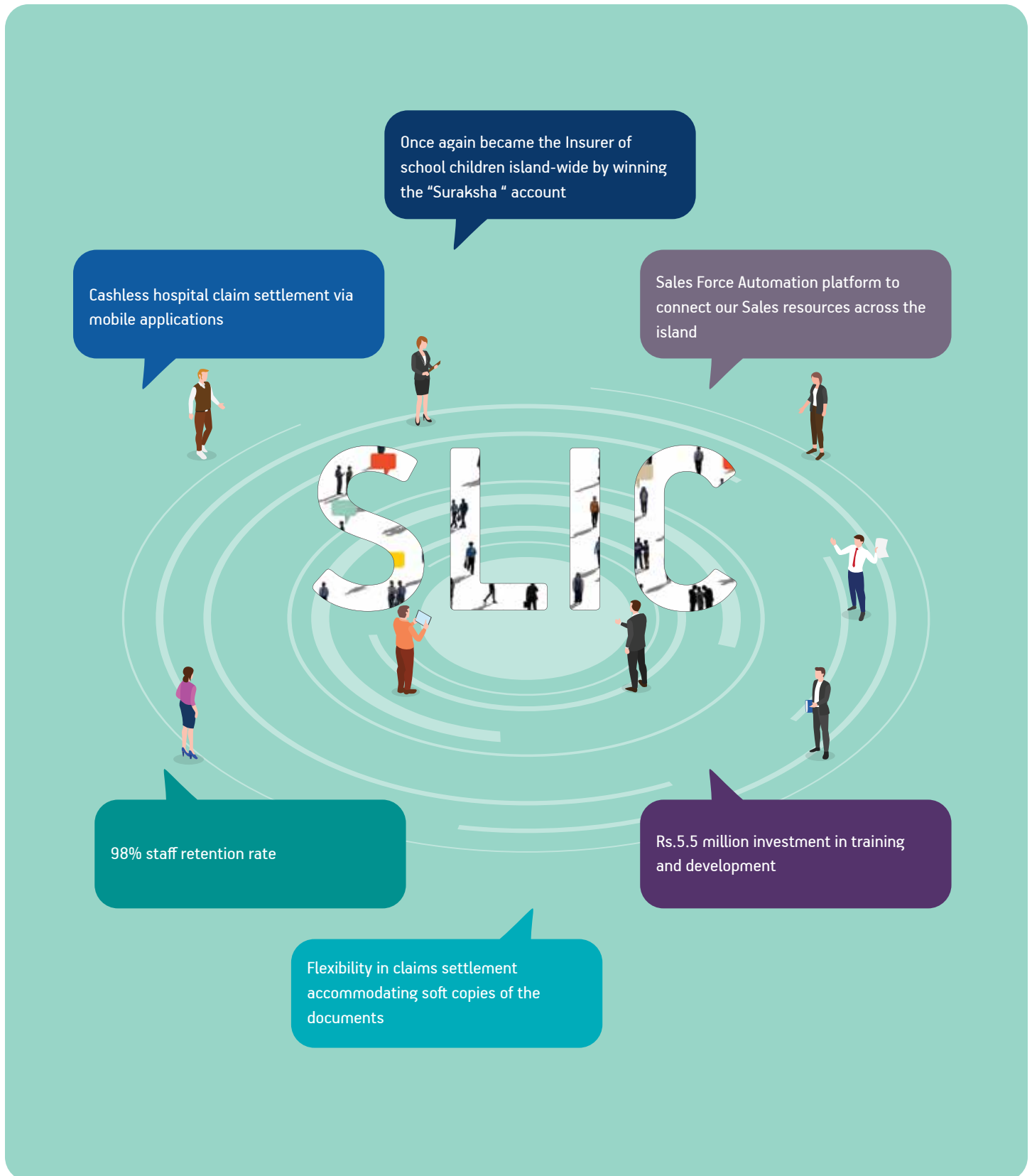
Most Valuable General Insurance Brand' for the 3rd consecutive year by Brand Finance – Sri Lanka



Mobile money, digital banking, electronic payment options in interactions with SLIC mobile app

Providing COVID-19 cover to corporate clients including Intermediary Care Center expenses

Non-Financial Highlights Contd.



LEADERSHIP REVIEWS

28 – Chairman's Message

31 – Chief Executive Officer's Review

"I feel more assured about my son's future; he will always be protected by a trusted brand."



Chairman's Message



"INCLUSIVE INSURANCE OR AS I LIKE TO CALL IT "INSURANCE FOR ALL" IS SOMETHING I HAVE CONSISTENTLY REITERATED, FOR IT IS WITHOUT A DOUBT ONE OF THE BEST WAYS TO SAFEGUARD THE QUALITY OF LIFE FOR EVERY SRI LANKAN."

This past year has been unlike any other. No one could have foreseen how the COVID-19 pandemic would affect life as we know it. With people and businesses under pressure and the country's healthcare system strained to the limit, the concept of inclusive insurance has never been more important.

Inclusive insurance or as I like to call it "Insurance for All" is something I have consistently reiterated, for it is without a doubt one of the best ways to safeguard the quality of life for every Sri Lankan. Insurance helps everyone, even those at the base of the economic pyramid. For instance, health insurance encourages people with low incomes to visit the doctor, resulting in reduced maternal and infant mortality, while farmers who have insurance often qualify for credit that allows them to facilitate growth and expansion. Even among people with very little disposable income, insurance can be a vital tool to manage the stresses of illness, crop failures, natural disasters, or income loss due to the death of the breadwinner. In this way Insurance forms the basis of greater economic stability and reduced inequalities in the long term.

Regrettably however, insurance adoption in Sri Lanka has remained historically low. At under 1.3% (as a % of GDP), Sri Lanka has one of the lowest insurance penetration rates in the world. While this may seem like there are limitless opportunities for a large insurer like SLIC, the insurance market in Sri Lanka is relatively immature and the lack of insurance awareness among the masses remains a huge barrier towards promoting inclusive insurance. A majority of Sri Lankans are unaware that Insurance acts as a safety net in times of crisis and can provide people and businesses with lifeline to help them recover from unforeseen events to re-establish their livelihoods. What is more disconcerting is that the lack of awareness has given rise to the misconceptions that insurance is a product for a privileged few. As you can see the task of delivering "Insurance for All" is no easy feat.

However, with over 58 years of expertise in serving the Sri Lankan market, I am convinced SLIC is best equipped to lead the movement to make insurance accessible to all. Having adopted a two-pronged approach, we have already made some headway in closing the gap. Firstly we have gone back to the drawing board, to design and commercialise more practical and affordable insurance products. In this regard, we have begun reworking many of our core products to present "lite" options that make insurance more accessible to the mainstream market. The same thinking now cascades through to our new product development processes as well. In testimony to this, the latest additions to our portfolio - MOTOR PLUS RIDER and MOTOR PLUS TUK, too embody the principles of affordable insurance.

Our second strategy is to raise insurance awareness among the masses by allowing them to assimilate the benefits first hand. We were able to make some solid progress in this area during the year under consideration via the launch of VIRU ABHIMAN, a life cover offered free to state sector workers on the frontlines of the battle against COVID-19. VIRU ABHIMAN is a free financial cover offered to the families of state sector workers in the frontlines - the medical professionals, healthcare workers, the tri-forces and other essential workers who were at the forefront of this battle against COVID-19.



Chairman's Message Contd.

We continue to make a further impact on promoting "Insurance for All" through the "Suraksha" children's insurance facility. "Suraksha" is an initiative by the Ministry of Education aimed at insuring the country's student population. In our capacity as the main facilitator for "Suraksha" initiative since its launch in 01st October 2017, SLIC has succeeded in reaching out to over 4.5 million students in the Country's school system.

Seeing SLIC's recent progress in promulgating "Insurance for All", I remain very optimistic for the prospects for inclusive insurance. However I am compelled to point out that SLIC alone cannot shoulder the entire responsibility of promoting inclusive insurance in Sri Lanka. The insurance industry as a whole needs to be invested in the process and all players need to come together in order to make a meaningful impact. In saying that, I urge other local insurers to join SLIC in our quest to create a more equitable platform for the entire industry to grow sustainably in the future.

For our part, this journey to promote inclusive insurance which we embarked on in 2020 has certainly given us an edge. It has augmented SLIC's visibility and created a firm foundation for us to penetrate new and emerging markets in the coming years. It is why I look forward to the future with a huge sense of anticipation. I am convinced we are only at the start of what will be an exponential growth trajectory that will redefine SLIC's future.

To conclude I wish to thank the SLIC team. Their drive and determination to always put SLIC first, is what has brought us to where we stand today.

Let me also take this opportunity to express my deep gratitude to His Excellency, President Gotabaya Rajapaksa and all other relevant authorities, for the support extended to SLIC in furthering its goal of insurance for all Sri Lankans.



"THIS JOURNEY TO PROMOTE INCLUSIVE INSURANCE WHICH WE EMBARKED ON IN 2020 HAS CERTAINLY GIVEN US AN EDGE. IT HAS AUGMENTED SLIC'S VISIBILITY AND CREATED A FIRM FOUNDATION FOR US TO PENETRATE NEW AND EMERGING MARKETS IN THE COMING YEARS"

Jagath Wellawatta

Chairman

3rd June 2021



Chief Executive Officer's Review



Chief Executive Officer's Review Contd.

The year 2020 will most certainly conjure up mixed feelings for many years to come. While no one could have foreseen that the world would be thrust into a full blown pandemic, the impact of COVID-19 has taught us many things, as how quickly the world as we know can change. On the other hand, it has been an opportunity for nations, businesses and individuals to test their resilience and find new ways to adapt amidst unexpected challenges. This sums up how SLIC managed the pandemic impact and I am proud to say that our achievements during the year certifies it.

A SOLID ALL-ROUND PERFORMANCE

Notwithstanding the challenging macroeconomic environment and large-scale disruptions due to the COVID-19 outbreak, SLIC delivered an excellent performance in 2020, even outperforming the industry on many fronts.

SLIC recorded a strong improvement in combined Gross Written Premium (GWP) which stood at Rs. 39,421Mn in 2020, denoting growth of 16.65% over the figure reported in 2019. In contrast the Insurance industry appeared to be growing at a much slower pace, recording an average of 9.7% in 2020. Might I add that SLIC's 16.65% growth in combined GWP in 2020, is also well above our 5-year growth average which stands at 9.31%.

Our strong top end results are attributed to robust performances from both the Life and General segments. The Life segment in particular performed exceedingly well to hit several historical milestones. Our Life Fund grew by 14.77% during the year under review to end at Rs. 134,013 Mn as at 31st December 2020. Meanwhile GWP in the Life business surged past its previous record set in 14,820 Mn to reach Rs. 19,257Mn in the FY 2020. This marks an impressive 29.95% growth year on year, significantly above the industry average of 16% for 2020. I am also extremely pleased to announce that SLIC's Life business posted Profit After Tax (before transfer to the Life Fund) of Rs. 18,263 Mn for the FY 2020, a commendable 30.17% increase over the previous year and well above the industry reported growth.

SLIC's General business too delivered a stable performance for FY 2020, with GWP of Rs. 20,163Mn in the FY 2020 signaling an increase of 6.27% from Rs. 18,974Mn in 2019. I am pleased to say that these results are consistent with the five year growth average 6.42% recorded by the General business. At this point I think it is important to provide some context on how the pandemic affected our General Insurance business. The combined effect of the pandemic induced economic downturn and the ban on vehicle imports were both major setbacks for the motor segment which accounts for a sizable portion of our General business volumes. Nonetheless buttressed by SLIC's strong captive market share, the motor segment recorded GWP of Rs. 11,806Mn in FY2020, which I see as a commendable achievement in light of the depressed market

conditions. I am also quite pleased to see other segments of the General business, specifically property and marine gathering momentum.

CARING FOR OUR OWN

While the pandemic itself was not something that anyone could control, I firmly believe that it was our targeted response that made all the difference in maintaining the continuity of our operations and ensuring safety of our employees and our over 3000 active strong agency force even amidst such a fluid and unpredictable environment.

Kicking into high gear at the onset of the lockdown in March 2020, we immediately activated our business continuity plan and implemented specific precautions for our IT operations to ensure continuity to prevent service disruptions to our customers.

At the same time, we began working with key management teams, union representatives and the health authorities to plan out a course of action to safely bring our employees back to work in phases over the course of the year. We also created a special task force to oversee the implementation of COVID-19 safety measures to protect the health and safety of all our employees as well as our agency force around the Country.

Despite the tough times however, we were quite certain on one thing - that we will not subject our employees to pay cuts or downsizing. Instead we took a very different approach and focused on keeping our teams motivated and rewarding them for their commitment to drive SLIC's success regardless of the odds.

We also supported our agency force in numerous ways, granting them special assistance to help them tide over the loss of income due to the lockdown and pandemic related mobility restrictions. The overwhelming appreciation we have received from our agents towards these efforts tells me that it is these little gestures that will go a long way in keeping them invested in our progress in the future as well.

STRENGTHENING OUR CORE

With our perceptions and outlook coloured by the pandemic, we embarked on a new strategic planning exercise aimed at mapping out SLIC's growth trajectory for the next 3 years. Eager to put our plan into action, we advanced the first phase of our agenda and undertook a broad based restructuring initiative to embed a greater degree of management oversight across the General business and the Life business, which we felt will pave the way for SLIC to systematically improve the scalability of each business, based on specific opportunities in the market.

I readily admit, implementing change is no easy task especially in a large organisation like SLIC with its long established workplace practices and multi-generational workforce. At this point I must acknowledge the leadership given by the Chairman and Board which set the tone to drive the effort. We were thus able to take a pragmatic approach to implement the change management process by mobilising almost 52% of our employees and union representatives through a series of focus group sessions that were held over a period of 3 months. Having personally sat on many of these focus group sessions I found this to be a very exciting time as I got to see firsthand the innovative spirit of our employees. It also gave me an opportunity to truly appreciate the depths of SLIC's knowledge base. Furthermore, I believe it is largely thanks to this participatory approach, that we were able to implement the new management structures with relative ease and in time for the new financial year.

INCREASING DIGITAL INTEGRATION

Having declared digital integration to be one of its strategic priorities in 2019, SLIC has since been making steady progress in transforming its operational architecture and front end customer interfaces. You may recall we achieved a significant milestone in 2019 with the launch of the SLIC Customer app, which has significantly raised the bar for the local insurance industry.

Seeing how the customer app and other digital investments were in no small part responsible for SLIC's response to pandemic related challenges this past year, we expedited our digitization agenda to focus on strengthening our internal process architecture to support our employees and empower our sales agents. We also increased the digital integration with other service providers to expand the number of payment platforms available to our customers.

ACCELERATING OUR PRODUCT STRATEGY

While our highly versatile and distinctly different product propositions play a vital role in setting SLIC apart from its peers, our ability to continuously innovate and update our product portfolio is without a doubt what enables SLIC to remain relevant and sustain its market leadership in a highly competitive local insurance industry. It is this fundamental premise that continued to underpin our product strategies in 2020 as well. The three new products launched in the year under review were all additions to our industry leading Motor Plus portfolio. The "LADIES ONLY" is a bespoke solution specially curated to support lady drivers, while MOTOR PLUS RIDER and the MOTOR PLUS TUK, are both mainstream products where we have factored in a number of versatile features to complement the needs of its target market.

LIVING UP TO OUR ETHOS

There has never been a better opportunity to showcase SLIC's ethos, than in this past year. In this time of crisis, we did not hesitate to extend our support to the people of Sri Lanka and launched VIRU ABHIMAN - a free financial cover offered to the families of state sector workers in the frontlines - the medical professionals, healthcare workers, the tri-forces and other essential workers who were at the forefront of this battle against COVID-19. SLIC also played a leading role in assisting state sector entities to safely bring back their employees to full time work. We also had the opportunity to support our neighbours who suffered badly due to the pandemic by way of providing them with dry rations. While these are small gestures in the grand scheme of things, I believe they have in some way made a difference in our nation's fight against COVID-19.



"WITH OUR PERCEPTIONS AND OUTLOOK COLOURED BY THE PANDEMIC, WE EMBARKED ON A NEW STRATEGIC PLANNING EXERCISE AIMED AT MAPPING OUT SLIC'S GROWTH TRAJECTORY FOR THE NEXT 3 YEARS."

Chief Executive Officer's Review Contd.

LOOKING AHEAD

As it stands now, it appears Sri Lanka's battle with the pandemic will continue for some time to come. For SLIC, the trials and tribulations of this past year will serve as important lessons to allow us to move forward confidently. That said, I see limitless opportunities for SLIC in the years ahead. With insurance penetration levels in Sri Lanka still at only 1.3% (as a % of GDP), growing our island-wide reach, including in remote rural areas, will ensure SLIC's position to pivot to emerging opportunities.

At the same time we will seek to strengthen our captive market share by innovating and expanding our product portfolio and continuing to offer the best customer experience solutions. With the changing competitive landscape it is more important than ever to lead the market with innovative, digital solutions that will give SLIC a competitive advantage. Equally importantly, we will continue to deepen our investment in technology to strengthen our internal capabilities and increase productivity to create a sustainable platform from which to scale up the business in the years ahead.

APPRECIATION

This past year has been unlike any other and in many ways has proven that SLIC has the very best people. I would like to take this opportunity to appreciate our employees for setting an extraordinary example of commitment and professionalism that allowed SLIC to attain new heights in 2020.

I also wish to thank our valued customers for continuing to entrust SLIC to protect what they care about most. Many thanks also to our sales agents, insurance brokers, reinsurance partners and other stakeholders for their commitment, trust and continuous support in these unprecedented times.

I would also like to extend my gratitude to the Ministry of Finance and the Department of Public Enterprises for its assistance during the year.

And finally to conclude, I wish to express my sincere appreciation to the Chairman and the Board of Directors for their steadfast support and insightful leadership that has steered SLIC to succeed in all fronts, notwithstanding the pandemic.



Chandana L. Aluthgama
Chief Executive Officer
3rd June 2021



"WHILE OUR HIGHLY VERSATILE AND DISTINCTLY DIFFERENT PRODUCT PROPOSITIONS PLAY A VITAL ROLE IN SETTING SLIC APART FROM ITS PEERS, OUR ABILITY TO CONTINUOUSLY INNOVATE AND UPDATE OUR PRODUCT PORTFOLIO IS WITHOUT A DOUBT WHAT ENABLES SLIC TO REMAIN RELEVANT AND SUSTAIN ITS MARKET LEADERSHIP IN A HIGHLY COMPETITIVE LOCAL INSURANCE INDUSTRY."



REPORT PROFILE

"SLIC is helping me stay safe while I'm on the road, protecting myself and my family."



This is the 3rd Integrated Annual Report published by Sri Lanka Insurance Corporation (SLIC). This targets a wider audience, including its customers, employees, investors, Government and regulatory authorities in Sri Lanka and any other stakeholders who have an interest in SLIC.

The most recent integrated report published by SLIC was for the financial year 2019. This and other Annual reports for the past 8 years have been available on the corporate website - www.srilankainsurance.com

SCOPE AND BOUNDARY

This report spans the period 1st January 2020 to 31st December 2020 and covers SLIC’s core business activities, namely the provision of Life and General insurance. The report contains both financial and non-financial (sustainability) information, as well as compliance, governance and risk management information to provide stakeholders with a holistic assessment of SLIC’s performance for the FY 2020.

REPORTING FRAMEWORKS

Financial Reporting	Non-Financial (Sustainability) Reporting	Governance, Compliance and Risk Reporting
Sri Lanka Accounting Standards	IIRC (International Integrated Reporting Council) framework	Legal framework applicable to Government owned insurance companies, Corporate Governance Code-2017
	GRI Standards	
	UN Sustainable Development Goals (SDG’s)	

It should be noted that there were no significant changes from previous reporting periods in the scope and boundaries, nor are there any restatements compared to the Annual Report issued in the previous reporting year.

Materiality

We have used the principle of Materiality to determine the non-financial content in this report. Materiality is a concept promoted by the GRI (Global Reporting Initiative) Standards for the presentation of non-financial (sustainability) information that may be of relevance to stakeholders. Accordingly, through this report, we provide the context for what we have deemed our Material matters - those which have influenced, or could influence, our ability to create value over the short, medium and long term. The report goes on to demonstrate how we address these Material matters by refining our strategy and realigning our resources via our six capitals in order to generate value for the organisation and deliver positive outcomes for our stakeholders.

How we allocate resources through our capitals to address Material Issues

Material Issues	FINANCIAL	MANUFACTURED	INTELLECTUAL	HUMAN	SOCIAL	NATURAL
Economic Performance	✓	✓	✓			
Market Presence	✓	✓		✓	✓	
Anti-Corruption			✓		✓	
Anti-Competitive Behaviour			✓		✓	
Employment	✓			✓		
Occupational Health and Safety	✓			✓		
Training and Development	✓			✓		
Diversity Inclusive			✓	✓		
Non-discrimination			✓	✓		
Freedom of Association and Collective Bargaining				✓		
Local Communities	✓				✓	✓
Customer Health and Safety					✓	
Marketing and Labelling					✓	
Socio Economic Compliance					✓	✓

FORWARD-LOOKING STATEMENTS

This report contains certain forward-looking statements with respect to the financial condition and results of operations of SLIC that, by their nature, involve risk and uncertainty because they relate to events and depend on circumstances that may or may not occur in the future. Factors that could cause actual results to differ materially from those in the forward-looking statements include national economic conditions, insurance regulations, and competitive and regulatory factors, among other things. As such, forward-looking statements mentioned in the report are deemed applicable only as of the date on which they are made, and SLIC does not undertake any obligation to update or revise any of them, whether as a result of new information, future events or otherwise.

FEEDBACK

We welcome your questions and your suggestions to help us improve the quality of our annual report and request that all feedback be directed to:

B. A. Ruwani Dharmawardana,
 DGM-Compliance, Risk & Corporate Planning
 Sri Lanka Insurance Corporation Ltd.
 “Rakshana Mandiraya”,
 No. 21, Vauxhall Street, Colombo 02.
 Phone: +94 11 235 7741

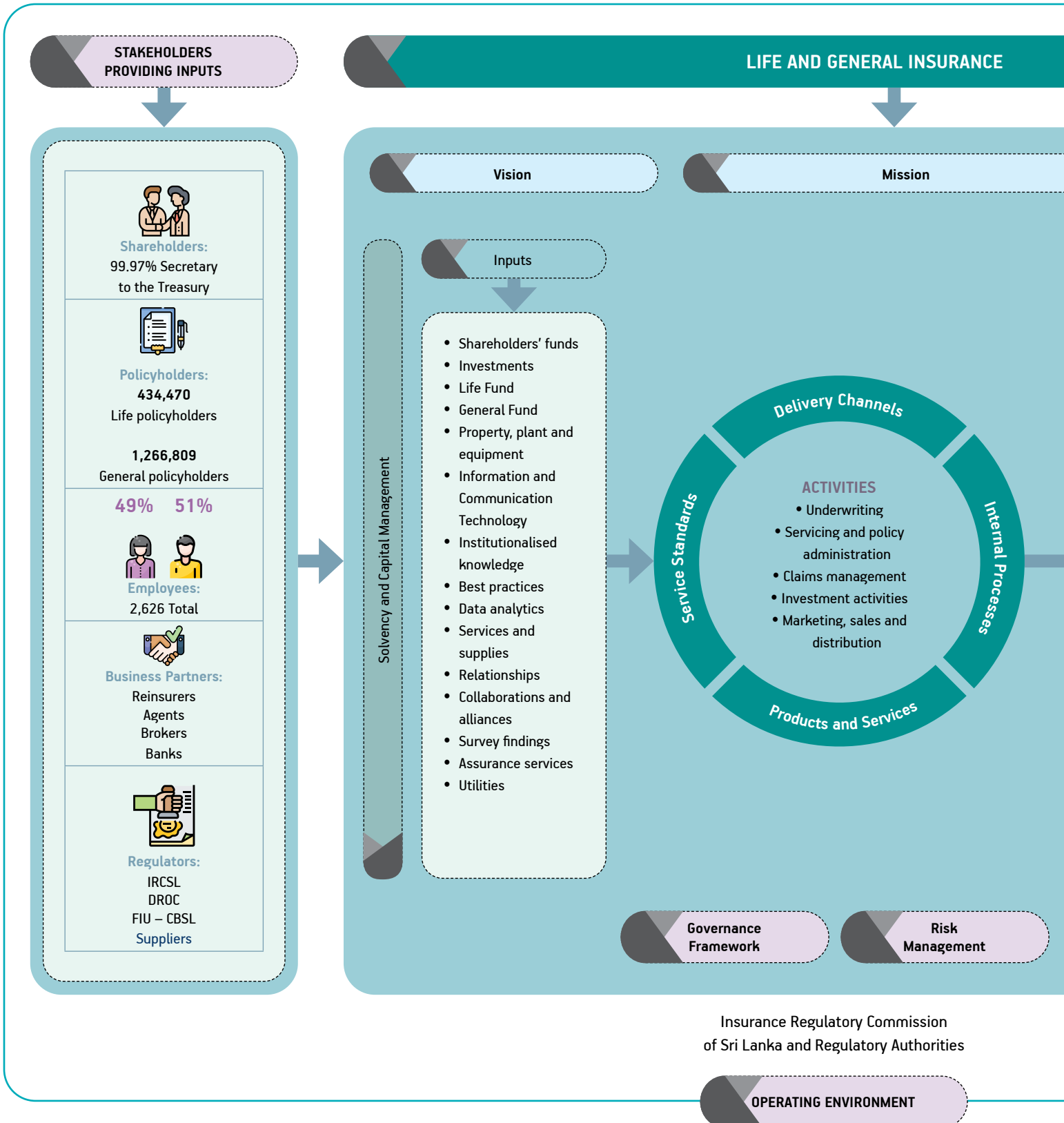
STRATEGY AND FOCUS

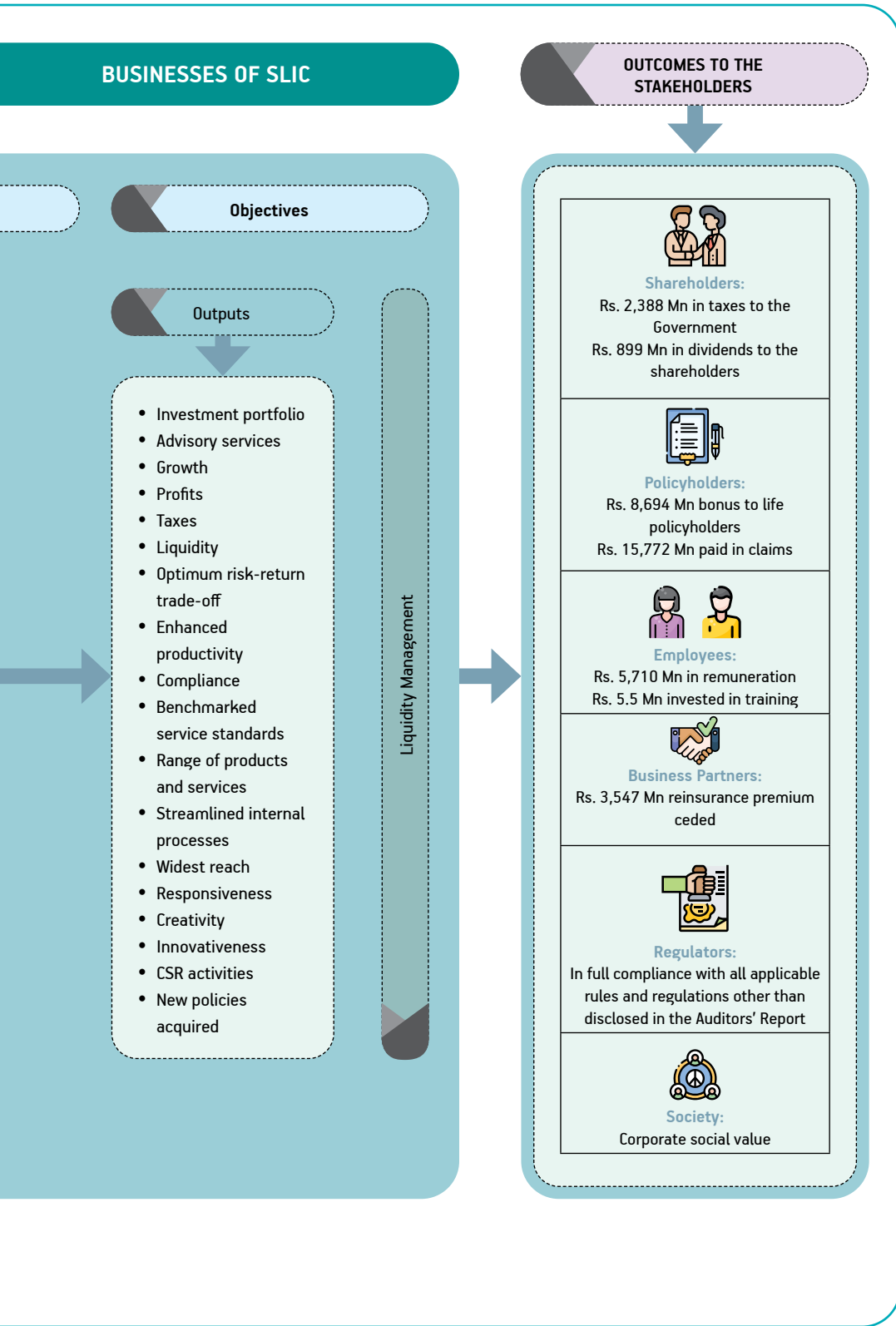
- 38 – Business Model
- 40 – Material Issues
- 41 – Stakeholder Relationships
- 43 – Strategic Priorities

“SLIC has so many options to meet my needs. Whether it's for my business or my family, they always have exactly what I'm looking for.”



Business Model



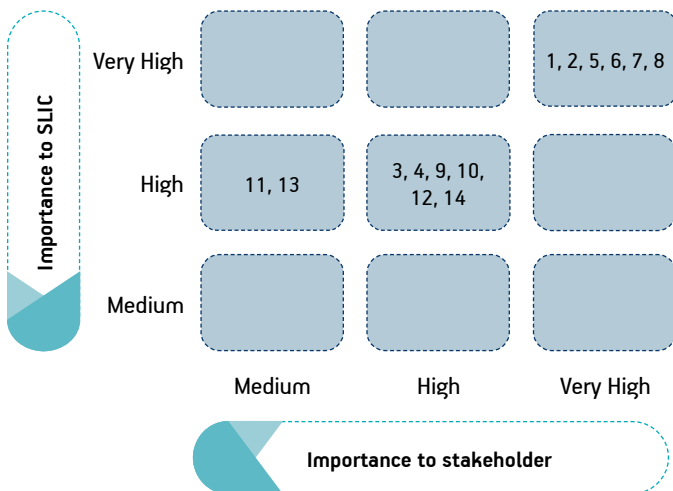


The business model diagram gives an overview of the flow of activities within SLIC and how they are influenced not only by the environment we operate in, but also by our vision and mission. Just as we operate within the laws and regulations; our mission, vision, and values define the objectives we intend to achieve and how we formulate our strategy to achieve those objectives. Similarly, these external and internal influences impact every activity within SLIC that goes into achieving our objectives. In turn, our objectives too are shaped by our value creation activities and the cycle continues, ensuring that SLIC moulds itself and adapts to the operating environment on an ongoing basis.

Material Issues

SLIC’s business model focuses on aspects that are important to both the Company and to our stakeholders. These aspects have been identified through effective engagement with our stakeholders. The importance of these aspects is determined through analysis of the relevance and significance to all parties involved based on the probability of occurrence and the magnitude of the impact. This Annual Report will discuss these aspects in further details in the Management Discussion and Analysis section and is summarised in the following table.

No.	Number Topic	Importance to SLIC	Importance to stakeholder
1	Economic performance	Very high	Very high
2	Market presence	Very high	Very high
3	Anti-corruption	High	High
4	Anti-competitive behaviour	High	High
5	Employment	Very high	Very high
6	Occupational health and safety	High	High
7	Training and diversity	Very high	Very high
8	Diversity and equal opportunity	Very high	Very high
9	Non-discriminations	High	High
10	Freedom of association and collective bargaining	High	High
11	Local communities	High	Medium
12	Customer wealth and safety	High	High
13	Marketing and labelling	High	Medium
14	Socio-economic compliance	High	High



Stakeholder Relationships

In our endeavour to remain the leading insurer in the Country and the most trusted by all Sri Lankans, we seek to strengthen relationships with our stakeholders over the long term. Engagement is an integral part of developing strong relationships.

Our diverse stakeholder groups hold a range of views on issues that impact our business, and we know that listening to these different perspectives offers real insight and value to support SLIC's long-term success and sustainability. We follow a systematic approach to stakeholder engagement, starting with a highly streamlined stakeholder identification process.

STAKEHOLDER IDENTIFICATION

Stakeholders are those individuals, groups of individuals or entities that impact and/or could be impacted by SLIC's activities, products or services and organizational performance. Stakeholders identified in this way are prioritised according to the level of influence they have on SLIC.

METHODS OF ENGAGEMENT AND ENGAGEMENT PRINCIPLES

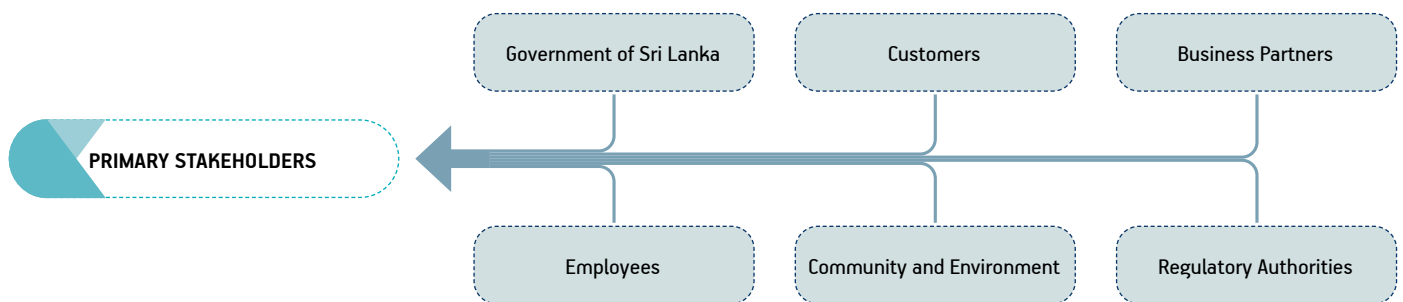
We employ different engagement methods for different stakeholders. While engagement channels are typically determined by the stakeholders' influence / impact on SLIC, the following principles apply to all engagement channels;

- ◆ Openness and Transparency to foster consultative discussion
- ◆ Timeliness and Relevance of information
- ◆ Continuous and ongoing review to improve responsiveness

OWNERSHIP AND ACCOUNTABILITY

Stakeholder engagement is decentralised at SLIC and there is no single team that manages all relationships and queries or concerns from stakeholders. All employees are held accountable for managing relationships and meeting expectations of internal and external stakeholders within their areas of responsibility.

As the ultimate governance body within the organization, SLIC's Board of Directors is regularly briefed on the state of stakeholder relationships and stakeholder needs, interests and expectations which serve as strategic input for planning and decision making.



Stakeholder Relationships Contd.

Material issues relevant to the stakeholder	Impact to SLIC	Engagement	Frequency of Engagement
Government of Sri Lanka Investment, business development, returns, innovation and industry growth, compliances	HIGH	Annual report	Annually
		Press releases	Need-based
		Meetings and discussions with Board and Senior Management	Need-based
Other Regulators Need-based Compliance with laws and regulations, good corporate governance, stability of industry, ethical conduct	HIGH	Meetings with regulatory authorities	Need-based
		Annual Report	Annually
		Industry forums	Need-based
		Statutory returns and status reports	Quarterly, annually
		Press releases	Need-based
Customers Customer relationship, retention, relevant products, product information, policy bonuses, policy claims Other Regulators	HIGH	Call Centre	Regular
		Customer Satisfaction Survey	Need-based
		One-to-one interactions	Regular
		Website, Social Media	Regular
		Customer feedback	Regular
Business partners	MEDIUM	Meetings	Need-based
Growth potential, timely payments		Communication via email, phone, etc.	Need-based
Employees Employee welfare, satisfaction, retention, training and development, recognition and rewards, career progression, job security	HIGH	Meetings	Regular
		Communication via email, phone, etc.	Need-based
		Succession planning	Need-based
		Training and development activities	Need-based
		Award ceremonies	Annually
		Involvement in community projects	Need-based
		Grievance handling	Bi-annually
		Information sharing via Intranet, B-Connect app	Regular
		Objectives/KPI settings	Annually
		Performance evaluation	Bi-annually
Community and environment Community investment, CSR initiatives	MEDIUM	Community projects	Regular
		Press releases	Need-based
		Website, Social Media	Regular
		Events	Need-based
		CSR projects	Regular
		Sustainability initiatives	Regular

Strategic Priorities

Operating in an increasingly challenging and highly dynamic environment, it is critical that our strategies continue to remain fluid. We believe this approach provides significant benefits that will not only allow SLIC to further strengthen its leadership status in Sri Lanka's Insurance sector.

Faced with challenging economic conditions stemming from the COVID-19 pandemic, we revisited both our core businesses in 2020, taking cognizance of the broader operating context. Based on our assessments and focused on developing key competencies via a series of actionable initiative through which to underpin the achievement of our corporate objectives in the short-to-medium term time horizon

GENERAL BUSINESS		
SALES	MARKETING	EFFICIENCY IMPROVEMENT
<p>Actionable Initiatives</p> <ul style="list-style-type: none"> ◆ Increase Cross Selling ◆ Reconfiguring the Sales Structure ◆ Channel focused Sales Structure ◆ Re-structuring the ME Channel ◆ Empower Branches for Non Motor underwriting ◆ Capturing of Lost Business ◆ Growing captive Market share in core segments ◆ Promote Insurance for all 	<p>Actionable Initiatives</p> <ul style="list-style-type: none"> ◆ Market Segmentation for Motor ◆ Portfolio level Pricing ◆ Improve Product relevance 	<p>Actionable Initiatives</p> <ul style="list-style-type: none"> ◆ Review reinsurance net retention ◆ Motor Claims process re-engineering ◆ Non-motor Claims process re-engineering ◆ Decentralizing/restructure Risk Engineers operation ◆ Underwriting Process Re-Engineering ◆ Align KPIs for profitable businesses
<p>Progress for 2020</p> <p>The branch governance mechanism was revamped in mid-2020, with new leadership positions established to strengthen branch-level oversight for Life and General businesses separately. Accordingly the 21 regions maintained collectively for both businesses were split into 15 regions each for Life and General businesses, thus ensuring stronger oversight for each operation at a granular level.</p> <p>The Suraksha insurance policy covering over 4.5 million students between the ages of 5 – 21 years was issued providing a host of benefits to cater to hospitalization, critical illness, surgeries and personal accident for students as well as payment of a lump sum in the unfortunate event of the death of a parent.</p> <p>SLIC has strategically partnered with Seylan Bank, Pan Asia, Regional Development Bank, Sampath Bank, Commercial Bank and Bank of Ceylon for General Insurance Business.</p> <p>SLIC has presently partnered with about 13 leasing companies and 3 major vehicle dealer partnership such as Toyoto Lanka, DIMO and United Motors and working towards developing new partnerships.</p>	<p>Progress for 2020</p> <p>The motor product was rebranded based on various segments of users to cater better to their specific needs-</p> <p>Launch of "Ladies Only" under Motor Plus</p> <p>Launch of Motor Plus RIDER</p> <p>Launch of Motor Plus Tuk</p> <p>Product development committee headed by CEO, and consisting of key persons from sales, marketing, operations and actuarial to review the performance of existing products and decide on revisions / enhancements to existing products based on customer requirements.</p>	<p>Progress for 2020</p> <p>Consideration of RPA (Robotic Process Automation) based process automation solutions</p> <p>Implemented the Sales Force Automation platform to connect our sales teams across the Country through a common gateway.</p> <p>Strengthening the service standards</p> <p>Underwriting</p> <ol style="list-style-type: none"> 1. Renewal notices as well as related other documents are sent as soft copies 2. Enhanced the usage of the e marine facility 3. Introduced on-line buying facility of travel insurance 4. Introduced enhanced levels of service standards 5. Branches are empowered to underwrite risks upon completion of training <p>Claims</p> <ol style="list-style-type: none"> 1. Settlement of small property claims based on documents and photographs 2. Settlement of small casualty claims on scanned copies of documents 3. Cashless settlement of hospital claims based on soft copies of documents provided by hospitals 4. Cheques are replaced by on-line bank transfers
<p>Targets for 2021</p> <ul style="list-style-type: none"> ◆ Creating a dedicated sales force for the General insurance business in order to provide a superior service. ◆ Rebranding of motor product as "Motor Plus Pinnacle" targeting high-end customers with high value vehicles along with additional benefits to cater to the requirements of that segment. ◆ Rebranding of motor product as "Motor Plus Commercial" for users of commercial vehicles with additional benefits to cater to the requirements of that segment. ◆ Revamping of the benefits currently available under the "Business Club" and "Dwelling House" products in order to cater better to the requirements of customers. ◆ Revamping the benefits provided under the Surgical and Hospitalization product to cater to the newly developed requirements of our clients due to the COVID-19 pandemic. ◆ Launch of a special surgical and hospitalization product that caters to Buddhist clergy and their family members 		

More details in the Capital Management Report on Page 47 to 54

Strategic Priorities Contd.

LIFE BUSINESS		
SALES	MARKETING	EFFICIENCY IMPROVEMENT
<p>Actionable Initiatives</p> <ul style="list-style-type: none"> ◆ Generate expected NOP and FP in order to ensure a faster growth ◆ Increase NOP by ensuring 10% from the direct base and min 5% of the agency database ◆ Achieve set FP and NOP objective through activations in order to maintain a minimum productivity of 2.5 per month ◆ Increase agent engagement to drive the sales 	<p>Actionable Initiatives</p> <ul style="list-style-type: none"> ◆ Tap all market segments through a bespoke strategies ◆ Expedite collections by earning the customers trust through ongoing improvements to existing products ◆ Improve island-wide reach to tap into new market segments ◆ Strategic marketing and promotional activities to improve visibility and strengthen top-of-mind awareness ◆ Tap into emerging markets with relatively low penetration cost 	<p>Actionable Initiatives</p> <ul style="list-style-type: none"> ◆ Reinforce the performance driven culture, where rewards and recognition is linked directly to the achievement of targets ◆ Invest in training to improve productivity of the sales force
<p>Progress for 2020</p> <p>Issued 65,089 policies during this year, of which 76% are endowment policies</p> <p>110% increase in Mortgage Protection Assurance policies</p> <p>Implemented the Sales Force Automation platform to connect our sales teams across the Country through a common gateway.</p> <p>SLIC strategically partnered with Bank of Ceylon, NSB and People's Bank for Life Insurance Business.</p>	<p>Progress for 2020</p> <p>Launch of "Virus Abhiman" for those directly involved in the process of combating the COVID-19 pandemic situation.</p> <p>Added new features to the SLIC Customer app to enable customers to make settlements through the app.</p> <p>The Jaffna, Gampaha and Wariyapola branches were relocated with more amenities, new SLIC counters were opened at The Lanka Hospitals Corporation PLC Narahenpita and at People's Bank Head Office.</p> <p>A product development committee headed by CEO, and consisting of key persons from sales, marketing, operations and actuarial review the performance of existing products and decide on revisions / enhancements to existing products based on customer requirements.</p>	<p>Progress for 2020</p> <p>Implemented the Sales Force Automation platform to connect our sales teams across the Country through a common gateway.</p> <p>Carried out web-based training as regular training activities could not be conducted owing to pandemic related restrictions.</p> <p>Premium payment options- eZ Cash for Life payment & mCash for Life payments etc.</p> <p>Facility to upload documents to the system by branches</p> <p>Implementation of digital proposal form</p>
<p>Targets for 2021</p> <ul style="list-style-type: none"> ◆ Introduction of digital on-boarding to improve customer convenience and enhance the overall customer experience 		

More details in the Capital Management Report on Page 47 to 54

MANAGEMENT COMMENTARY

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“When COVID-19 reared its head, I was worried about my health but SLIC ensured that I was in the best care.”



Operating Environment

SRI LANKA'S ECONOMIC PERFORMANCE

On the back of the massive global economic downturn induced by the COVID-19 pandemic, the Sri Lankan economy too contracted by 3.6% in 2020, which points to the deepest recession since independence. Mobility restrictions and other containment measures imposed locally and internationally, to prevent the spread of COVID-19, hampered real economic activity across all sectors. Consequently all sectors recorded de-growth in 2020. While the agriculture sector and the services sector declined by 2.4% and 1.5% respectively compared to 2019, the sharpest contraction was observed in the industry sector which recorded de-growth of 6.9% compared to the previous year.

Stemming from this, the overall size of the economy shrank to USD 80.7 Bn in 2020 from USD 84 Bn in the previous year, while per capita GDP declined to USD 3,682 in 2020 from USD 3,852 in 2019.

The Country's unemployment rate increased to 5.5% in 2020 from 4.8% in the previous year. Furthermore, amidst severe mobility restrictions imposed to curtail the spread of the COVID-19 outbreak, the labour force participation rate dropped to 50.6% in 2020 from 52.3% in 2019.

Meanwhile subdued demand conditions, well-anchored inflation expectations, and downward revisions to the control price frameworks helped maintain inflation at the targeted level, with year-on-year core inflation at 3.5%, by end 2020, compared to 4.8% at the end of 2019.

In yet another notable development, Sri Lanka's trade deficit declined significantly by USD 1,989 Mn to USD 6,008 Mn in 2020, mainly on account of the policy decision taken by the Government at the onset of the pandemic to restrict non-essential imports with effect from April 2020 onwards.

Source: CBSL AR 2020

INSURANCE SECTOR

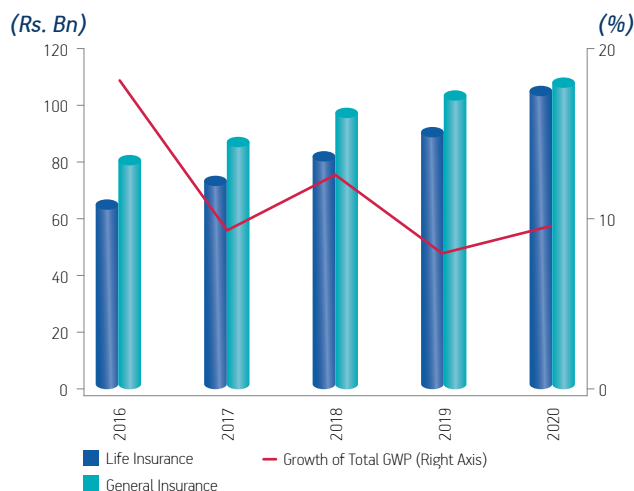
In 2020, Sri Lanka's Insurance sector comprised 27 Insurance companies - 13 long-term Insurance companies, 12 general insurers and 2 companies involved in both long-term and general Insurance business.

The total assets of the Insurance sector grew by 14.6% year on year to reach Rs. 790.1 billion by end 2020. The asset base of the long-term Insurance sub-sector increased by 16.1% while the asset base of the general Insurance sub-sector increased by 11.0% compared to 2019.

Gross Written Premium (GWP) of the Insurance sector grew by 9.7% to Rs. 208.6 Bn by end 2020 from Rs. 190.2 Bn by end 2019. GWP of the long-term Insurance sub-sector increased by 16.0%, while the gross written premium of the general Insurance sub-sector increased by 4.2% during the period. The general Insurance sub-sector, which is dominated by the motor insurance segment, remained as the main contributor of the GWP of the Insurance sector in 2020 as well.

Overall, the Insurance sector reported a 25.9% year on year increase in profits in 2020, driven largely by the general Insurance sub-sector. The General Insurance sub-sector reported a massive 104.9% profit growth in 2020, which more than made up for the 19.1% year on year decline in profits registered by the long-term Insurance sub-sector. The decline in claims due to lockdowns imposed by the Government to control the spread of COVID-19 virus, is thought to be the main reason for the improved profitability of the general Insurance sub-sector. In 2020, claims recorded in the general Insurance sub-sector decreased by 27.1% compared to 2019. However, claims of the long-term Insurance sub-sector reported an increase of 7.5% by end 2020 compared to the previous year.

Gross Written Premium of the Insurance Sector



Source: CBSL AR 2020

Financial Capital

Despite the challenges, the SLIC has been able to safeguard the interest of our key shareholder and the policy holders by prudently managing the Financial Capital pool of the Company despite the challenging operating environment.



Financial Capital Contd.

OVERVIEW

Year 2020 was a year full of unprecedented social disruptions combined with global economic and financial markets volatility as the World Health Organization declared a pandemic in relation to COVID-19 on 11th March 2020. The battle to safeguard the Financial Capital pool of the profit oriented organizations was the most challenging task given during FY2020 amidst facing headwinds from the lower interest rate environment across the board in almost all the countries. In terms of the Insurance Industry, worldwide the big discussions happening right now is the impact of the financial capital markets on solvency ratios of the insurance companies. Global insurers today are managing more than USD 20 Tn in assets under management, and more than 50% of those assets are Government bonds. Some of the key drivers for the reduction in solvency ratios on the asset side are, low interest rates, downgrading bonds, credit and credit spread risk and equity market volatility.

In order to keep the growth momentum, policymakers were taking actions to help reduce the financial impact on personal incomes by supporting businesses with targeted measures including tax reductions and by providing further fiscal support to best manage the economies. Insurance Industry in the country experienced the same adverse effects stemming from the COVID-19 pandemic including lower premium collection and deterioration of the value of the financial assets.

Despite the challenges, the SLIC has been able to safeguard the interest of our key shareholder and the policy holders by prudently managing the Financial Capital pool of the Company despite the challenging operating environment. However, the General Insurance Business have faced a trough in terms of its bottom line financial performance in FY2020.

Sustainable growth in the Financial Capital pool is one of the most crucial elements to ensure the achievement of ultimate goals of the Company contributing to enhance the business and preserving stakeholder's contributions in an ethical and prudent manner.

However, in FY2020 the topline financial performance of the Company shows that, SLIC has spared a fair effort in redesigning its business strategies to match the new normal in continuing to focus on delivering new business growth, leveraging competitive advantages to invest capital where there are attractive opportunities, while maintaining its financial discipline, financial stability, liquidity and profitability.

FINANCIAL RESULTS

FY2020 SLIC has achieved a healthy topline with Revenue and Gross Written Premium (GWP) recording a YoY growth of 8.24% and 16.65% to end at Rs. 52,614Mn and Rs.39,421Mn. However, Operating Profit After Tax was recorded at Rs. 5,788Mn for the year under review positing a YoY decline of 17.65%. Investment income from Financial Investments, being one of our principle sources of income, has decreased by 6.57% YoY to end at Rs.16,511Mn (2019-Rs.17,672Mn) whilst Total Assets of the Company reached Rs. 235,630Mn. Over the past 5 years the Company has achieved a Cumulative Average Growth Rate (CAGR) of 9.31% in Combined GWP. SLIC contribution to the Government of Sri Lanka in the form of taxes amounts to Rs. 2,388Mn for the year 2020.

STABILITY OF LIFE AND GENERAL INSURANCE BUSINESS

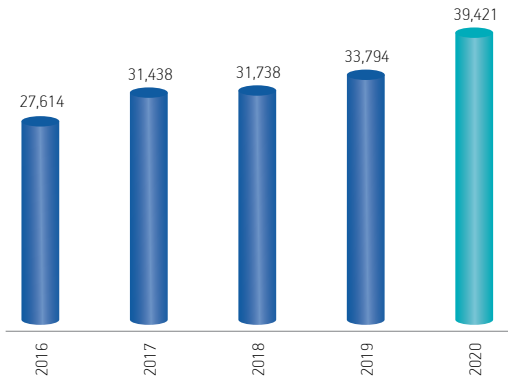
As per section 26 (1) of the RII Act, insurers are required to maintain sound solvency/Risk Based Capital Adequacy Ratios for both Life and General Insurance business.

SLIC has been able to maintain the required Risk Based Capital Adequacy Ratio well above the required levels for the several consecutive years. Accordingly, Risk Based Capital Adequacy Ratio for the Life insurance business recorded 459% in FY2020 compared to 436% in FY2019. In FY2020, the Risk Based Capital Adequacy Ratio for General insurance business reported at 223% compared with 212% in FY2019.

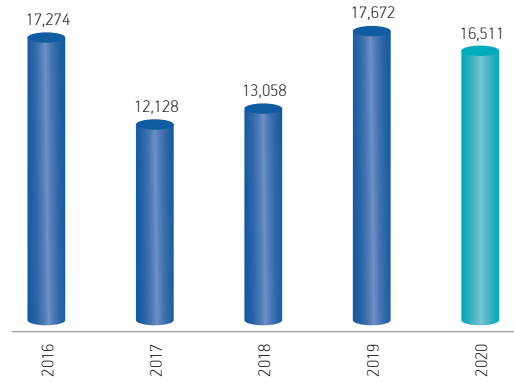
COMBINED BUSINESS PERFORMANCE

Combined Gross Written Premium for the FY2020 was recorded at Rs. 39,421Mn (2019-Rs. 33,794 Mn) representing a YoY growth of 16.65% with a 5 year CAGR of 9.31%. Investment income from Financial Investments has declined by 6.57% YoY in FY2020 recording a value of Rs.16,511Mn (2019- Rs.17,672 Mn) mainly due to the low interest rate environment and lower amount of dividend received from the subsidiaries of SLIC during FY2020. Total Assets of the Company has grown by 11.30% YoY marking a value of Rs. 235,630 Mn (2019-Rs. 211,700 Mn) in the year under review. Profit Before Tax of the Company has declined by 2.84% YoY to end at Rs. 7,971 Mn (2019-Rs.8,205 Mn). Profit After Taxation has deteriorated by 17.65% recording a bottom line of Rs. 5,788 (2019- Rs. 7,028). SLIC has maintained a Return On Equity (ROE) of 9.2% compared to the previous year 11.3% in FY2020.

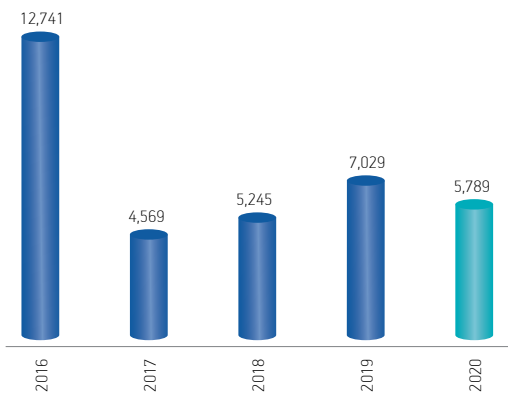
Combined Gross Written Premium (GWP)
(Rs.Mn)



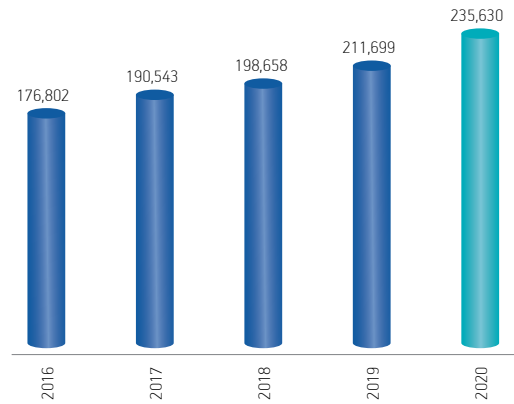
Investment Income from Financial Investments
(Rs.Mn)



Profit After Tax (PAT)
(Rs.Mn)



Total Assets
(Rs.Mn)



Financial Capital Contd.

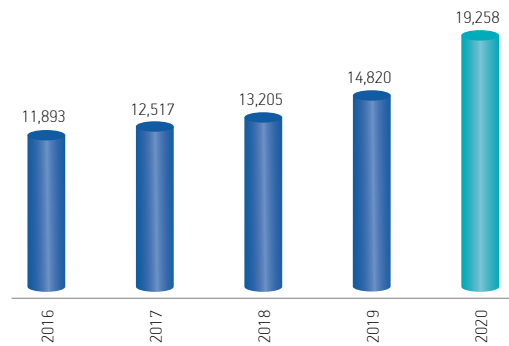
LIFE INSURANCE BUSINESS

Despite the adverse economic effects which stemmed from the COVID-19 pandemic and subdued economic performance in the country, SLIC marked another milestone by declaring the Insurance Industry's biggest ever bonus issue amounting to Rs. 8,694Mn for the Life participating policyholders in FY2020 surpassing its own record of Rs. 8,244 Mn in the previous year.

Gross Written Premium (GWP) of the Life Insurance Business in SLIC has recorded a value of Rs. 19,257Mn (2019-Rs. 14,820 Mn) posting a YoY growth of 29.95% with a 05 year CAGR of 12.80%. Investment Income from Financial Investments of the Life Insurance Business has increased by only 3.48% recording a value of Rs. 13,910 Mn compared to the previous year (2019- Rs. 13,442 Mn). Life Fund has grown by Rs. 17,246 Mn to end at Rs. 134,013 Mn (2019-Rs.116,766 Mn) recording a YoY growth of 14.77% in FY2020. Profit After Tax (Before transferring to the Life Fund) recorded a value of Rs. 18,263 (2019-Rs. 14,031) posting a YoY growth of 30.17%.

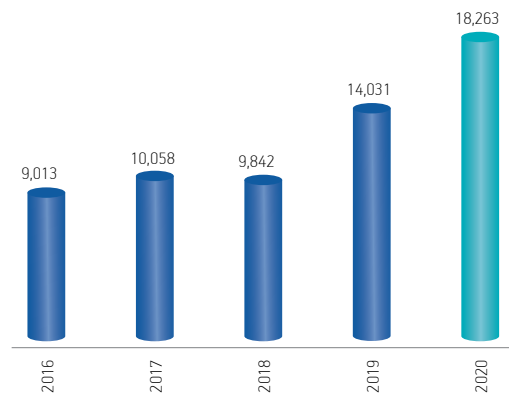
Gross Written Premium (GWP)

(Rs.Mn)



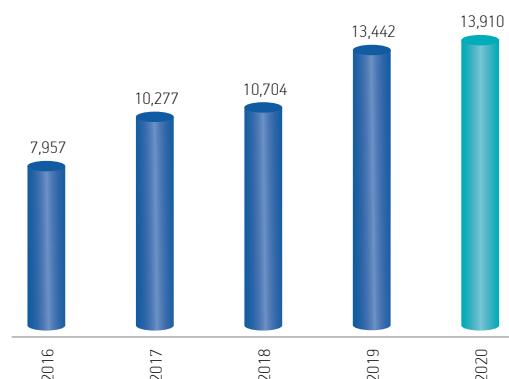
Profit After Tax (Before transferring to the Life Fund)

(Rs.Mn)



Investment Income from Financial Investments

(Rs.Mn)



GENERAL INSURANCE BUSINESS

As the national insurance services provider in Sri Lanka and the country's pioneer in insurance, Sri Lanka Insurance Corporation once again became the national insurer for the School students by winning the position of the facilitator for the 'Suraksha' children's insurance policy in FY2020 granted by the Ministry of Education to all school going students free of charge.

The topline of the General Insurance Business has grown moderately during the FY2020, posting a YoY increase in GWP by 6.27% to end at Rs. 20,163Mn (2019-Rs. 18,974Mn). Over the period of last 5 years, GWP of the General Insurance Business has grown from Rs. 15,720 Mn in FY2016 to Rs.20,163Mn in FY2020 with a CAGR of 6.42%. General Insurance Business recorded an Investment income from Financial Investments of Rs. 2,601Mn (2019- Rs. 4,228) for the year under review posting a decline of 38.48% YoY on the back of reinvestments being placed at lower yields especially the financial income, due to the reduction in the dividend received from the Subsidiaries (Litro Gas Lanka Ltd and The Lanka Hospitals Corporation PLC) and the overall dull performance of the equity market. Impact from the drop in the Investment Income was reflected in the Profit After Tax declining by 21.78%YoY to reach Rs. 3,643 Mn in FY2020 (2019- Rs. 4,658).

SLIC being the market leader in Motor Insurance for several consecutive years; has recorded a GWP value of Rs.11,806Mn in FY2020 compared to Rs.12,908Mn in previous year, the 8.54% YoY drop in the motor insurance GWP as a result of lower economic and business activities which prevailed in the country during FY2020.

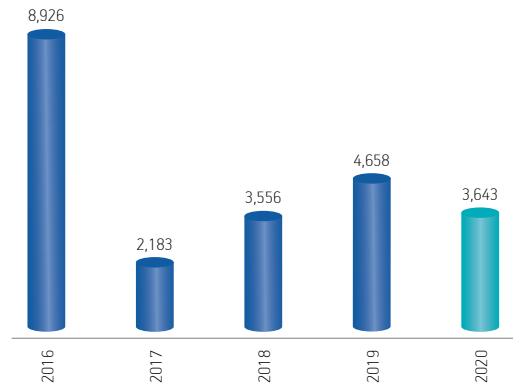
Gross Written Premium (GWP)

(Rs.Mn)



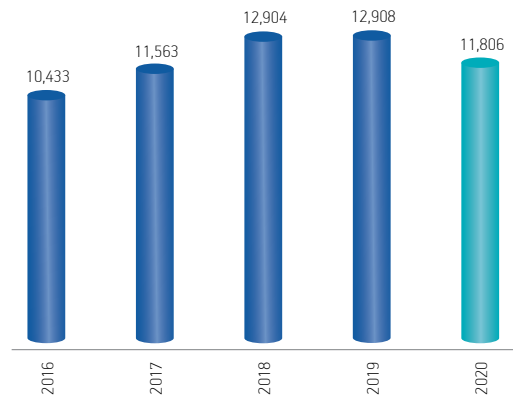
Profit After Tax (PAT)

(Rs.Mn)



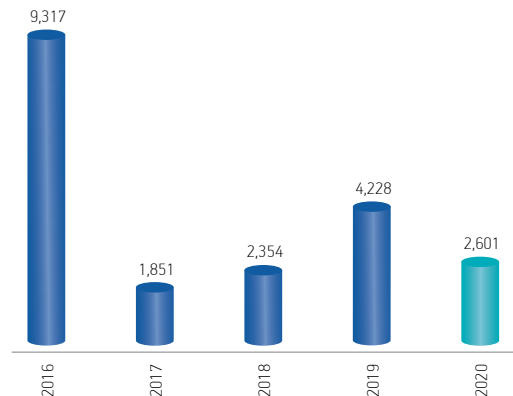
Motor Insurance (GWP)

(Rs.Mn)



Investment Income from Financial Investments

(Rs.Mn)



Financial Capital Contd.

INVESTMENTS REVIEW

Investment Strategy

SLICs investment strategy for 2020 entailed mitigating risks due to the uncertainties that prevailed due to COVID-19 and making maximum use of the opportunities that arose for equity trading. Ensuring sustainable growth which could withstand short term shocks in the economy was also a prime focus during the said period.

Unsystematic risk due to the impact of COVID-19 was minimised through prudent and timely diversification of the investment portfolio. This ensured investments were safe and generated adequate returns in order for SLIC to remain competitive amongst industry peers and boost the bottom line of the institution within the regulatory framework. Each and every investment was subjected to a rigorous screening process, adhering to best practices in the industry, exercising due caution and prudence.

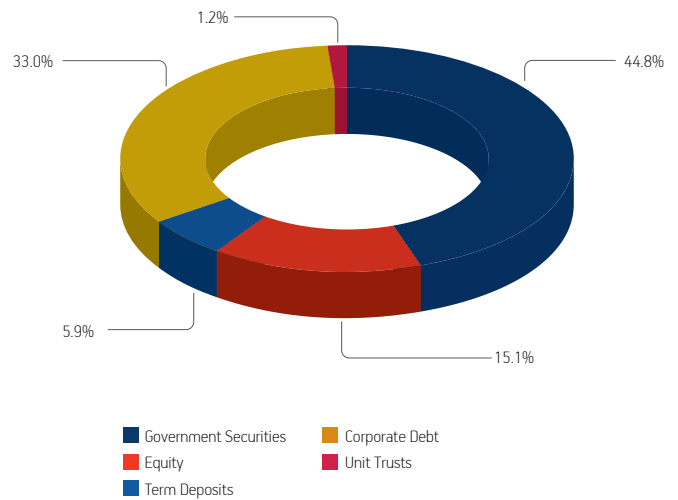
The Investment Committee (IC) appointed by the Board of Directors, drives investment decisions at SLIC. IC's responsibilities include management of SLIC's investment portfolio, reviewing & monitoring the asset allocation, effective matching of asset & liabilities and capitalising on tactical investment opportunities. The Committee adheres to the Asset Manager's Code of the CFA Institute. The IC comprises professionals with diverse skills and expertise. It ensures investments are made in the best interest of all stakeholders.

Asset Allocation

Life Fund:

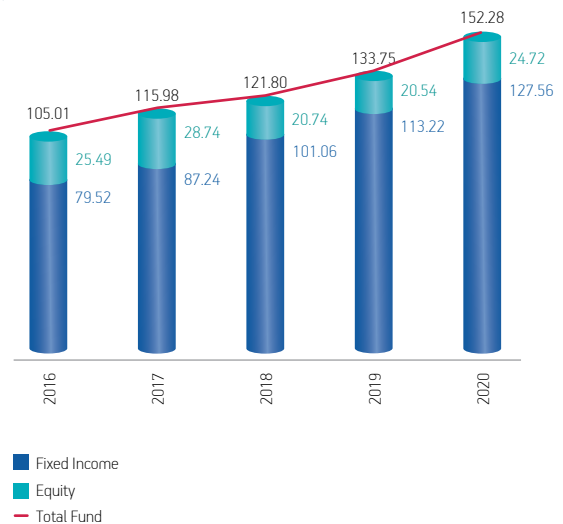
Composition of the Fund as at 31st December 2020

LIFE FUND PORTFOLIO as at 31/12/2020



Growth of Investable Assets:

(Rs.Bn)

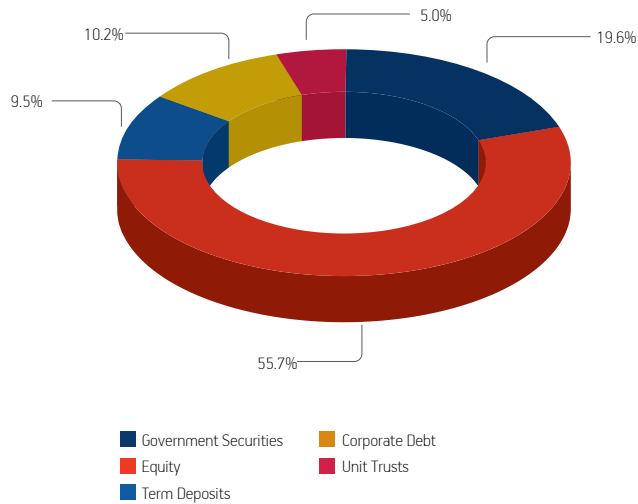


Asset Allocation

General Fund:

Composition of the Fund as at 31st December 2020

GENERAL FUND PORTFOLIO as at 31/12/2020



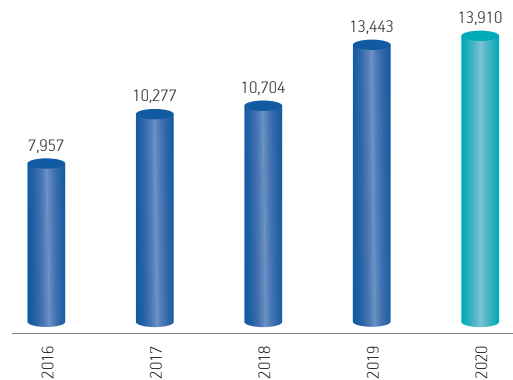
INVESTMENT PERFORMANCE

SLIC achieved commendable returns during 2020 for both Life and General funds through timely investment decisions. This was amidst all the uncertainties that prevailed during the year due to the COVID-19 pandemic.

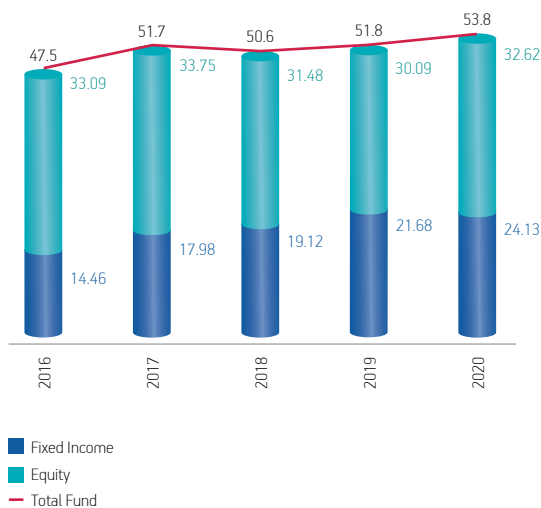
The Company recorded a total investment income of Rs. 16.6 Bn during the year.

Life Fund General Fund

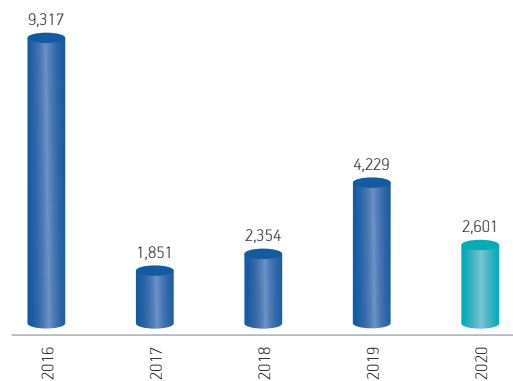
Investment Income (Rs. Mn)



Growth of Investable Assets: (Rs. Bn)



Investment Income (Rs. Mn)



Financial Capital Contd.

ASSET – LIABILITY MATCHING**Life Fund:**

Life fund consists long term liabilities which ideally need to be matched with long term assets for a perfect hedge. However, finding suitable investment opportunities in long term instruments remains a challenge given the dearth of such instruments in fixed income markets. Hence inevitably, an asset and liability maturity mismatch is consciously carried industrywide. Maturity of assets are adjusted based on expectations of interest rate movements.

SLIC locked in to relatively high yield Government and corporate debt prior to the sharp dip in interest rates during 2020. Once interest rates dipped and reinvesting at attractive yields became a challenge, equity trading became the main focus and SLIC was able to rake in sizable capital gains towards the end of the year. Decisive decision making after thorough analysis of markets was the key in entering and exiting equity markets at the right time. SLIC will continue to proactively adopt investment and trading strategies during 2021 and make use of any opportunities that may arise during the year.

General Fund:

The shorter term nature of liabilities of the General Fund makes it easier to match asset and liability maturities. However, mismatches are consciously carried in order to benefit from expected interest rate changes.

(Rs. '000)	2020	2019	2018	2017	2016
At Cost					
Listed Subsidiaries	2,764,196	2,764,196	2,925,567	2,925,567	2,925,567
Unlisted Subsidiaries	18,059,696	18,059,696	18,160,337	18,160,337	18,160,337
At Net Asset Value					
Associates	164,125	148,509	143,646	143,646	138,448
Available-For-Sale					
Listed Shares	19,215,501	23,765,732	27,221,446	32,460,737	30,914,016
Unlisted Shares	11,267	24,411	35,495	48,891	47,972
Unit Trusts	1,590,984	2,029,106	4,822,078	4,593,369	964,320
Listed Debentures	33,376,199	32,360,621	23,867,197	21,017,947	19,566,029
Treasury Bills	-	-	-	-	-
Treasury Bonds	1,226,488	1,776,535	2,534,387	4,659,451	4,062,844
Fair-Value-Through-Profit-or-Loss					
Listed Shares	12,454,354	5,647,092	3,628,205	4,050,081	5,320,606
Unit Trusts	2,892,326	-	-	-	-
Held-To-Maturity					
Treasury Bills	-	-	-	-	-
Treasury Bonds	51,885,786	53,113,519	54,622,918	55,020,955	49,313,553
Loans & Receivables					
Unlisted Debentures	22,310,237	5,623,014	500,534	500,534	500,534
Term Deposits	14,086,589	27,064,616	22,113,279	14,708,677	12,336,280
Development Bonds	11,257,602	10,749,452	10,456,279	7,539,703	7,158,558
Commercial Papers	-	-	256,462	-	-
Trust Certificates	-	-	-	-	-
Reverse Repos	14,450,605	2,062,637	1,009,160	1,771,895	1,035,996
Total	205,745,955	185,185,067	172,296,990	167,601,790	152,445,060

Manufactured Capital

In recent years SLIC has been steadily expanding its digital footprint, first with the introduction of the SLIC Customer Portal on the corporate website, followed by the launch of the SLIC mobile app in 2019.

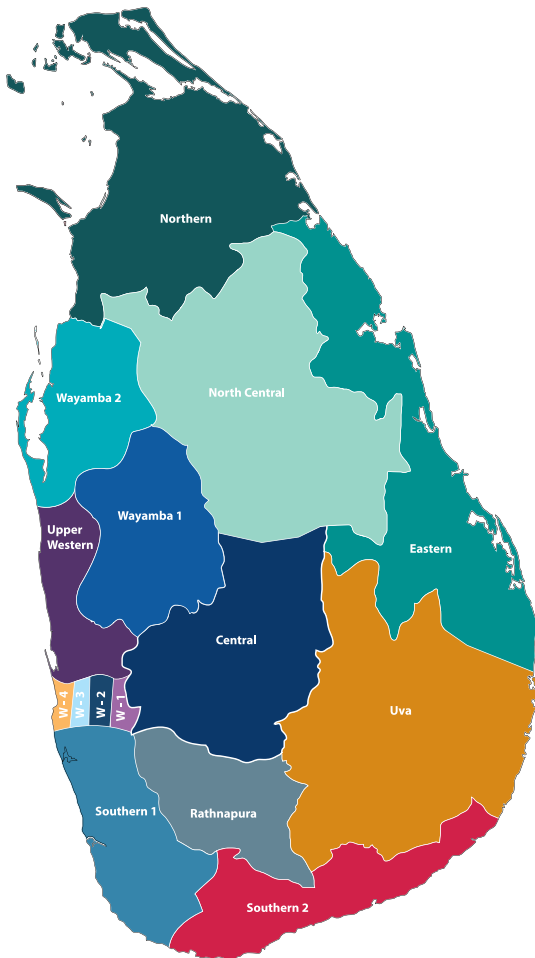
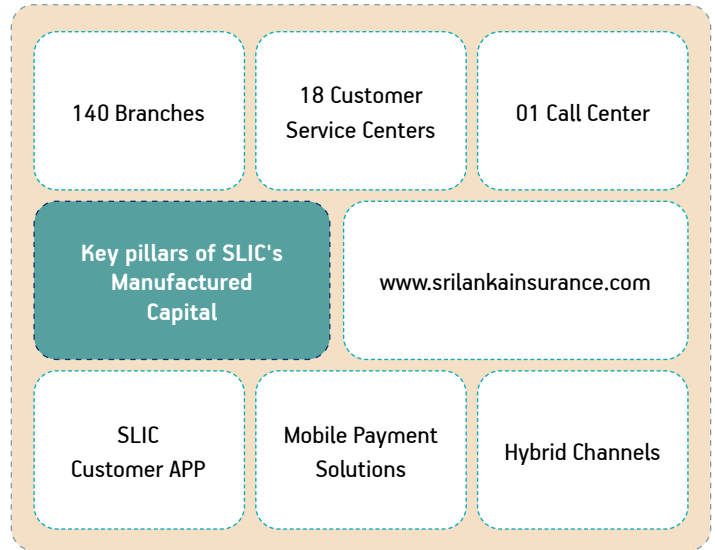


Manufactured Capital Contd.

OUR MANUFACTURED CAPITAL AND HOW IT CREATES VALUE FOR OUR STAKEHOLDERS

SLIC's Manufactured Capital comprises tangible fixed assets including our offices and branches as well as the digital channels and other networks that allow customers all around Sri Lanka to access SLIC's products and services.

SLIC maintains a solid island-wide branch footprint. Through our network of 140 branches and 18 Customer Service Centers (CSC), we have established a strong outreach across all 9 provinces and in all 25 districts in the Country. Our 24-hour call center, which can be accessed through a dedicated line provides vital support in assisting customers with their insurance related needs, while our corporate website (www.srilankainsurance.com) together with the SLIC mobile app provide 24 hour access to a host of products and services. Our partner networks further enhance our Manufactured Capital by allowing us to provide a range of convenient mobile payment solutions along with other hybrid channels that further contribute towards enhancing SLIC's overall penetration in the market.



North	Anuradhapura, Horowpathana, Padaviparakramapura, Kekirawa,
Central 9	Higurakgoda, Dehiattakandiya, Kudurwela, Aralaganwila, Bakamuna
Uva 10	Badulla, Welimada, Bandarawela, Mahiyanganaya, Nuwara Eliya, Hatton, Wellawaya, Monaragala, Ampara, Bibile
Eastern 5	Batticaloa, Kalmunai, Trinco, Akkaraipatthu, Kanthale
Southern 1-12	Galle, Ambalangoda, Elpitiya, Thalgaswala, Udugama, Baddegama, Kalutara, Horana, Mathugama, Bandaragama, Panadura, Aluthgama
Southern 2-12	Hambanthota, Beliatta, Ambalantota, Thissamaharama, Tangalle, Matara, Hakmana, Neluwa, Akuressa, Weligama, Dikwella, Deniyaya
Rathnapura 9	Rathnapura, Awissawella, Balangoda, Kahawatta, Embilipitiya, Kalawana, Eheliyagoda, Pallebedda, Ruwanwella,
Wayamba 1-10	Kurunegala, Kurunegala City, Melsiripura, Narammala, Ridigama, Rambukkana, Warakapola, Giriulla, Polgahawela, Kuliypitiya
Wayamba 2-10	Chilaw, Puttalam, Nikaweratiya, Maho, Dambulla, Galewela, Galgamuwa, Wariyapola, Thambuttegama, Anamaduwa
Western 1-8	Pitakotte, Battaramulla, Nugegoda, Kirulapona, City Office, Rathmalana, Dehiwala, Moratuwa
Western 2-10	Kadawatha, Kiribathgoda, Colombo Metro-1,2,3,4,6,7,10,11
Western 3-8	Homagama, Kottawa, Malabe, Piliyandala, Athurugiriya, Kaduwela, Maharagama, Ingiriya
Western 4-7	Borella, Pettah, Kotahena, Bambalapitiya, Wattala, Ragama, Kotikawatta
Upper	Gampaha, Veyangoda, Minuwangoda, Nittambuwa, Yakkala,
Western 11	Negombo, Kandana, Wennappuwa, Ja-ela, Kochchikade , Marawila
Central 12	Kandy, Digana, Kandy City, Matale, Gampola, Katugastota, Mawathagama, Kegalle, Pilimathalawa, Rikillagaskada, Mawanella, Nawalapitiya
Northern 8	Jaffna, Kilinochchiya, Nelliadhi, Mulathivu, Mannar, Chankanai, Vavuniya, Chavakachcheri

(Please note that the above map does not include Agency Business Development Center (ABDC) and Customer Service Center (CSC))

HOW WE ENSURING SLIC'S MANUFACTURED CAPITAL CONTINUES TO MEET ITS VALUE CREATION OBJECTIVES

Challenges and Opportunities in Developing Manufactured Capital	
Challenges	Opportunities
Stiff market competition	Invest in low cost digital solutions to grow the digital footprint
High cost involved in continuous maintenance and upkeep of physical and digital assets	Focus on improving internal efficiency to reduce branch operating costs

Branch Expansion and Relocation

Given that SLIC has an established presence in almost all strategic cities across Sri Lanka, we have now switched our branch expansion strategy to focus on building our presence in townships that appear to be the fast track to urbanisation. Accordingly, our decision to set up new branches / customer service centers are now based on achieving the optimal branch penetration ratio vis-a-vis the population density in a particular region. Seeing the success of this well founded approach, we now adopt the same methodology to determine branch relocation as well.

In line with the management decision to improve visibility and strengthen overall reach, the Jaffna, Gampaha and Wariyapola branches were relocated. Moreover, taking steps to further expand our footprint, new SLIC counters were opened at the Lanka Hospitals Corporation PLC Narahenpita as well as at People's Bank Head Office. With these two new additions, SLIC's geographical penetration as at 31st December 2020 stood at 160 locations island wide apart from head office sales units.

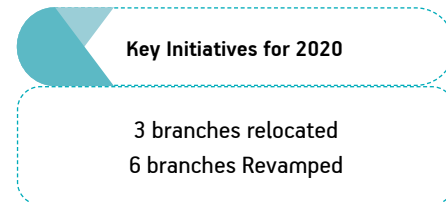
Promoting Efficient Branch Operations

Apart from our efforts to strategically deepen SLIC's island-wide penetration, we continue to adopt a proactive approach towards enhancing the efficiency and improving the profile of our existing branch network. Our branch refresh programme is an ongoing initiative that has been instrumental in the upkeep of the physical infrastructure across our branch network. Under the branch refresh programme for the current financial year, SLIC's Bambalapitiya, Kekirawa, Ambalangoda, Padaviya, Dickwella and Nawalapitiya branches were refurbished to improve the facilities offered to the customers in those areas.

In recent years, we have increased the investment in digital technology and process automation to streamline backend systems at branches. These efforts too are ongoing and together with regular training, are aimed at improving employee productivity and embedding better cost discipline at branch level, ultimately leading to better overall performance of the network as a whole. Taking a major step towards

promoting efficiency across the branch network, the branch governance mechanism was revamped in mid-2020, with new leadership positions established to strengthen branch-level oversight for Life and General businesses separately. Accordingly the 21 regions maintained collectively for both businesses were spilt into 15 regions each for Life and General businesses, thus ensuring stronger oversight for each operation at a granular level.

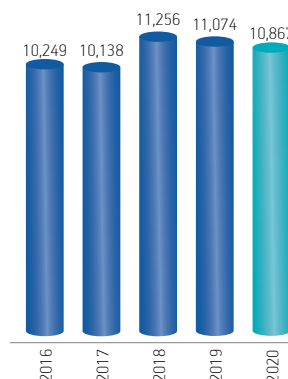
Meanwhile to enhance the effectiveness of our Call Center operation, we regularly invest in digital technology and training to develop the capabilities of our call center teams.



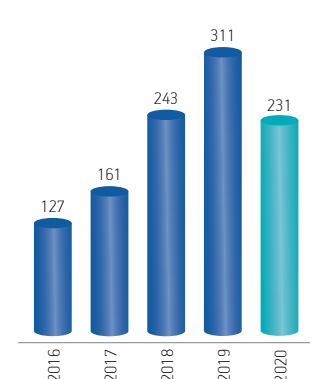
Strengthening SLIC's Digital Footprint

In recent years SLIC has been steadily expanding its digital footprint, first with the introduction of the SLIC Customer Portal on the corporate website, followed by the launch of the SLIC mobile app in 2019. While both platforms are subject to ongoing upgrades to improve their overall functionality, we also continue to explore other possible alternatives to further strengthen our digital footprint. These efforts have led to value adding strategic tie ups with leading banks and telco's to have enabled SLIC to move ahead to introduce a wide range of mobile payment solutions and other hybrid channels.

NBV of Fixed Assets
(Rs. Mn)



Additions to Fixed Assets
(Rs. Mn)




Manufactured Capital Contd.

KEY STATISTICS


Investment in Fixed Assets ('000)	FY 2020 Rs.	FY 2019 Rs.	FY 2018 Rs.	FY 2017 Rs.	FY 2016 Rs.	FY 2015 Rs.
Additions to Fixed Assets	231,437	311,149	243,209	160,845	126,854	85,062
NBV of Fixed Assets	10,867,358	11,073,931	11,256,423	10,138,320	10,248,900	8,112,393

PROVINCE	Branch Penetration Vs. Population Density			
	FY 2020		FY 2019	FY 2018
	Branch penetration (No. of branches)	Approximate Population Density	Branch penetration (No. of branches)	Branch penetration (No. of branches)
Western	55	6 165 000	54	52
Southern	26	2 669 000	26	25
Central	13	2 781 000	13	12
Northern	08	1 152 000	08	08
North Central	10	1 386 000	10	10
Eastern	07	1 746 000	07	07
North Western	20	2 563 000	17	17
Sabaragamuwa	12	2 070 000	11	10
Uva	07	1 387 000	07	07


FINANCIAL CAPITAL
Ability to grow captive market share and ensure sustained increase Revenue over time




IMPACT ON OTHER CAPITALS
Improving Manufactured Capital has a positive impact on all other capitals




INTELLECTUAL CAPITAL
Reliable physical and digital infrastructure strengthen credibility and brand reputation



SOCIAL AND RELATIONSHIP CAPITAL
Better island-wide reach helps build customer confidence



HUMAN CAPITAL
More efficient branch operations improve employee productivity and increases motivation



SDG'S SERVED

8 DECENT WORK AND ECONOMIC GROWTH



9 INDUSTRY, INNOVATION AND INFRASTRUCTURE



11 SUSTAINABLE CITIES AND COMMUNITIES



17 PARTNERSHIPS FOR THE GOALS



FOCUS FOR THE FUTURE

- ◆ Invest in new branches to strengthen SLIC's branch footprint especially in under penetrated areas
- ◆ Improve visibility through branch relocations
- ◆ Convert CSC's into Agency Business Development Centers to move to a low-cost branch model
- ◆ Expand the number of Agency Development Centers around the country to further deepen SLIC's island-wide penetration.
- ◆ Explore mainstream digital solutions that can be operationalised quickly and efficiently, in a cost effective manner

Intellectual Capital

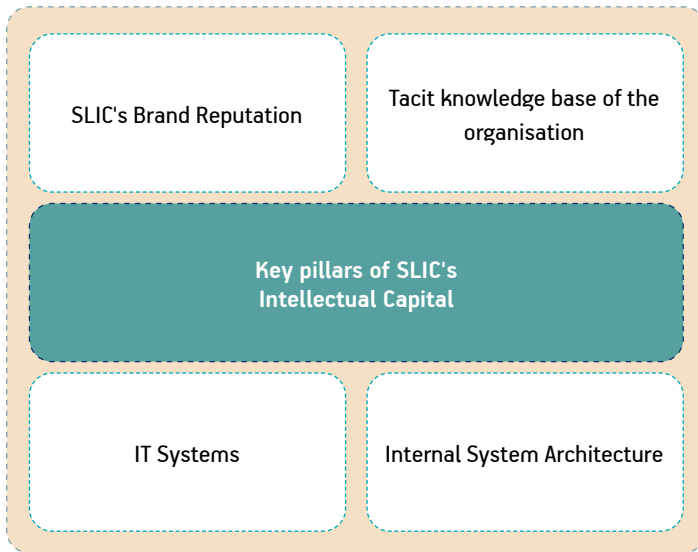
With its long track record and strong brand, SLIC is well placed to seize these opportunities to deliver our brand promise to our stakeholders.



Intellectual Capital Contd.

OUR INTELLECTUAL CAPITAL AND HOW IT CREATES VALUE FOR OUR STAKEHOLDERS

Our Intellectual Capital comprises the intangible assets and knowledge based resources that contribute towards enhancing the SLIC value proposition in a way that gives the organisation a competitive edge over peers.



True to its vision - "To be the Nation's first choice for Risk Protection and Life Investment Optimisation" SLIC has been serving the people of Sri Lanka since 1962. Having served over 8.9 million customers over the past five decades, SLIC is positioned as the #1 and most trusted insurance partner for every Sri Lankan throughout their lifetime. The credibility of our brand is further enhanced by our internal systems and processes, in particular the state of the art technology systems, our internal system architecture that defines the way we work as well as the experience and tacit knowledge of our teams, which together enable SLIC to innovate and continuously evolve to deliver the most appropriate insurance solutions for every customer segments.

OUR BRAND CREDENTIALS

- ◆ In 2020, SLIC was recognized as the 'Most Valuable General Insurance Brand' for the 3rd consecutive year by Brand Finance - Sri Lanka.
- ◆ SLIC was also awarded the title of 'Most Loved Insurance Brand' in Sri Lanka competing with mega retail brands.

How we ensure that SLIC's Intellectual Capital continues to meet its value creation objectives

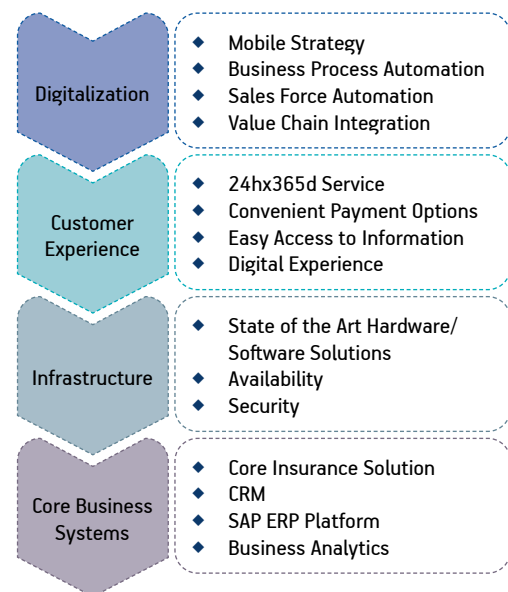
Living up to the SLIC brand promise

With its long track record and strong brand, SLIC is well placed to seize these opportunities to deliver our brand promise to our stakeholders. We combine our scale with local market expertise to win the hearts and minds of our customers based on a differentiated value proposition which includes a distinct product portfolio together with the best in class service. Our commitment is further strengthened by the ISO 9001: 2015 Quality Management system, which serves as the foundation for SLIC's Quality Policy that sets the minimum operational standards for all aspects of our business - life and non - life underwriting, claims, settlement and support services at the SLIC Head Office and across our network of 158 branches around the Country. Our Quality Policy is an embodiment of SLIC's desire to put the customer at the heart of everything we do. Accordingly, all employees are required to internalise our Quality Policy and adopt it as their main operational philosophy.

Investing IT Systems

Our approach to investing in technology is aimed at enhancing our competitive strengths by differentiating the way SLIC meets customers' expectations and conducts its business. An essential part of this transformation is SLIC's ICT strategy that revolves around four key focus areas - Digitization, Enhanced Customer experience, IT Infrastructure to enable business and services and Core business systems.

SLIC's IT Strategy



In the year under review, we expedited our digitization agenda specifically to focus on process automation with the aim of improving efficiencies, service standards and building a collaborative working environment. In this regard, we successfully implemented the Sales Force Automation platform to connect our sales teams across the Country through a common gateway. Furthermore, we rolled out a series of mobile App based solutions in both the Life and General businesses as a quick and easy means of accelerating digitization across key functions of both businesses. Our latest undertaking is the implementation of RPA (Robotic Process Automation) based process automation solutions to improve our efficiencies in several key areas.

Reflecting SLIC's commitment to continuously augment the Customer experience, we unveiled the SLIC Customer App in 2019, which was an industry first in Sri Lanka. The app, which has since gained good traction in the market was further upgraded to include a broad range of digital solutions including; mobile payment, digital banking and electronic payment options to enhance the overall customer experience. In this manner the SLIC Customer App has proven to be a vital tool in supporting customers during the pandemic. Meanwhile, to help customers to overcome COVID-19 restrictions, SLIC also became the

first Sri Lankan Insurer to introduce the latest QR code based cashless payment convenience for the customer. We took steps to increase the integration with the banking network to give customers access to Self Service Kiosks and CDM's of banks.

Challenges and Opportunities in Developing Intellectual Capital	
Challenges	Opportunities
Competitive pressure from new entrants	Develop and launch groundbreaking new products to strengthen SLIC's USP
High cost involved in continuously upgrading, digital infrastructure and systems	Improve alignment with global best practices

In yet another significant development, the SLIC Customer Call Center was relocated. In addition to handling routine queries the new call center was also enabled with a 24/7-365 online chat facility to give customers and potential customers on the corporate website, the opportunity to chat with our call center agents in order to receive real time information regarding SLIC's products and services.

Focus Areas for 2020

Mobile Strategy

Process Automation

- ◆ Payment Options
- ◆ Value-Added Services
- ◆ Easy Access to Policy information
- ◆ Enhanced Customer Engagement

- ◆ RPA enhances efficiency
- ◆ Simplified and digitized workflows
- ◆ DMS solutions to replace paper based processes

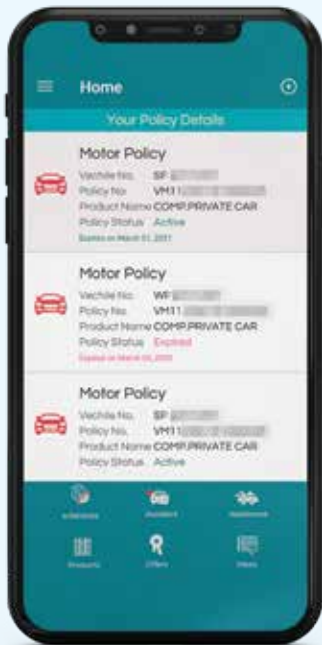
Salesforce Automation


Value Chain Integration

- ◆ Mobile solutions to enhance the connectivity
- ◆ Web solutions to conduct business activities
- ◆ Payment options

- ◆ API platform for integrating workflows
- ◆ Continuous improvements to the current systems

Key Initiatives for 2020





Intellectual Capital Contd.

At the same time, we continued with efforts to upgrade our core IT infrastructure to improve operational efficiency. In this regard, we commenced the process of migrating our Life and General Core Insurance systems to new state of the art business platforms that will enable more flexibility and time to market products in the future.

Launch of "SLIC" mobile application for the customers, along with three other mobile solutions for top management, Sales Force and Branch/Regional Management.

Initiation of Software Defined Wide Area Network (SD-WAN) which covers all the branches.

Initiation of RPA (Robotic Process Automation) for improved efficiencies.

Data center upgraded with latest IBM hardware, visualization platforms and backup solutions.

24x7 chat service via the corporate Website for instant communication.

Expansion of Business Analytics Solutions

Integration with telecommunication partners and supermarket chains to collect premiums.

CDM, KIOSK, Internet Banking and Mobile Banking integrations to collect premiums.

First QR based payment integration in insurance industry to accept payments.

Document Management System and workflows as an initiative for paperless processing.

Information Security Best Practices

We understand that Data protection and Governance are cornerstones of maintaining customer trust. Handling over 1.6 million customer accounts has made data protection a key priority for SLIC. We remain fully committed to protecting the privacy of customer data and ensuring the highest level of security is available to safeguard personal information. We aim to comply with our legal obligations around data protection and have implemented multiple technical and operational safeguards to protect customer data. We also provide training for employees and proactively educate our customers about cyber-crime to alert them of the latest security threats.

Business Continuity Planning

SLIC's Business Continuity Planning (BCP) Programme is designed to minimize service disruption and manage its cascading effect on the business, customers, staff and other stakeholders. As part of our BCP Programme, we maintain an independent Data Center as well as a separate Disaster Recovery site, both of which are subject to a quarterly external audit in line with the ongoing maintenance agenda.

Moreover, a board-approved BCP Policy together with detailed Business Continuity and Disaster Recovery plans and procedures are in place to address risk scenarios and potential threat events.

In the year under review, our Data Center platforms were migrated to the latest IBM environment while the core infrastructure at the Data Center was upgraded to ensure an uninterrupted service availability. This was accompanied by the deployment of Software Defined Wide Area Network (SD-WAN) across the entire branch network. Furthermore, we adopted the latest virtualization platforms and backup solutions to improve our scalability, efficiencies and recovery objectives for business critical systems.

Invest in developing knowledge-based assets

Human Capital remains one of the key differentiating factors responsible for driving SLIC's competitive advantage in the market. The knowledge and expertise of our 2626 employees are one of the key strengths that sets SLIC apart from peers. Around 54% of our cadre consists of long standing employees who have been with the organisation for over 10 years. Their in depth knowledge of the insurance market remains a considerable advantage.

We continue to invest in our Human Capital to build their capacity to support the accomplishment of SLIC's corporate goals, while ensuring employees too can achieve their own personal growth objectives. Our HR strategy focuses primarily on striking the right balance between the needs of the organisation and those of its employees, vis-a-vis the following commitments;

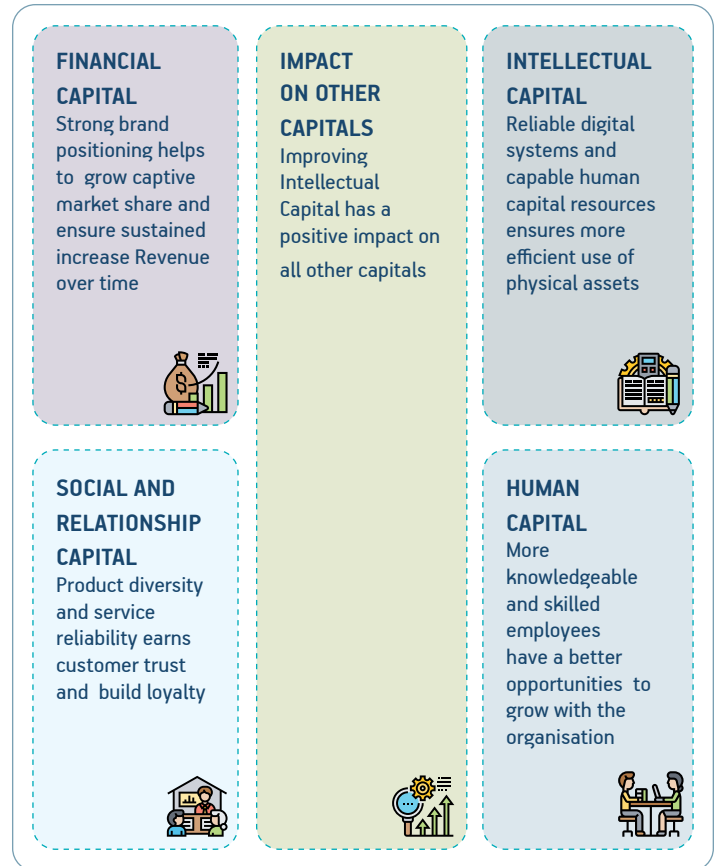
- ◆ Strategic Recruitment
- ◆ Performance Management
- ◆ Succession Planning and Talent Pool Management
- ◆ Training and Development

Please refer to the Human Capital Development Report on page 64 for more details.

The SLIC Board is an invaluable asset to the organisation. The diverse skills and expertise of each Board member enhances the quality of our Board and provides the vision and leadership to ensure effective decision making. The Corporate Governance Report on Page 87 provides more details regarding the SLIC Board.

SERVICE ANALYSIS

No. of Year working at SLIC	Male	Female	%
0-5	348	341	26
6-10	297	216	20
11-15	397	130	20
16-20	45	19	2
21 & Above	263	570	32



SDG'S SERVED



FOCUS FOR THE FUTURE

- ◆ Enhance R & D capability through the increased use of Robotic Process Automation (RPA)

Human Capital

As a service organisation, SLIC's employees are its greatest asset. It is the dedication and drive of our employees that has made it possible for our products to reach all Sri Lankans in every corner of the Country.



OUR HUMAN CAPITAL AND HOW IT CREATES VALUE FOR OUR STAKEHOLDERS

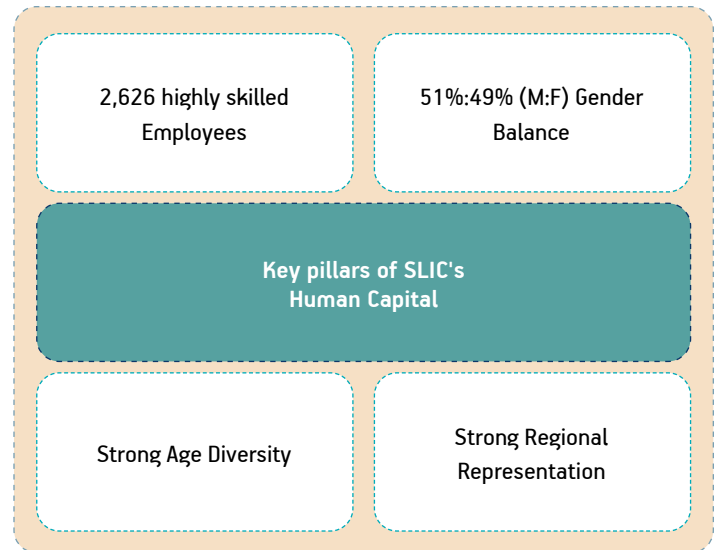
As a service organisation, SLIC's employees are its greatest asset. It is the dedication and drive of our employees that has made it possible for our products to reach all Sri Lankans in every corner of the Country. Simply put - our employees are the driving force behind SLIC's every achievement.

Employment by Grade and Gender

Grade	Number			Composition %	
	Male	Female	Total	Male	Female
Senior Managerial	64	16	80	80%	20%
Managerial	128	45	173	74%	26%
Assistant Manager	112	59	171	65%	35%
Executive	230	515	745	31%	69%
Clerical	436	597	1,033	42%	58%
Technical	190	0	190	100%	0%
Non-Clerical	110	18	128	86%	14%
Minor	80	26	106	75%	25%
Total	1,350	1,276	2,626	51%	49%

Employees by Region

Region	Number
Central	148
Eastern	36
North Central	76
Northern	52
Ratnapura	90
Southern 1	155
Southern 2	117
Upper Western	151
Uva	89
Wayamba 1	100
Wayamba 2	71
Western 1	114
Western 2	49
Western 3	71
Western 4	51
Head Office	1,256
Total	2,626



How we ensuring SLIC's Human Capital continues to meet its value creation objectives

Strategic Recruitment

SLIC has a clearly defined recruitment policy which aims to recruit potential candidates with the requisite qualifications, relevant knowledge and experience, appropriate skills, and the right mindset. Internal candidates are given priority to apply for vacant positions that arise from time to time with external recruitment considered only in the event that no suitable candidate is found internally.

We employ a strict selection procedure for screening of new recruits. Accordingly, all new recruits are required to sit for a series of aptitude tests to determine if they are the right fit for the organisation. Based on the results of their aptitude tests, selected candidates are expected to present themselves to SLIC's interview panel. While the composition of the interview panel may vary based on the vacancy and/or requirements, all panelists are experts in the relevant subject area and part of SLIC's senior leadership team. Our Recruitment Policy mandates that a representative from the HR Department is present at all interviews to ensure the transparency and impartiality of the recruitment process. Furthermore, all panel interviews are conducted based on predetermined evaluation criteria.

All new recruits are subject to a comprehensive induction and orientation programme to enable them learn about the organisation and better assimilate into the SLIC culture.

Human Capital Contd.

Challenges and Opportunities in Developing Intellectual Capital	
Challenges	Opportunities
Unequal skill distribution across the country	Develop a talent pipeline effective through succession planning
High employee turnover among field staff due to the competitive nature of the local insurance industry	Develop an internal training academy to be a new talent provider for the insurance industry

Remuneration and Benefits

A strong market competitive benefit structure is a fundamental component of SLIC's overall approach to Human Capital development. All SLIC employees are remunerated fairly and equitably in line with the market and in compliance with regulatory requirements applicable to our business.

SLIC stringently adheres to all labour regulations and goes well beyond the statutory limits in ensuring the wellbeing of employees. In this regard while granting all our female employees their maternity leave benefit as per the Maternity Benefits Ordinance, SLIC allows a further two months in addition to the provisions stated in the Maternity Benefits Ordinance, on no-pay basis.

Requests for paternity leave are also considered favourably upon request, subject to utilization of the leave entitlement.

Moreover going on the premise that "happy employees deliver quality products and services", we provide all our employees with the following benefits to enhance their quality life :

- ◆ Company medical insurance coverage for SLIC employees and their families
- ◆ Reimbursement of examination fees
- ◆ A staff cafeteria with all amenities and concessionary rates on food
- ◆ A special welfare shop offering a range of products at subsidised rates
- ◆ Access to three holiday bungalows equipped with modern facilities and well-trained caretakers in Nuwara-Eliya, Anuradhapura, and Kataragama that can be reserved by every employee
- ◆ Access to SLIC's transport fleet for employees and their families for travelling long distances
- ◆ Educational support for employees' children. We conduct seminars for schoolchildren who are sitting for the year 5 scholarship examination and also offer cash prizes to those who successfully complete their examination

- ◆ Death benefits for employees and their family members. Reflecting SLIC's promise to be with them "like a Father, like a Mother" we also provide emotional and psychological support to employees and their families at times of need.

Performance Management

As a performance driven organisation, we strongly believe that an effective Performance Appraisal System (PAS) creates a platform to achieve organizational strategic objectives while supporting the development of the employees. SLIC's Performance Appraisal System which is based on the principle of "Striving for Excellence" takes a fair, transparent and credible approach to evaluating the performance of our employees. As part of the process, all permanent employees are required to carry out a bi-annual self-evaluation to rate their own performance vis-a-vis pre-agreed KPI's set at the start of the financial year. This is accompanied by a performance evaluation discussion where employees have the opportunity to discuss their performance, their training needs as well as their long term career goals with their respective line manager. Meanwhile employees whose rating is below 2 are given additional support through customised Individual Development Plans developed by the HR Department in consultation with respective supervisors.

The PAS is fully integrated into our HRIS, to enable employees to continuously monitor their progress and for line managers to assess the performance of their teams throughout the year and thereby encourage all employees to collectively strive for excellence.

Succession Planning and Talent Pool Management

As the insurance industry in Sri Lanka becomes increasingly more competitive, retaining talented employees has become vitally important in maintaining SLIC's competitive edge and upholding our brand reputation in the market. Our approach to retaining talented employees is based on systematic succession planning through which we seek to develop identified employees to be future leaders of the organisation. Based on the results of our PAS, we earmark the best performers to be included in the "SLIC Talent Pool". The objective of the "SLIC Talent Pool" is to establish a proper succession plan within the organization which will ensure that there are always suitable candidates ready to step up to fill in any vacancy in a critical position. Candidates in the "SLIC Talent Pool" have the opportunity to engage in many development programmes enabling them to improve both their soft skills and technical skills and also benefit from our mentoring programme to further augment their leadership and managerial skills.

Training and Development

The goal of our training and development strategy is to enhance employees' skills and capabilities in a way that will complement SLIC's growth objectives. We have adopted a well-structured training and development framework to prioritise the training needs identified through the PAS. Whilst providing the training opportunities to fill in the gaps, we continuously monitor participation and progress to ensure the investment in training is delivering the desired results in terms of required skill and competency development.

In line with our Succession Planning and Talent Pool Management strategy, we now have a special training module to develop the leadership skills of potential leaders from each department. This is another initiative which contributes to the strategic business objectives of the organization.

Furthermore, in an effort to create a continuous learning environment and encourage employees to update their skills on an ongoing basis, we have introduced a professional development reimbursement scheme to provide financial assistance to employees who decide to further their educational qualifications in a way that could add value to their respective work area. Meanwhile to promote continuous professional development, SLIC also reimburses membership fees of professional bodies.

Work-Life Balance

SLIC strives to ensure that employees have a healthy work-life balance, so that they can perform optimally in the workplace. Our work-life balance initiatives focus on safeguarding the physical and mental wellbeing of our employees. In this regard, our employees have access to a range of facilities including a fully equipped Gym with qualified instructors who can assist them to maintain their physical fitness. Weekly yoga classes are conducted for those keen to support their mental and spiritual wellbeing. Employees also have access to a library of over 1,800 books covering fictional and educational topics in the fields of insurance, management, finance, marketing, and sales.

Employee Engagement

With a workforce of over 2,600 employees, SLIC's Management remains fully committed to engage with employees in a fair and transparent manner. Being a unionized organization, a special committee manages relationships with the trade unions that SLIC maintains ties with and handles all negotiations pertaining to the two collective bargaining agreements. Collective bargaining agreements cover a range of topics, including rights and responsibilities of the employer, general terms and

conditions of employment, variation of employment benefits, salary revisions, other allowances and annual bonus, work practices, trade union action, policies and procedures etc. Following the conclusion of successful discussions, the two collective agreements were renewed in November 2019 for a further three year period ending in November 2022.

SLIC continues to encourage trade unions to work in harmony with the management through regular interactions that promote honest and open discussion. A planned schedule of quarterly meetings serves as the basis of facilitating open and transparent dialogue between union representatives and the SLIC Management. "Workplace Cooperation" is another ongoing effort to promote workplace cooperation. Consisting of a series of workshops, meetings and get togethers, the programme encourages the leadership of all trade unions to work together with SLIC's cross functional management teams to develop initiatives for the betterment of all SLIC employees. 'Facing the Change' was a new initiative conducted during the year under review with the participation of all trade union leaders and a cross section of the Management, including the Corporate Management Team.

During the course of business all managers are required to constantly stay in touch with their teams to ensure organisational policies, procedures and protocols are being implemented as required. Further SLIC publishes a quarterly newsletter - "Bee News" with a view to ensuring that corporate news is properly cascaded down to employees across the organization, thereby helping employees to align themselves with Management strategies and objectives.

SLIC's activity calendar, including such events as the annual staff get together and the annual fair are designed to give employees the opportunity to engage with their colleagues as well as the management, in an informal setting.

Grievance Handling

SLIC follows a clear procedure on handling its employee grievances with the purpose of settling them as near as possible to its point of origin, avoiding disputes or crisis situations, improving morale, satisfaction and commitment, and ensuring harmonious employer-employee relationships through better understanding.

A detailed grievance handling procedure is in place and can be used by any SLIC employee to report any work related issue. The policy provides comprehensive information regarding how grievances could be raised along with detailed information on the types of grievances, categorized

Human Capital Contd.

as official grievances and personal grievances which could directly or indirectly affect the performance or behavior of an employee. The policy further sets out the various stages of grievance handling procedure, including the role of the Grievance Handling Committee at the final stage and also outlines the stipulated time frames for grievance resolution. We maintain this standard approach when addressing grievances raised individually or collectively as a group.

The Human Resource Department of SLIC is responsible for the successful implementation of the Grievance Handling Policy.

Best Practices

SLIC reinforces its commitment to create a conducive working environment for its employees through the adoption of fair employment practices in line with guidelines set out under ILO Declaration on Fundamental Principles and Rights at work and United Nations Global Compact derived from the Universal Declaration of Human Rights. Accordingly, the following principles underpin our human capital development activities;

- ◆ **Non discriminatory and equal opportunity employment** - We maintain a Non discriminatory approach and support equal opportunity at every stage of the employment lifecycle, from recruitment to retirement
- ◆ **Promoting diversity and inclusion in the workplace** - SLIC is committed to providing a diverse and inclusive work environment in which all employees are treated with respect and dignity. Every effort is made to ensure that employees do not experience discrimination on the basis of race, religion, gender, sex, age, marital status, or any other status protected by law. In executing this commitment, we strive to create career opportunities to differently abled persons wherever possible.
- ◆ **Supporting the abolition of child labor, and the elimination of forced and compulsory labour** - As a responsible corporate citizen, SLIC has a strict policy against child labour, forced labour or compulsory labour.
- ◆ **Prioritising the health and safety of employees** - As a service sector organisation, SLIC's employees are not subject to any material occupational health and safety risks. Nonetheless, we have put in place stringent procedures to create a safe and secure workplace for our employees. Moreover, SLIC's Risk Management Department assesses health and safety risks at regular intervals and takes preventive and corrective measures where necessary, while the HR Department, with the support of other Departments and relevant authorities, provides the requisite training and awareness programmes to raise awareness among employees on health and safety matters. In an effort to set out a formal framework for the management of health and safety at the workplace, we have recently undertaken a comprehensive Health and Safety Policy.
- ◆ **Upholding ethics and integrity** - As the country's leading insurer, SLIC's reputation and credibility are built on ethical business practices. SLIC employees are considered to be the ambassadors of the organization to the outside world, with their professional conduct seen as a reflection of our internal value system. As such, we expect our employees to maintain the highest standards of integrity, ethics and professional conduct at all times - in their dealings with clients, prospective clients, vendors and other external stakeholders and also among their colleagues, superiors and juniors. SLIC's Employee Code of Conduct is the official document containing a written list of rules, norms, responsibilities, principles, values, standards, as well as matters of legal compliance that govern the conduct of SLIC employees whilst on duty. All SLIC employees, without exception, are required to be aware, understand and comply with the Code of Conduct. Failure to do so will result in appropriate disciplinary actions being taken against offenders depending on the nature and severity of the violation. Moreover, all employees are expected to adhere to all clauses/ conditions stipulated in the letter of appointment without exception.

HEALTH AND SAFETY OF EMPLOYEES DURING THE COVID-19 PANDEMIC

Identifying the seriousness of the pandemic, SLIC took all possible precautionary measures to secure a safe and healthy working environment for its employees at the Head Office and Branches throughout the current financial year.

With SLIC categorized under essential services during the lockdown, we made sure that all recommended health guidelines and safety protocols were implemented to enable our employees to safely continue working during this time. In readiness for the resumption of operations after lockdown in mid-May 2020, a special COVID Task Force (CTF) was established, comprising members representing each Department under the guidance of external and internal consultants. CTF members were empowered and equipped with the required competencies to cater to any possible institutionalized COVID situation.

Under the purview of the CTF, a COVID-19 control plan was drawn up to bring employees back to work safely and in line with the guidelines declared by the Health Authorities. The CTF was also tasked with communicating and educating stakeholders on critical risks and also promoting self discipline among employees to prevent the spread of COVID-19.

Taking a further step towards strengthening SLIC's COVID-19 control plan, the CTF initiated the process of obtaining the SLS 1672:2020 COVID 19-Safety Management System. The process which commenced in December 2020 is due to be completed by mid-2021.

KEY STATISTICS

Employees by Type of Contract

	2020	2019	2018
Permanent Staff	2,517	2,527	2,511
Contract Staff	109	133	192
Total	2,626	2,660	2,703

Age Analysis

Age Group	Male	Female	%
18-24	38	54	3.5%
25-29	169	217	14.7%
30-34	222	237	17.5%
35-39	234	120	13.5%
40-44	204	58	10.0%
45-49	225	209	16.5%
50-54	186	248	16.5%
55 & Above	72	133	7.8%
Total	1,350	1,276	100%

Employee Recruitment

Age Group	Male	Female	Total	%
18-24	9	10	19	46%
25-29	8	3	11	26%
30-34	3	0	3	7%
35-39	1	2	3	7%
40-44	3	0	3	7%
45-49	3	0	3	7%
50-54	0	0	0	0%
55 & Above	0	0	0	0%
Total	27	15	42	100%

Human Capital Contd.

Employee Turnover

Age Group	Male	Female	Total	%
18-24	2	7	9	17%
25-29	1	4	5	9%
30-34	3	2	5	9%
35-39	0	0	0	0%
40-44	1	0	1	2%
45-49	0	1	1	2%
50-54	0	1	1	2%
55 & Above	14	18	32	59%
Total	21	33	54	100%

Parental Leave

	Male	Female	Total
Number of employees entitled to parental leave in 2019	0	69	69
Number of employees entitled to parental leave in 2020	0	79	79
Number of employees that took parental leave in 2020	0	79	79
Number of employees that returned to work in 2019 after parental leave ended	0	69	69
Number of employees that returned to work after parental leave ended that were still employed 12 months after their return to work	0	79	79
Retention rate %	0	100%	100%

Investment in Training and Development

Type	2020 (LKR)	2019 (LKR)	2018 (LKR)
In-house Training	302,824.00	947,986.50	842,144.00
External Training	556,229.00	1,988,299.65	5,149,425.75
Conferences	25,500.00	749,754.50	1,476,997.00
Overseas Training	0.00	15,580,659.43	8,928,357.47
Insurance and Professional Education	27,134.85	3,900,245.62	3,976,954.34
Professional Memberships	1,583,682.49	1,670,787.78	3,912,257.23

FINANCIAL CAPITAL

Skilled and efficient employees have the capability to drive revenue growth in a more cost effective manner



IMPACT ON OTHER CAPITALS

Improving Human Capital has a positive impact on all other capitals

INTELLECTUAL CAPITAL

Highly skilled and knowledgeable employees contribute towards building tacit knowledge of the organisation



SOCIAL AND RELATIONSHIP CAPITAL

Trained employees can provide a better service delivery which enhances the customer experience leading to increased customer loyalty



HUMAN CAPITAL

Capable employees are able to optimise the use of physical resources



SDG'S SERVED



FOCUS FOR THE FUTURE

- ◆ Strengthen the succession planning process
- ◆ Invest in a specialized training development academy for the insurance industry as a whole

Social and Relationship Capital

We believe that to be truly successful, we must understand our customers, respond to their needs and requirements and ultimately create holistic customer experiences which are far superior to any other insurance service provider in Sri Lanka.



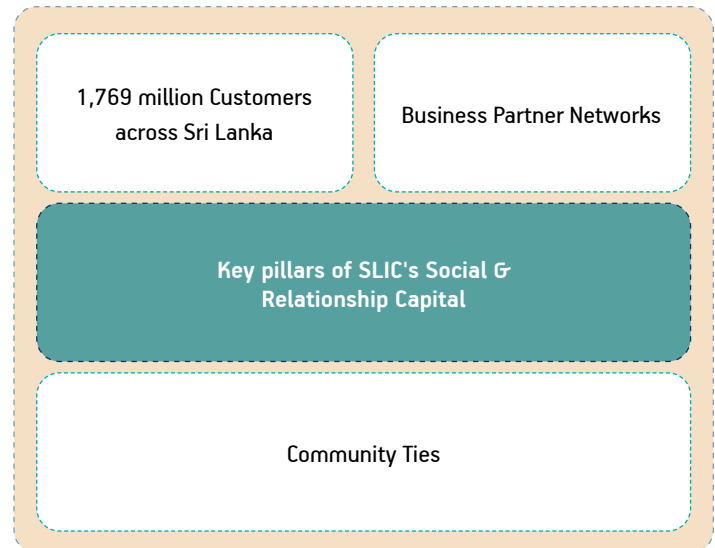
Social and Relationship Capital Contd.

OUR SOCIAL & RELATIONSHIP CAPITAL AND HOW IT CREATES VALUE FOR OUR STAKEHOLDERS

Social & Relationship capital essentially refers to the key stakeholder relationships that drive our business forward as well as the connections SLIC forms with society in executing its duties as a good corporate steward.

SLIC maintains a proactive approach to building and strengthening ties with stakeholders as the basis of forming trust based relationships for mutual benefit.

Challenges and Opportunities in Developing Manufactured Capital	
Challenges	Opportunities
Lack of general awareness / negative perception regarding the benefits insurance	Low Insurance penetration levels in the Country
Low switching cost make it difficult to induce customer loyalty	Develop innovative new products to gain first mover advantage



How we are ensuring SLIC's Customer Capital continues to meet its value creation objectives

We believe that to be truly successful, we must understand our customers, respond to their needs and requirements and ultimately create holistic customer experiences which are far superior to any other insurance service provider in Sri Lanka. This ethos is at the heart of all our strategic focus, as we strive to retain existing customers and attract new customers, which in turn would drive revenue now and in the future. SLIC reinforces its commitment to customers, based on the following principles;

A distinct and diverse product portfolio

Embodying its promise to be by the customers' side "like a father - like a mother", SLIC offers a diversified suite of risk protection and life investment solutions for all customer segments - individuals, SME's and micro entrepreneurs to large corporations. Our products are distinct in that each and every one is an embodiment of our assured value proposition to be the country's #1 provider of affordable and inclusive insurance for all citizens of Sri Lanka.

Life Portfolio

Product Category	Solutions	Target Customers
Protection/Investment	Main products under the Protection category are Divi Thilina, Early Cash/Yasa Isuru, Praguna and SLIC Wealth Plus. These products provide the protection as well as a higher return of benefits.	Customers who expect both protection and investment benefits
Retirement	Main products under Retirement category are the Freedom and Freedom Life Style Plus. The said products provide a guaranteed monthly income for a selected term.	Customers who expect a retirement benefit.
Child Plan	Main products under Child category are Minimuthu, Minimuthu Parithyaga & Minimuthu Dayada. These plans guarantee a fund for the child at the maturity and provide the protection to the parents.	Customers with children under 15 years of age
Mortgage Protection	Mortgage Protection Assurance plan (DTA) provides an insurance cover for loan borrowers who obtain loans from banks/financial institutions. This plan has been designed to protect a mortgage executed in connection with a housing loan or any other loan against the risk of death or total & permanent disability of the borrower during the term of the policy.	Loan borrowers who obtain loans from banks/financial institutions

Protection & Investment Solutions

Sri Lanka Insurance
Janadiri
Two year relief plan

Sri Lanka Insurance
Divi Thilina
Protection Plan

Sri Lanka Insurance
Early Cash

Sri Lanka Insurance
Wealth Plus
Limited Premium Plan

Sri Lanka Insurance
SPEED INVESTMENT

Health Insurance Solutions

SLIC Comprehensive Health Plus

Sri Lanka Insurance
Comprehensive 
The Health and Life Insurance Cover for Diabetics



Children's Insurance Solutions

Sri Lanka Insurance
Minimuthu
Children's Plan

Sri Lanka Insurance
Minimuthu Dayada
Children's Plan

Sri Lanka Insurance
Minimuthu
Parithyaga - Children's Plan

Retirement Insurance Solutions

Sri Lanka Insurance
Freedom
Lifestyle Plan

Sri Lanka Insurance
Freedom
Lifestyle **Plus** Plan

Social and Relationship Capital Contd.

General Portfolio

Product Category	Solutions	Target Customers
Home Protect Insurance	This is a comprehensive policy offered to home owners to cover their property, including the building against fire and allied perils and burglary. Policy also covers the personal liability of the home owner as well as a payment to the dependents in the event of his/her accidental death.	Comprehensive home owners
Home Protect Lite	This too is a comprehensive policy, which is offered to home owners who have obtained a loan from a Financial Institution. The unique advantage of this policy is that the insured can obtain the policy for the full loan amount irrespective of the value of the property and no under-insurance will be applied and as such the claim will not be reduced for not insuring for the exact property value.	Mortgagees
Kahawanu Money Insurance Policy	This policy covers loss of money whilst in transit and at the business premises of an Insured due to hold up, burglary and housebreaking. Extensions such as infidelity of employees, riots, terrorism and personal accident cover are available.	Business people dealing with cash
Srama Surakuma Workmen Compensation Insurance Cover	This policy covers the employers liability for death or injury of workmen arising in the course of their employment. Benefit is payable according to Workmen Compensation Ordinance of 1934 and subsequent amendments thereto.	Employers on behalf of their employees
Motor Plus Comprehensive Motor Insurance	This policy covers the motor vehicle against accidental damage, theft, fire and various other causes. There are several extensions which can be granted under this policy for driver, passengers, goods including riot, strike and terrorism.	All the motorists
Surgical & Hospital expenses	This policy offers tailor made health insurance schemes to cover hospitalization due to sickness, accident or surgeries.	Corporate sector
Marine Cargo	The marine cargo policy provides cover for transportation of various types of cargo by sea / air / road across globe inclusive of interim storage.	Importers and exporters
Traders Combined Insurance Policy	This particular product is popular among small to medium scale traders, where a comprehensive and a holistic solution is provided to them under one policy; viz., fire and allied perils, plate glass, money, electronic equipment and deterioration of stocks insurance. Policy is further expanded to cover workmen's compensation insurance as well as personal accident including funeral expenses to the owner as options to choose from.	Small to medium scale traders
Tea Factory Comprehensive Policy	This is also a comprehensive policy offered to tea factory owners to cover their property as well as liabilities. Whilst the policy covers fire and allied perils, plate glass, electronic equipment, money and goods in transit it also covers workmen's compensation and Personal accident insurance. In addition, the policy is extended to cover damage to motors due to power fluctuations which is the most common cause for tea factory claims.	Tea factory owners
Fishing Boats Insurance:	SLIC is providing an insurance cover for the fishing community to cover their boats and nets and equipment against total loss due to natural perils as well as accidental damages. The policy also extended to cover the crew for accidental deaths.	For fishing boat owners
SLIC Travel Protect	This is an insurance policy bought by travellers to cover their trips overseas. The policy includes health benefits, accident benefits, personal property cover and travel inconvenience cover. Further, there are some interesting additional benefits, such as personal liability, flight hijack cover, home safety cover etc. The policy covers individuals up to 80 years of age without medical certificates.	For all the travelers

Health Insurance Solutions



Business Insurance Solutions



Motor Insurance Solutions

Sri Lanka Insurance
MOTORPLUS
The Best Option

Sri Lanka Insurance
MOTORPLUS
Ladies Only

Sri Lanka Insurance
MOTORPLUS
TLK

Sri Lanka Insurance
MOTORPLUS
COMMERCIAL

Sri Lanka Insurance
MOTORPLUS
RIDER



Householders Insurance Solutions



Travel Insurance Solutions



Social and Relationship Capital Contd.

Other Policies

- ◆ Burglary
- ◆ Bankers Indemnity
- ◆ Professional Indemnity
- ◆ Public Liability
- ◆ Products Liability
- ◆ Contractors All Risk
- ◆ Erection All Risk
- ◆ Contractors Plant and Machinery
- ◆ Electronic Equipment
- ◆ Annual Medical Plan
- ◆ Rubber Factory
- ◆ Aircraft Insurance
- ◆ Personal Accident

As part of our ongoing efforts to expand our portfolio of offerings, the following products were launched to the market in the year under review;



'Ladies Only' an exclusive motor insurance with exclusive benefits for ladies for the first time in Sri Lanka. The exclusive motor insurance provides unique benefits inclusive of 24/7 roadside assistance service (towing, tyre change assistance, dead battery assistance), call and move facility from 6 pm to 6 am the next day, reimbursement of emergency accommodation cost in the event of an accident, loyalty rewards exclusively for ladies and a gift upon every no claim year.



MOTOR PLUS RIDER is an exclusive motor insurance designed for Motorcycle owners with unique benefits inclusive of up to Rs.100,000 worth personal accident cover and up to Rs.25,000 worth claim settlement in 3 working hours.



MOTOR PLUS TUK is a special motor insurance created especially for Three - wheeler owners, offering a range of benefits inclusive of up to Rs.100,000 worth personal accident cover, up to Rs.40,000 worth claim settlement in 3 working hours and free towing facilities up to Rs.5,000 per year.

All these new products are accompanied with a variety of flexible payment plans, accurate on site assessment by a team of technical professionals, cashless settlement facilities and the ability to renew motor insurance via SLIC mobile app and customer portal www.srilankainsurance.com

Assisting Customers to manage pandemic challenges

Considering the constraints resulting from the COVID-19 pandemic, SLIC Motor insurance policy holders whose renewals fell within the lockdown period were granted an extended temporary cover.

SLIC health and life policies were extended to cover Daily Hospitalization Cash Benefit, Hospitalization Bill Settlement (Cashless and Reimbursement options), Critical Illness Cover, loss of lives due to COVID-19 related issues.

All SLIC corporate health insurance policy holders are also covered for hospitalization expenses incurred due to COVID-19 infection.

Excellence in Underwriting and Claim Settlement

As a responsible corporate entity, we refrain from engaging in anti-competitive behavior. Our formal pricing policy provides the foundation for disciplined, consistent and cautious approach in pricing our underwriting offerings. Our goal is to strike a balance between premium pricing and claim settlement risks in order to enable our customers to benefit from the best in-class underwriting services at the right market price.

Meanwhile to ensure our Claim Management process remains efficient at all times, we have established clear guidelines and responsibilities that prioritizes the customers' interest based on the following principles;

- ◆ Claims should be handled fairly and settled promptly
- ◆ The Claim handling process is completely transparent in that the claimant is kept apprised regarding the progress of every stage of the claim handling process
- ◆ The claimant is provided with a written explanation, in the event a claim is partially settled or rejected

SLIC's central claim-processing unit handles all claims, while a special claims panel manages disputed and higher threshold claims. Unresolved claims, if any, are forwarded to the alternative dispute resolution mechanism as per the insurance legal framework of the country.

Superior Customer Convenience

As customer behaviour continues to evolve in line with the rapid use of smart devices and social media, we have understood the importance of innovating to stay ahead of the competition. In this context, we strive to differentiate ourselves by delivering innovative value added services that demonstrate the highest degree of customer convenience.

The SLIC Customer app launched in 2019 presents the ultimate in customer convenience. The fully fledged SLIC mobile app is built using a next generation platform to enable customers to view policy details and products details, make premium payments of both Life and General Insurance policies as well to renew their general Insurance policies online, intimate motor insurance claims, locate SLIC branches in Google maps, access roadside and emergency assistance 24/7, locate and enjoy Motor Plus Loyalty Rewards partner merchants, among others.

In addition, our corporate website (www.srilankainsurance.com) provides 24 hour access to a host of products and services, while through our partner networks we have provided a range of convenient mobile and other payment solutions along with other hybrid channels for optimal customer convenience.

Digital Channels to support Customer Convenience



New Channels introduced in response to the COVID-19 pandemic

SLIC partnered with Mobitel to provide a hassle free and convenient way for customers to pay their premiums using mcash



An MOU between SLIC and People's Bank (PB) now allows SLIC customers settle their premiums via PB's network of ATM's and self banking centers across Sri Lanka



Introduction of BOC Smart Pay to enable QR based Life Insurance premium payments in partnership with the Bank of Ceylon



A SLIC Service Counter was set up at Lanka Hospitals to facilitate the purchase of insurance policies, obtain information on insurance plans, make premium



Social and Relationship Capital Contd.

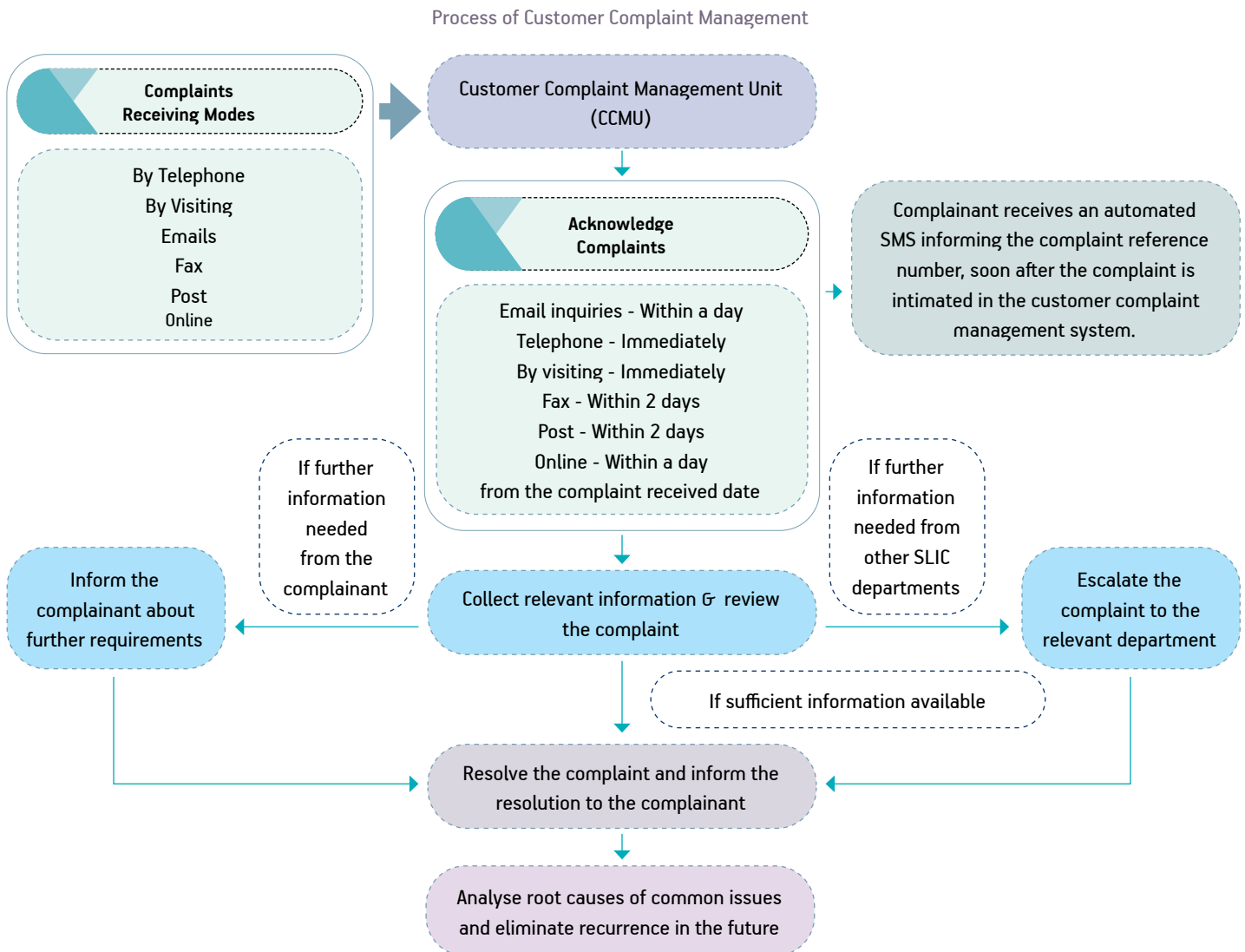
Responsible Marketing and Transparent Communication

Our customer relationship strategy places special emphasis on providing customers with clear and concise information. In this regard, we comply with all regulatory disclosure requirements in developing our promotional and marketing material. Over and above this, we strive to benchmark the best practices in providing all necessary and relevant information to our customers, enabling them to make informed decisions when transacting with us. Information about our products and services are conveyed to our customers through the broadest possible range of channels covering both electronic and print media. Furthermore, all branch personnel are trained to handle inquiries about any information in a professional manner, to explain risks relating to our products and services and to provide advice on appropriate solutions to meet the customers' needs.

Quick and Efficient handling of customer complaints

As a customer-centric organization, SLIC welcomes customer feedback and has established a number of channels for customers to connect directly. These include a 24-hour call center, our corporate website as well as social media channels which have become increasingly popular in recent years.

Every concern raised regarding our service quality is seen as a welcome opportunity to improve our services and make transacting with us more convenient, reliable and satisfying to our customers. Our well-trained resource personnel ensure that customer concerns are documented, studied, and above all promptly resolved. We have a customer complaints management system in place which includes a clearly articulated process from the receipt of the customer complaint until the complaint is resolved.



Rewarding Loyalty

Rewarding our customers for their loyalty is a key component of SLIC's customer value proposition. SLIC's Motor Plus Loyalty Rewards programme provides Motor Plus policyholders with countless rewards and benefits including grand prize draws, special offers through tie ups with merchant partners along with a growing portfolio of value added services. In 2020 the Motor Plus Loyalty Rewards programme was further expanded with SLIC's tie ups with Auto Miraj and Certis Lanka Home Nursing and Swift Care.

KEY STATISTICS

	2020/21	2019/20	2018/19	2017/18	2016/17
SLIC's market share (Life business)	20.33%	18.84%	19.8 %	21.35%	20.5 %
SLIC's Market share (nonlife business)	23.1%	16.7%	16.5%	17.5%	19%

HOW WE ARE ENSURING SLIC'S BUSINESS PARTNER CAPITAL CONTINUES TO MEET ITS VALUE CREATION OBJECTIVES

Our business partners play a vital role in maintaining SLIC's competitive edge as well as ensuring the continuity of the business. The nature of SLIC's business is such that it requires us to work with a broad range of business partners including insurance agents, insurance brokers, reinsurers, channel partners as well as vendors of general supplies and other services providers. Given that all these stakeholders contribute to our success, we are heavily investing in developing the right collaborative partnerships and aim to form strong and reliable partnerships based on the principle of shared value. We have an Outsourcing Policy in place as well.

We maintain a highly streamlined approach towards managing our business partner capital in order to build trust and sustain relationships over the long term.

Insurance Agents

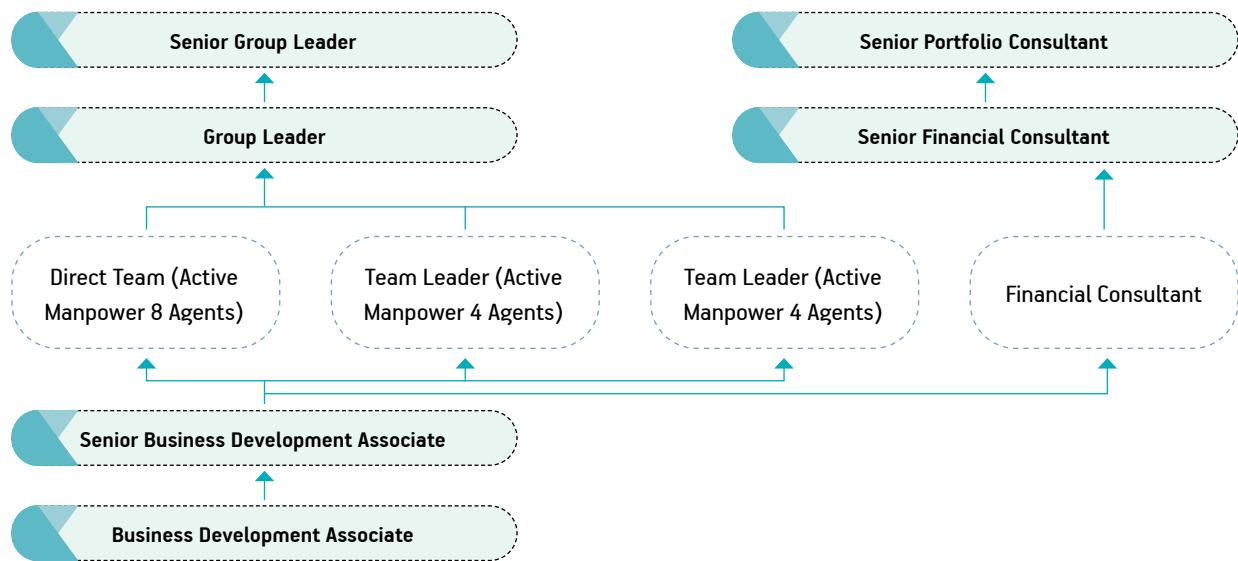
Our insurance agents are among the main ambassadors of our brand. It is why we want to ensure that they project the same ethics and high standards of integrity associated with the SLIC brand. All agents are on-boarded via SLIC's Sales Agreement, which stipulates the terms and conditions that all agents need to abide by, for as long as they remain SLIC agents.

Furthermore, we offer all our agents access to additional development opportunities through SLIC's Agency Career Path, a highly streamlined value proposition to support the systematic development of agents and allow them to grow with the organisation. High performers identified through the Agency Career Path programme are recognised through SLIC's internal rewards platforms. In addition, we make sure our Agency force continues to benefit from the digitization initiatives undertaken by SLIC.

The Agency Development Model (ADM) has introduced (from 1st July 2020) to implement a more productive and attractive development module and an operational structure for sales personnel who are in agency contracts attached to SLIC. This will be a supporting tool for the agents recruitment drive of the Company, as this structure provides a clear progression for new recruits and also streamline and provide a pathway to the existing performers to be positioned correctly.

Social and Relationship Capital Contd.

ADM OPERATIONAL STRUCTURE



As at 19th May 2021, there are 52 Group Financial Consultants (Internally and externally upgraded) under the Agency Development Model. However, internal upgrades are done twice a year i.e. July and January based on the performance criteria and industry recruitments.

As the Country’s leading insurer, we also have special initiatives to develop our agents who are members of the MDRT (Million Dollar Round Table) programme to achieve their developmental goals. These efforts focus on providing tailored training initiatives, regular mentoring and exclusive access to client seminars to give aspiring candidates the ability to refine their sales approaches to target the achievement of MDRT standards.

Founded in 1927, Million Dollar Round Table (MDRT), The Premier Association of Financial Professionals, is a global, independent association of more than 65,000 of the world’s leading life insurance and financial services professionals from more than 500 companies in 70 nations and territories. MDRT members demonstrate exceptional professional knowledge, strict ethical conduct, and outstanding client service. MDRT membership is recognized internationally as the standard of excellence in the life insurance and financial services business. In the year 2020, from SLIC, 93 advisers were qualified for the MDRT Membership including the 03 members who got selected for the Court of the Table Membership.

Actuarial Consultants

Messrs Wills Towers Watson India Pte. Ltd and Messrs NMG Financial Services Consulting serve as SLIC’s Actuarial consultants for Life and General insurance accordingly and advise us on the matters which require their specialty.

Reinsurers

Reinsurers provide vital support for our business by providing additional safeguards to absorb potentially high value risks and in doing so creating a platform for SLIC to pursue its growth objectives.

Given their custodial role, we maintain a selective approach in contracting with reinsurers. To ensure insurance risks are distributed, we maintain relationships with 103 rated reinsurers. Among them; Swiss Re, a renowned reinsurer who achieved the highest gross written premium in the world in 2019, continued to lead most of our major reinsurance treaties in 2020.

GIC, the largest Indian reinsurer and owned by the Government of India also continued to participate in our treaties. Additionally, in 2020, Hannover Re who was the third largest reinsurer in 2019 opted to take a share of our treaties as did Korean Re who is another “A” rated top reinsurer. Our treaties continue to be backed by a number of other “A” rated reinsurers including Lloyd’s syndicates - UK.

Apart from the direct benefits of reinsurance, our long-standing relationship with leading rated global reinsurers have enabled SLIC to benefit from their in-depth knowledge of the insurance industry, disciplined approach to underwriting and insights on the latest global trends to feed our innovation strategies.

Channel Partners

As the Country's leading insurer, SLIC's value chain includes a large number of channel partners ranging from our island-wide network of Insurance Brokers, bancassurance partners and healthcare partners, to vehicle agents, service workshops and payment facilitators, who together contribute towards the deployment of SLIC's value proposition to the market. We enter into these partnerships through a MOU to help partners align with SLIC's operational standards and code of ethics. In this way these MOUs ensure the fair and equitable treatment of business partners as the basis of building sustainable long term relationships for mutual benefit.



SLIC is exchanging an agreement with People's Bank



SLIC is exchanging an MOU with Auto Miraj



SLIC is opening a counter at The Lanka Hospitals Corporation PLC



SLIC is exchanging an MOU with Certis Lanka Home Nursing and Swift Care (Pvt) Ltd



SLIC is exchanging an MOU with Mobitel (Pvt) Ltd

Social and Relationship Capital Contd.

Other Vendors and Service Providers

Other vendors and service providers are contracted as per SLIC's Procurement Guidelines, which advocates the principles of fair and equitable selection and enlisting of vendors and service providers.

As a keen advocate of fair and ethical business practices, we have established a clear channel to give vendors and service providers the opportunity to escalate any complaints and suggestions they might have. All complaints and suggestions received in this manner are reviewed and addressed as per the standard operating procedures set out under our Procurement Guidelines.

AGENCY FORCE

MDRT Members From 2016 To 2020

Figures achieved year	2020	2019	2018	2017	2016	2015
Membership Year	2021	2020	2019	2018	2017	2016
Total Members	93	64	63	52	60	42

HOW WE ARE ENSURING SLIC'S COMMUNITY CAPITAL CONTINUES TO MEET ITS VALUE CREATION OBJECTIVES

As one of the largest business entities in Sri Lanka, SLIC is committed to being an active and supportive member of the community. Our approach to community investment aims to address key national priorities. Striving to be a responsible corporate steward, we sometimes partner with other entities to undertake more impactful initiatives that have the capacity to deliver sustainable benefits for its intended beneficiaries over a longer period of time.

The activities undertaken in the year under review were focused predominantly on supporting the community to overcome pandemic related challenges

VIRU ABHIMAN LAUNCH

VIRU ABHIMAN - a free financial cover offered to the families of state sector workers on the frontlines of the battle against the pandemic. Launched during Sri Lanka's COVID-19 first wave, VIRU ABHIMAN was extended to all state sector healthcare workers that include Health Ministry Officials, Doctors, Nurses, Attendants, Drivers, Minor Workers, Public Health Inspectors, Regional Health Officials etc, members of the

Armed Forces of Sri Lanka (Sri Lanka Army, Sri Lanka Navy, Sri Lanka Air Force), the Sri Lanka Police and Civil Defense Force of Sri Lanka and Members of the Divisional Secretariats including Field Officers, members of the District Secretariat and Members of the Postal Department.

This was the first and the only cover in Sri Lanka offered free for the unsung heroes of the pandemic.

SUPPORTING THE COUNTRY'S FIGHT AGAINST COVID-19

SLIC together with Ceylon Petroleum Corporation and Litro Gas Lanka Ltd provided personal protective equipment (PPE) to assist Government institutions in safely bringing back their employees to full time work. As part of the same initiative 10,000 liters of surface disinfectants were distributed among Municipal Councils, Provincial Councils and Town Councils and other Government entities as a precautionary measure to mitigate the risk of spreading COVID-19. SLIC also initiated the surface disinfection process at several state sector institutions in Colombo to ensure all state sector workers can safely return to work after the lockdown period. Such disinfection processes were carried out in Municipal Councils, Urban Councils and Town Offices before opening these offices to employees.

Further SLIC donated sanitizers and face masks for 10,400 Economic Development Officers who were on the frontline providing services to the general public.



SLIC Chairman Mr. Jagath Wellawatta hands over PPE pack to Minister Janaka Bandara Tennakoon as Minister Pavithra Wanniarachchi, Minister Susil Premajayantha and former Minister Gamini Lokuge look on.

LAUNCH OF THE 'SAHANA' FOREIGN EMPLOYMENT INSURANCE AND WELFARE SCHEME

SLIC partnered with the Sri Lanka Bureau of Foreign Employment to launch the 'Sahana' foreign employment insurance and welfare scheme for the benefit of migrant workers.

The 'Sahana' foreign employment insurance and welfare scheme extends to immigrant workers who are registered under the Sri Lanka Bureau of Foreign Employment. The 'Sahana' scheme covers death due to any cause whilst working abroad, death occurred in Sri Lanka after arrival of 3 months, permanent and total disability and medical expenses incurred after returning to Sri Lanka. Over the past 4 years SLIC has settled claims worth Rs. 546 million to migrant workers.



Exchanging of agreement between Sri Lanka Insurance and Sri Lanka Bureau of Foreign Employment

LAUNCH OF THE "GOOD PRACTICE FOR A HEALTHY FUTURE" COVID-19 GUIDE FOR SCHOOLS

SLIC together with the Ministry of Education launched the official video guide for schools & educational institutes to help raise awareness on the control and prevention of COVID-19.

The 'Good Practice For a Healthy Future' official video guideline was developed in line with the circular and the guidelines issued by the Ministry of Education according to the instructions and directions of the health authorities to ensure that all students, teachers and staff members contribute towards maintaining a safe school environment.

The CDs containing the video guide were distributed among the schools island-wide and the trilingual videos were made available in SLIC's official Youtube channel and Facebook page.

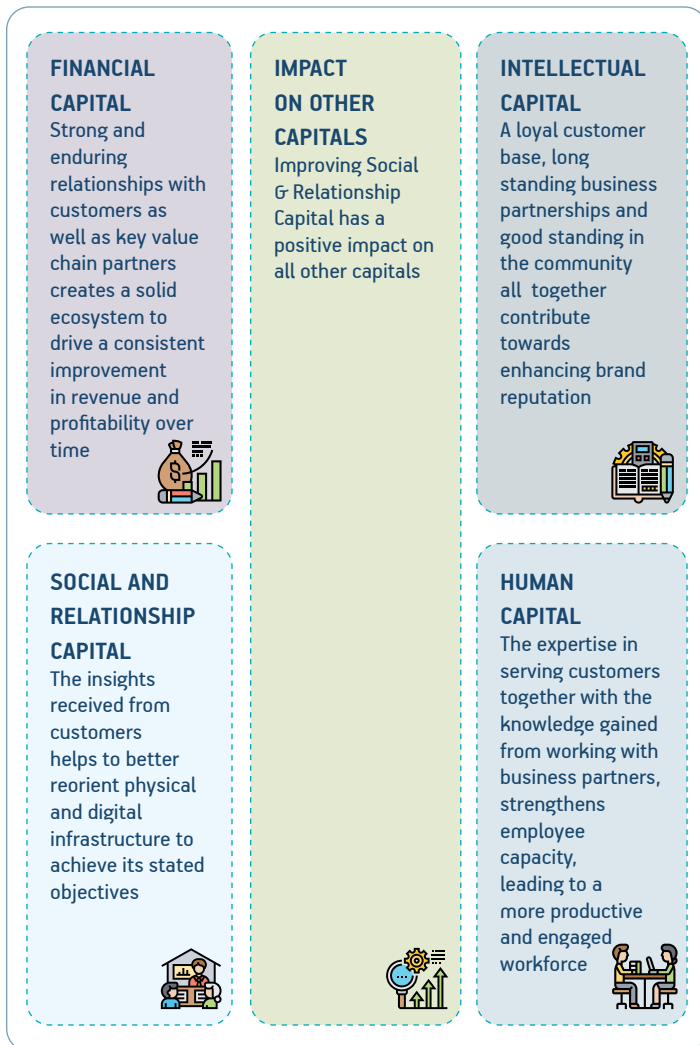
Social and Relationship Capital Contd.

SDG'S SERVED



FOCUS FOR THE FUTURE

- ◆ Develop and launch more customised solutions for different customer segments in order to increase the level of insurance penetration in the Country
- ◆ Increase digital adoption among the agency force



Natural Capital

We have accelerated our digital strategy to systematically automate our systems and processes with the ultimate aim of migrating to a paperless environment at all levels of the business.



Natural Capital Contd.

As an Insurance Service Provider, SLIC does not depend heavily on natural resources to carry out our day to day operations. However, we do accept that our business activities have an indirect impact on the environment, via the natural resources required to produce the electricity needed to power our buildings, the water used by employees for utility purposes and the paper and e-waste generated in our daily operations.

Despite having a limited impact on the environment, we realise that as our business grows SLIC as an organisation will consume more electricity, water and generate more waste. This has reinforced our commitment to act responsibly in order to minimize the loss of Natural Capital in the future. To achieve this, we have adopted a three-pronged approach:

ENVIRONMENTAL COMPLIANCE

Although SLIC is not subject to any direct environmental regulations, we ensure our business is managed in line with the national environmental policy. As such there have been no reported incidence of non-compliance against the Company with regard to environmental laws.

TRACKING AND MONITORING CONSUMPTION

Tracking and monitoring our electricity consumption, water usage and the volume of paper waste generated forms the basis of our efforts to the efficient use of resources across the organisation.

PAPERLESS OPERATIONS

We have accelerated our digital strategy to systematically automate our systems and processes with the ultimate aim of migrating to a paperless environment at all levels of the business. These efforts have led to a steady decline in average monthly paper in recent times. We have been using a Board meeting automation solution by using a paperless meeting environment, for Board meetings and Board sub-committee meetings. We have been conducting other management sub-committee meetings also with minimum paper usage.

KEY STATISTICS

	2020	2019	2018	2017	2016
Electricity Consumption (Units/kWh)	2,661,400	2,874,600	2,866,700	2,902,858	2,761,500
Water Usage (Units/m ³)	27,413	30,594	30,041	29,341	30,192

SDG'S SERVED



FOCUS FOR THE FUTURE

- ◆ Increase process digitization across all key business functions
- ◆ Invest in renewable energy to reduce the dependance on non-renewable sources

GOVERNANCE AND RISK OVERSIGHT

- 88 – Corporate Governance Report
- 91 – Audit and Compliance Committee Report
- 93 – Investment Committee Report 2020
- 95 – Risk Management Report
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- 114 – Statement of Internal Control

“SLIC understands my unique needs as a millennial. That’s why I trust their brand.”



Corporate Governance Report

CHAIRMAN'S INTRODUCTION

Sri Lanka Insurance Corporation Ltd, being a State-Owned Enterprise subscribes to the philosophy of integrity, accountability and transparency and is attentive on securing long term, sustainable value creation for the benefit of all our stakeholders; namely, the Government of Sri Lanka, policyholders, employees, sales force, suppliers, reinsurance partners and the society at large. The Board sets the tone and shares values for the way in which the Company operates on four pillars of corporate governance; namely, responsibility, accountability, transparency and fairness. As per Direction # 17, issued by the Insurance Regulatory Commission of Sri Lanka, we comply with the provisions of the Corporate Governance Code 2017 issued by the Institute of Chartered Accountants of Sri Lanka.

In a nutshell, our approach to corporate governance is as set out here: The Board and Board Sub-Committees have a combination of skills, experience and knowledge and have been instrumental in setting the tone for the corporate governance practices of the Company. The Board avoids group thinking mainly through diversity in terms of skills and experience. The Board meets regularly, almost monthly, and monitors the performance of the executive management. Non-Executive Directors provide constructive challenge and offer specialist advice.

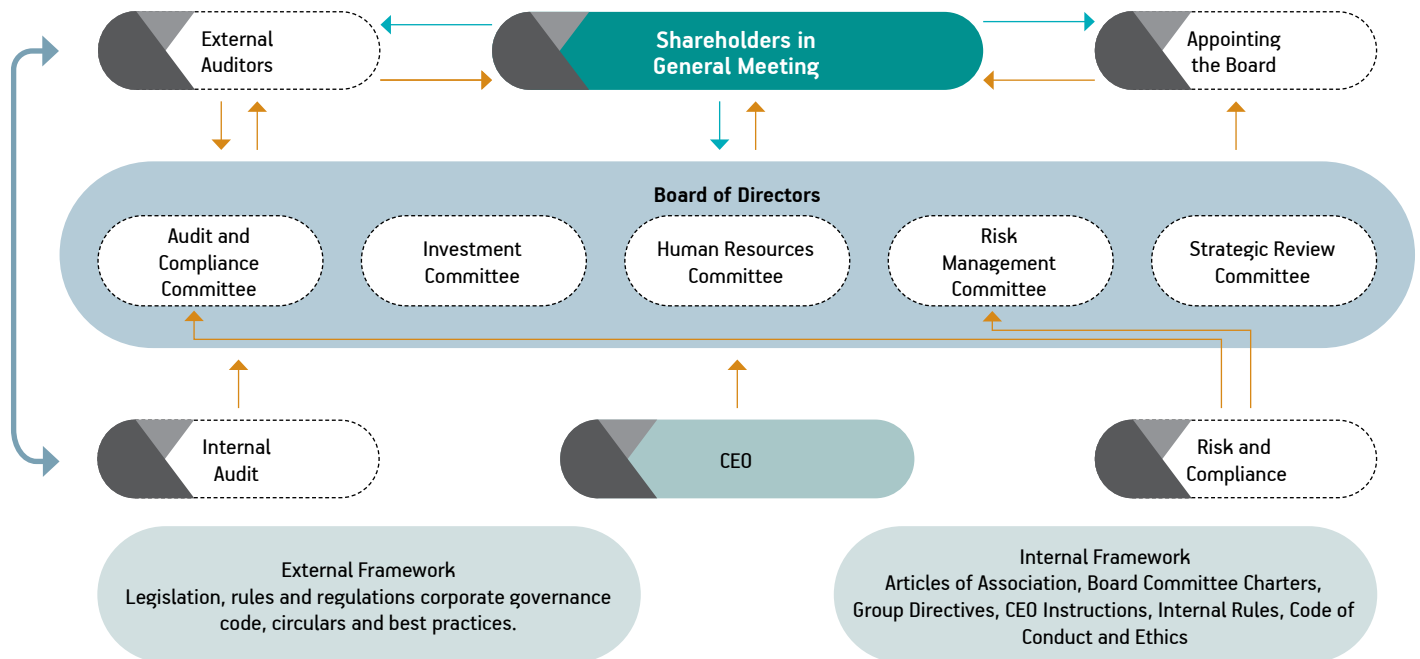
We fully appreciate the important of sound governance in the efficient running of the Company and the following reports sets out how we do.



Jagath Wellawatta
 Chairman
 03rd June 2021

FRAMEWORK

The Company through its Board of Directors and Board Sub-Committees maintain a governance framework in all areas of its operations including formalized policies, procedures, guidelines and relevant management reporting lines.



◀ Elected / appointed by ▶ Reporting to / informing

BOARD COMPOSITION AND RESPONSIBILITY OF THE BOARD

As of the reporting date, the Board comprised of Seven Directors. Non-Executive Directors are renowned professionals in their individual fields. The Board is of the view that the composition of the Board provides the extensive relevant business experience required to oversee the effective operations of the Company, while individual Directors bring a diverse range of skills, knowledge & experience. Being a State Owned Enterprise (SOE), the Board of Directors acts as an intermediary between the State as the main shareholder, and the Company and its management. The Board is responsible for the overall stewardship and provides leadership both directly and indirectly through the Board Sub-Committees, to deliver long-term values to the stakeholders. The main role of the Board of Directors is oversight and planning. The Company's financial and commercial performances are regularly assessed by the Board. In addition, the Board reviews and assesses the adequacy of the management of all risks the Company may be exposed to.

THE COMPANY SECRETARY

The Company Secretary is responsible for ensuring the integrity of the governance framework. The obligations and responsibilities of the Company Secretary outlined in the Companies Act, and also in the Governance Code, require playing a foremost role in the good governance of the Company. All Directors have access to the advice and services of the Company Secretary, who is responsible to the Board for ensuring that Board procedures are complied with.

BOARD AND COMMITTEE PROCEEDINGS

The establishment of Board Committees has been instrumental in enhancing the efficiency of the Board and adds value to the Board in the fields of audit, compliance, investment, human resource, and risk management etc. To assist the Board's oversight, planning and decision making functions, the Board has established five sub-committees: the Audit and Compliance Committee, the Risk Management Committee, the Investment Committee, Strategic Committee and the Human Resources Committee. The Committees are governed by Board approved charters, policies and procedures and report to the Board at periodic Board Meetings.

The number of Board and Board Sub-Committee meetings held during 2020 and details of the attendance of each Director present at these meetings are given below:

Board Meetings – 2020

The Board meets regularly and sufficiently to ensure that all its duties are discharged effectively. Due to unavoidable circumstances, if a Board member is unable to attend the Board meetings, the Director may discuss and share opinions on agenda items with the Chairman, Chief Executive Officer or the Company Secretary in advance of the meeting.

Fifteen Board meetings were held during 2020.

Name of the Director	No. of Meetings Attended
Mr. Jagath Wellawatta (Chairman)	15
Mr. K.A. Vimalenthirarajah	9
Mr. Anil Meegahagedara	12
Mr. Anil Koswatte	10
Mr. Nishantha Dayananda	14
Ms. Surekha. Alles	15
Ms. K. D. R. Olga (Appointed w.e.f. 29/01/2020 and resigned w.e.f 17/08/2020)	7

Audit and Compliance Committee Meetings (ACCM) – 2020

There were four ACCMs during the year 2020 and the Treasury Representatives on Board, acted as the Chairman of the Committee.

Name of the Director	No. of Meetings Attended
Mr. K.A. Vimalenthirarajah (Chairman of the Committee-NED)	4
Mr. Anil Meegahagedara	4
Mr. Nishantha Dayananda	4

Investment Committee Meetings - 2020

There were 17 Investment Committee meetings during 2020. The meetings were chaired by a Non-Executive Director.

Name of the Director	No. of Meetings Attended
Mr. K.A. Vimalenthirarajah (Chairman of the Committee-NED)	16
Mr. Jagath Wellawatta	15
Mr. Anil Meegahagedara	12
Ms. Surekha. Alles	9

Risk Management Committee Meetings - 2020

There were 4 Risk Management Committee meetings during 2020. The Committee has a broad membership that represents different spectrums of risk managers from finance, investments, actuarial, reinsurance, compliance, internal audit, human resources management and ICT departments.

Name of the Director	No. of Meetings Attended
Ms. Surekha. Alles (Chairman of the Committee-NED)	4
Mr. Anil Meegahagedara	2

Corporate Governance Report Contd.

Human Resources Committee Meetings-2020

There were 9 Human Resources Committee meetings during 2020. The meeting was chaired by a Non-Executive Director.

Name of the Director	No. of Meetings Attended
Mr. Nishantha Dayananda (Chairman of the Committee-NED)	8
Mr. Jagath Wellawatta	9
Mr. Anil Koswatte	8

Strategic Review Meetings -2020

Two strategic review meetings were held in 2020 and the EXCO reviews the strategies periodically.

Other Operational Committees

In addition to the above mentioned Board Sub-Committees, in order to assist the CEO, other operational committees include the Executive Committee (EXCO), Reinsurance Committee, Audit Follow-up Committee, the Branch Management Outlook Committee, the Legal Committee and the Sales & Marketing Review Committee, all of which play an essential role in the governance structure. Members are drawn from within the Company and in accordance with their relevant areas of expertise. EXCO manages day-to-day activities of the business through developing and implementing strategy, operational plans, policies, procedures and budgets etc. EXCO and Board work jointly on the development and the implementation of the corporate strategy. The EXCO meets monthly and otherwise as required. Meetings of the EXCO are called by the Chair of the Committee who is the Chief Executive Officer of the Company, at any time to consider any matters falling within its Terms of Reference.

INFORMATION FLOW

The Directors are supplied with detailed papers in advance of all Board Meetings and sub-committee meetings to disseminate the required information enabling the Board to make an informed decision at the Board and sub-committee meetings. Members of the Executive Management Team and other key employees attend and make representations as appropriate at meetings. The Directors are authorized to seek independent professional advice at the Company's expense in performance of their duties as Directors. In addition, all the Directors have access to the services of the Company Secretaries, who is responsible for ensuring that Board procedures are observed and advising the Board on corporate governance matters. All Directors have access to Board and respective sub-committee papers through

an electronic platform which ensures timely and secure delivery of information to Directors whilst at the same time reducing the environmental impact of Board/committee meetings. Minutes of the all the Board Sub-Committee meetings are submitted to the Board periodically.

FINANCIAL REPORTING

The Directors are responsible for preparing the consolidated financial statements in accordance with applicable laws and regulations.

RISK MANAGEMENT AND INTERNAL CONTROLS

The Directors confirm that they have reviewed the effectiveness of the systems of risk management and internal controls which operated during the period covered by these financial statements and up to the date of this report. The internal control framework of the Company encompasses the policies, procedures, processes, tasks and behaviours. The Company has an internal audit function, which has a reporting line to the Chairman of the Board and the Chairman of the Audit and Compliance (ACC) Committee. The ACC receives reports from this function at each committee meeting. In addition, the Company adopts a holistic view on Enterprise Risk Management (ERM) pertaining to four main risks; namely, strategic, financial, operational and hazard, under the "GRC-Governance, Risk & Compliance" framework.

IMPACT OF COVID -19 ON THE GOVERNANCE FRAMEWORK

With COVID-19 decimating the economy and looming uncertainty about the complexity and period of the crisis, the decision making process has become a complex matter of contemplating and balancing various factors. The Board through the EXCO has engaged in an augmented and sustained open dialogue with Company management on both the business risks and the workplace health and safety issues posed by COVID-19. The Company's digital Board meeting platform provides for remote participation for Board meetings and sub-committee meetings via audio and video conferencing by Board members in the event of any travel restrictions or lock down due to the prevalent pandemic. Business Continuity Steering Committee (BCSC) consisting of the senior management and headed by the Chief Executive Officer ensures business continuity, thereby protecting the business while safeguarding the employees and the stakeholders while navigating through this crisis.

Audit and Compliance Committee Report

The Audit and Compliance Committee (ACC) is essentially an oversight committee which assists the Board in ensuring that the financial statements reflect true and fair view of the state of affairs of the Company and assists in ensuring that the Company has a robust and effective processes relating to internal controls. The ACC is chaired by a Non-Executive Director and comprised of only Non-Executive Directors. The Company Secretary of the Company acted as the Secretary of the meetings. Though both the compliance and audit functions report to the Audit and Compliance Committee, functional independence is assured with the separation of the two functions operationally.

The Committee, with the valuable services provided by the senior support staff, has an adequate blend of financial, audit and insurance expertise in order to carry out the ACC's duties effectively.

TERMS OF REFERENCE

The terms of reference of the Audit and Compliance Committee of SLICL are clearly defined in the Charter of the Board's Audit and Compliance Committee which is based on the guiding principles and best practices on audit committees including the "Code of Best Practice on Corporate Governance" jointly issued by the Securities and Exchange Commission of Sri Lanka ("SEC") and The Institute of Chartered Accountants of Sri Lanka, 2017. The scope of the Charter encompasses enhanced oversight over the Company's system of disclosure, controls and system of internal controls regarding finance, accounting, procurement, legal compliance, and ethics that management and the Board have established and overseeing the management of business risk etc. The Committee is responsible for the Board of Directors and reports its activities regularly to the Board.

MEETINGS OF THE COMMITTEE

During the financial year ended 31st December 2020, four meetings of the Committee were held. The proceedings of the committee meetings were recorded with adequate details and reported regularly to the Board of Directors. Representatives from the Auditor General attend the meetings by invitation as an observer and providing guidance on audit technicalities.

The attendance of the committee members at the meeting in 2020 is stated below:

Name of the Directors	No. of Meetings Attended
Mr. K. A. Vimalenthirarajah (Chairman of ACC-Non Executive Director)	4
Mr. N. Dayananda	4
Mr. Anil Meegahagedara	4

INTERNAL AUDIT

The Company has its own Internal Audit Department and it is headed by a qualified Chartered Accountant. The internal audit Programme was presented and approved by the ACC and the Committee regularly reviews and monitors the internal audit and the inspection function. The Committee ensures that the internal audit function is performing its audit activities independently and exercising due professional care in discharging duties. The Committee is satisfied that the department has the necessary authority to carry out its work and is sufficiently resourced. The Committee reviewed reports from the Head of Internal Audit at its periodic meetings which enable the Committee to monitor the progress of the internal audit plan and key findings.

EXTERNAL AUDIT

The Auditor General is the External Auditor in terms of Article 154 (1) of the Constitution of the Democratic Socialist Republic of Sri Lanka. Messrs BDO Partners was appointed by the Auditor General as a qualified auditor to assist the Auditor General in the annual audit of the financial statements of the Company for the year ended 31st December 2020, in terms of Article 154 (4) of the Constitution of the Democratic Socialist Republic of Sri Lanka. Also, the Committee reviewed the management letter and management's response to the external auditor's findings and recommendations.

INFORMATION FLOWS TO THE AUDIT COMMITTEE

The ACC assures that it has received sufficient, reliable and timely information from the management and the external auditors to facilitate it to accomplish its responsibilities.

VALUATION OF ASSETS & LIABILITIES AND IMPAIRMENT

Considering the increased use of fair value accounting and its pervasive significance the Audit Committee assures that significant assumptions used in deriving fair values have been disclosed, scrutinized and even challenged where appropriate by the Audit Committee. The Committee is of the view that the process for impairment is adequate.

ADOPTION OF IFRS

The Committee monitors the adoption progress of IFRSs and keeps the Board informed about the progress implementation at periodic Board meetings.

INDEPENDENT EXTERNAL ADVICE

The Charter of the Audit Committee permits it to obtain independent external advice, where appropriate.

Audit and Compliance Committee Report Contd.

ACCESSIBILITY OF HEAD OF INTERNAL AUDIT AND HEAD OF COMPLIANCE & RISK TO THE MEETING OF ACC

The Heads of Internal Audit and Compliance & Risk have direct access to the ACC, which in turn is directly accountable to the Board.

NON-AUDIT SERVICES

No non-audit services were provided by the external auditors during the year under review.

COMPLIANCE FUNCTION

Corporate compliance function owns the compliance programme operations and supporting policies and procedures. The Compliance Programme of the Company is implemented by the Deputy General Manager-Compliance & Risk and the Senior Manager-Finance, with the assistance of the compliance coordinators in each department. The reporting protocol between the Compliance Officer and the ACC addresses specific issues and risks which may come up during the year. The compliance responsibilities relating to operational areas are carried out by the heads of the operational departments designated as the responsible officers for ensuring compliance with specific obligations assigned to them. The anti-money laundering function is annually audited by the Internal Audit Department. The compliance culture is infused across the organization without increasing the burden of costs on the function itself. Focusing on key control processes, consistent with the increasing complexity of compliance function, the Company has adopted a 'stand-alone' model for compliance. This assures strong independency of the compliance function while managing cost effectively by appointing compliance coordinators in each department to ensure effective business engagement. The compliance function was further strengthened during the year under review to ensure adoption of best practices pertaining to the major operational areas.

CODE OF ETHICS, WHISTLEBLOWING AND FRAUD MANAGEMENT

The Company has in place a Board approved "Code of Ethics", "Whistleblowing Policy" and a Board approved "Fraud Management Policy", applicable to all employees. An employee, who observes any improper or illegal activity or unethical practices of the Company, may report the same to the Whistleblowing Officer of the Company who will take necessary actions accordingly in line with the whistleblowing policy. Further, we are committed to preventing, identifying and addressing all acts of fraud against the Company through the implementation of the fraud management policy.

RISK MANAGEMENT

There is a separate Board Sub-Committee; namely, 'Risk Management Committee', which has been delegated from the Board the authority for monitoring the risk management function. Head of Internal Audit is also a member of the Risk Management Committee and vice versa.

CONCLUSION

The Committee is satisfied that the Internal Audit Department and external auditors have been effective and independent throughout the year. In addition, the Committee is also satisfied with the appropriateness of application of the accounting policies and thus gives a reasonable assurance that the financial statements of the Company are reliable. Further, the Committee is satisfied that the Compliance Framework of the Company ensures that the Company complies with all applicable laws, rules and regulations and corrective and preventive actions were taken with regard to the reported non-compliances, during the year under review.

The ACC approved this report on 23rd April 2021



K. A. Vimalenthirarajah
Chairman - Audit and Compliance Committee

3rd June 2021

Investment Committee Report 2020

OBJECTIVES OF THE INVESTMENT COMMITTEE

The Investment Committee (IC) is mandated to achieve optimal returns from investment activities by achieving target returns within the given risk tolerance framework. IC also ensures the decision making process is efficient and the investment process adheres to best practices in the industry in terms of ethics and regulatory compliance.

INVESTMENT STRATEGIES

The investment strategy during the year 2020 took an interesting and challenging twist due to the COVID-19 pandemic. During the height of the pandemic investment activities were carried out seamlessly using digital platforms. SLIC proactively locked into attractive and high yielding Government and corporate debt instruments during 2019, prior to interest rates taking a sharp dip during 2020, as the Central Bank aggressively eased monetary policy, which was very much in line with strategies adopted by global Central Banks. As a result, a base case return was secured at higher yields, which were able to cushion out the impact of low reinvestment rates and maintain sustainable returns in to the foreseeable future.

The IC however focused mainly on making use of opportunities that arose in the equity market to secure trading gains. The IC's ability and nimbleness in making quick decisions resulted in substantial equity trading gains being realised, following the steep slide in equity markets during the first half of the year due to the uncertainty that prevailed due to COVID-19 pandemic. The decision to overweight equity was based on low interest rates and multi-year low equity valuations.

Mitigating investment risks such as liquidity, interest rate, credit risk and concentration risks remained an important aspect of the IC. All investments are thoroughly analysed and screened in granular detail prior to execution.

SLIC's IC comprises experienced professionals and industry experts from various disciplines. They bring in a variety of experience, expertise and a wide scope in to the investment decision making process. Opportunities to cross sell are always given due consideration during the investment decision making process. SLIC strives to enhance investment synergies as a result.

MONITORING AND CONTROL

Investment performances are monitored on an ongoing basis, and the IC stays focused on ensuring targets are achieved in a timely manner, so that there are no strains on the rest of the business activities. Prudent checks and balances are carried out by Investments Front Office, Middle Office and Back Office to facilitate investment of policy holder funds in a safe and equitable manner, where the IC as a whole takes accountability for returns generated for the fund.

YEAR UNDER REVIEW – SUMMARY OF INVESTMENT ACTIVITIES

The Long Term Insurance fund stood at Rs. 152.0 Bn, at the end of 2020, whilst the General Insurance Fund stood at Rs. 53.7 Bn.

SAFETY AND STABILITY OF INVESTMENTS

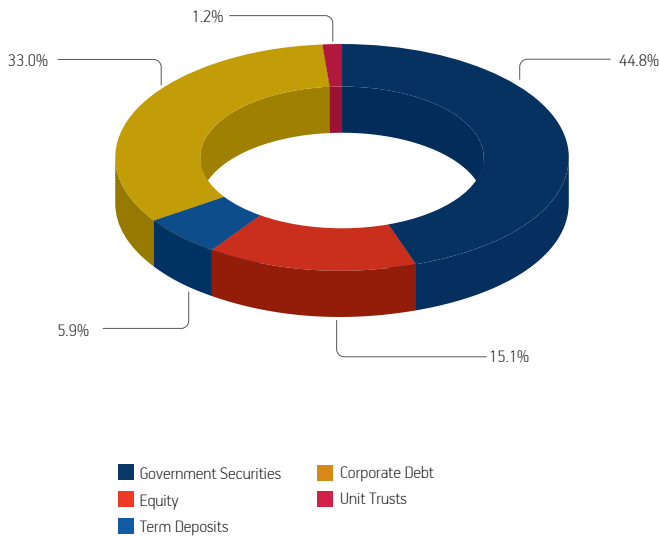
Non-systematic risk is reduced to a great extent by IC by ensuring to maintain sufficient diversification amongst assets classes. Investments are strictly restricted to liquid investments of sound credit standings.

The pie charts below illustrate allocation of investment assets of the Long Term Insurance Fund, the General Insurance Fund and the total portfolio as at 31st December 2020 (values are based on market values).

Investment Committee Report 2020 Contd.

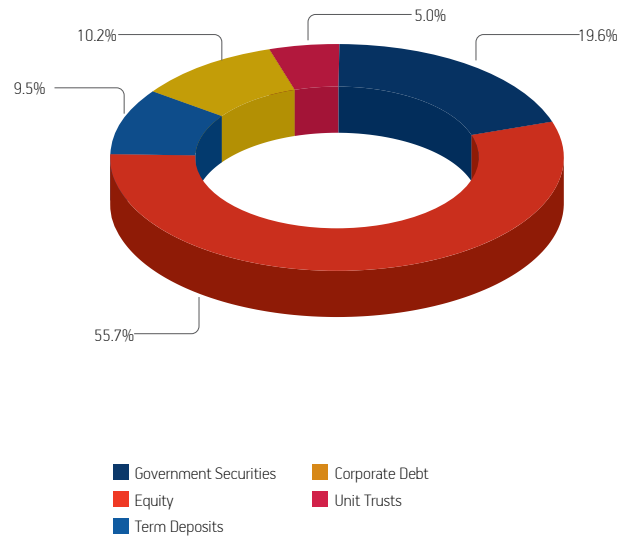
Long Term Insurance Fund

**Life Fund Portfolio
as at 31/12/2020**



General Insurance Fund

**General Fund Portfolio
as at 31/12/2020**



INVESTMENT INCOME

Total investment income for the year stood at Rs. 13.9 Bn for Life Insurance and Rs. 2.6 Bn for General Insurance respectively. During the reporting period, investment income contributed in excess of 29% of the total Company revenue. 42% of the total revenue for Life Insurance and 11% of the total revenue for General Insurance was generated from investments.

ALM CONSIDERATIONS AND PRODUCT DEVELOPMENT

Asset and Liability Management was also a keen focus during the year. The IC managed to proactively invest in long duration assets prior to the interest rate drop and was able to reap benefits during 2020. Going forward we envisage low interest rates to pose a reinvestment challenge. However, low interest rates are likely to pave way for traders and investors to take calculated risks in the equity market.

Demand for Yasas scheme, the single premium investment product, remained very strong.

The Investment Committee was satisfied with the performance of investment funds during 2020 and will strive to enhance performance further during 2021.

K. V. Vimalenthirajah
Chairman- Investment Committee
03rd June 2021

Risk Management Report

ENTERPRISE RISK MANAGEMENT

The risk management function of SLIC supports our business by effectively identifying and managing risks. Board Risk Management Sub-Committee (BRMC), since its establishment in 2014, has been playing a vital role with the management to ensure that risk management policies and procedures of the Company are consistent with the Company's strategy and risk appetite thereby making risk management an integral part of the overall strategy. The Board's oversight function is coordinated by different Board Sub-Committees other than the said Risk Management Board sub-committee; namely, Audit & Compliance Committee (ACC) and Investment Committee (IC).

Risk management Framework		
Risk Element	Process	Methodology
Risk Identification	<ul style="list-style-type: none"> Identify and assess threats Identify existing controls Identify vulnerabilities and consequences Identify technology breaches Identify culture, ethics, behaviour Identify operational, financial, insurance, strategic and reputational risks 	<ul style="list-style-type: none"> Set risk appetite and tolerance levels Develop Incident Reports Conduct brainstorming sessions Get employee feedback Develop Key Risk Indicators Capital Adequacy Ratio RBC guidelines
Risk Analysis	<ul style="list-style-type: none"> Consideration of uncertainties Analysis of risk sources Analyze consequences Analyze likelihood, events, scenarios Analyze controls and their effectiveness 	<ul style="list-style-type: none"> Root cause analysis Risk registers Business impact analysis Scenario risk analysis Business impact analysis Risk rating scales SWOT analysis
Risk Evaluation	<ul style="list-style-type: none"> Comparing risk analysis results with risk criteria to determine whether the residual risk is tolerable Lead to decisions Consider risk treatment options Undertake further analysis to better understand the risk Maintain existing controls Reconsider objectives 	<ul style="list-style-type: none"> Documentation reviews Review Risk appetite and tolerance statement Information gathering techniques. Interviewing SWOT analysis Checklist analysis.
Risk Treatment	<ul style="list-style-type: none"> Select measures to modify risk Implementation of measures to modify risk 	<ul style="list-style-type: none"> Avoidance Reduction Transfer Acceptance Sharing
Risk monitoring	<ul style="list-style-type: none"> Assure and improve the quality and effectiveness of process design, implementation, and outcomes Monitoring and review includes planning Gathering and analyzing information Recording results and providing feedback 	<ul style="list-style-type: none"> Risk reassessment RBC and solvency analysis Asset & Liability Management Risk audit Annual AML audit Variance and trend analysis Technical performance measurement Reserve analysis. Meetings with risk coordinators Meetings with the top management

Risk Reporting



Board of Directors

BRMC

Board ACC / Investment Committee

Internal Control-Risk / Compliance / Internal Audit

Division Heads

Risk Owners

Risk Integration	<ul style="list-style-type: none"> Address risks that require external legislative, regulatory, or budgetary support Capitalize on the strategic planning process to produce a critical input for ERM Create resilient strategies that plan for potential risk exposures and are more likely to succeed Monitor external indicators that provide early warning and trigger preemptive actions
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Risk Management Report Contd.

SLIC has been able to maintain the required Risk Based Capital Adequacy Ratio well above the required levels for the several consecutive years. Accordingly, Risk Based Capital Adequacy Ratio for the Life insurance business recorded 459% in FY2020 compared to 436% in FY2019. In FY2020, the Risk Based Capital Adequacy Ratio for General insurance business reported at 223% compared with 212% in FY2019.

During 2020, the COVID-19 pandemic has raised many coverage and resilience issues for the insurer and the insured. Everyone encounters a very uncertain trajectory due to the COVID-19 pandemic and the speed and scale of COVID-19 has exposed gaps. With the purpose of assessing the potential risk exposure to COVID-19, we have conducted a Walk-through Risk Assessment in SLIC Head Office and randomly selected branches, to assess the adequacy of the existing controls in place and appropriate recommendations were made and implemented accordingly. In these unprecedented times where many employers are grappling with a variety of HR issues, we managed to continue our operations without any lay-off or salary deductions, thereby with zero risk of HR risk and cascading legal issues.

In addition, we have been working on leveraging technology to serve the customers thereby mitigating the potential risk. The COVID-19 pandemic has created novel encounters for business as working from has become the new norm. With the accelerating of digital transformation, cybersecurity has become a major risk. We have a cyber-security policy which outlines our guidelines and provisions for preserving the security of our data and technology infrastructure. We have revisited the cybersecurity risk management framework and we have implemented obtaining the "Report of Cyber Security Events" from the Chief Information Officer quarterly in 2021.

Financial Intelligence Unit of the Central Bank of Sri Lanka and Insurance Regulatory Commission of Sri Lanka have issued guidelines and circulars for the prevention of money laundering during the COVID-19 pandemic, where insurers have been advised to increase the vigilance/due diligence and take appropriate measures to protect the financial system from possible money laundering/terrorist financing risks arising during the global COVID-19 pandemic. We have incorporated the above requirements to our risk management function and mitigations actions have been implemented to reduce the risk of money laundering/terrorist financing, especially during the COVID-19 pandemic.

Key initiatives

1. Completion of developing risk appetite and tolerance levels
2. Strengthening cybersecurity risk management
3. Strengthening the anti money laundering framework
4. COVID risk mitigation actions
5. Creating of an internal repository of internal circulars
6. Finalization of the Data Classification Policy
7. Finalization of the Outsourcing Policy
8. Establishment of the employees' grievance committee to reduce the HR risk
9. Developing the ERM framework in line with ISO 31000:2018
10. Follow-up on service standards

Plan for 2021

1. Review of Asset-Liability Management Policy
2. Reviewing risk appetite and tolerance levels
3. Strengthening the system audit function
4. Risk analysis of financial and non-financial factors and its business impact.
5. Reputational risk analysis from the perspective of customer satisfaction.
6. Ensure that internal controls are in line with the risk management framework.
7. Integrate ICT/digital risks into the ERM function and further strengthen the cyber-security strategy.
8. Complete analysis of third-party risk.

We have initiated the review of the Asset-Liability Management policy with the relevant stakeholders including actuarial, investment and finance. We comply with the "Guidelines on investment for insurance companies" issued by the Insurance Regulatory Commission of Sri Lanka. With regard to the internal controls and risk management we have complied with the requirements of the Code of Best Practice on Corporate Governance 2017. However, we will be further strengthening the internal controls system in 2021 to be in line with the risk management framework.

LIFE INSURANCE RISK

There are many risks associated with life insurance, these include:

Mortality risk	The risk that actual policyholder death experienced on life insurance policies is higher than expected.	Low Risk
Longevity risk	The risk that annuitants live longer than expected.	Low Risk
Morbidity risk	The risk that actual policyholder health/accidental related claims are higher than expected.	Low Risk
Policyholder behavior risk	The risk that policyholders' behavior in discontinuing and reducing contributions or withdrawing benefits prior to the maturity of the contract is worse than expected. Poor persistency rates may lead to fewer policies remaining on the books to defray future fixed expenses and reduce the future positive cash flows from the business written, potentially impacting its ability to recover deferred acquisition expenses.	Low Risk
Expense risk	The risk that expenses incurred in acquiring and administering policies are higher than expected.	Low Risk

The Company has established procedures and processes to evaluate the above risks which if not properly controlled and managed, can impact its operations. The procedures are in place to cover all critical stages from product development to benefit administration.

In addition to that, all life financial streams are modeled and profit testing is produced by the Actuary thus mitigating product design and pricing risk. Also SLIC uses matching instruments to back certain liabilities (ALM), if available.

Under the Risk Based Capital (RBC) framework, SLIC has adopted "Gross Premium Valuation" mechanism (GPV). This is required for liability valuation purposes where liability is calculated in market consistent manner. This means that GPV is based on the explicit estimates for mortality, morbidity, expenses, lapses, etc. and risk free interest rate structure is used for discounting purposes. The liability also carries an explicit margin for future expected level of bonus, which is called a

Total Benefit Liability(TBL), hence the future bonus is protected under the best estimate assumptions. SLIC is geared up to set best estimate assumptions for liability valuation based on the internal experience studies conducted periodically. This has enabled SLIC to manage policyholder liabilities in a consistent manner over the years.

In addition, best estimated parameters considered for TBL calculation are further stressed called application of Risk Margin (RM) as per the guidelines given by IRCSL and TBL is computed with a margin for adverse deviation from its best estimates. The use of RM increases the statistical confidence of policy liabilities and hence enhances the protection provided to policyholder benefits and should increase policy liabilities. The RM used by SLIC is consistent with the factors defined in the RBC framework and represent a 75% confidence interval statistically with respect to the underlying probability distribution of the possible outcomes under liability computation.

As such, the main assumptions used in determining life insurance contract liability are tabulated below tabulated:

Assumption	Description
Mortality	- Factored A67/70 for non-annuity business to allow best estimate experience rate - Weighted average of a(90)m and a(90)f with one year age setback to allow approximated 1% mortality improvement of annuitants
Investment return	Risk Free Rate structure instructed by IRCSL as at 31.12.2020

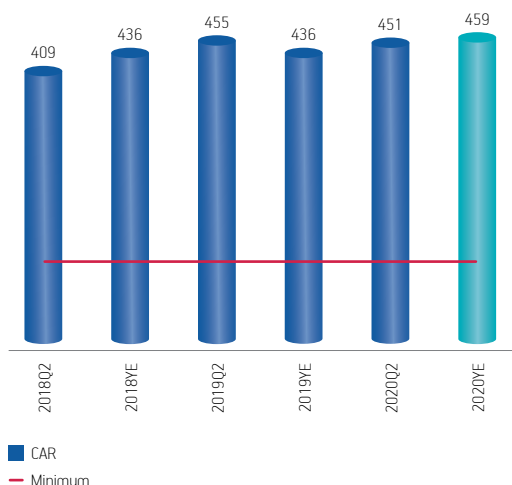
Risk Free Rate (%)



Risk Management Report Contd.

SLICL maintained steady and strong solvency ratio over the year 2020 for its Life Insurance business and as at 31.12.2020 the Risk-Based Capital Adequacy Ratio, CAR, stands at 459% and it was 436% as at 31.12.2019. This is well above the regulatory minimum requirement which is 120%.

Capital Adequacy Ratio (%)



Sensitivities Analysis for Life Insurance Risk

Assumption	Change in assumption	Impact on Best Estimated liability (Rs.)
Mortality	+10%	724Mn
	-10%	(725)Mn
Discount Rate	Up shock scenario under RBC	(14,964)Mn
	Down shock scenario under RBC	19,582Mn

Segregation of Policy liability based on product category

31st December 2020 Rs. '000	Insurance Liabilities (with profits)	Insurance Liabilities (without profits)	Total Benefit Liabilities
Whole Life	22,137	4,394	26,531
Endowment Assurance	74,745,760	3,161,913	77,907,673
Term Assurance	0	3,858,121	3,858,121
Annuity	14,687,439	3,390,629	18,078,067
Rider Benefits	1,983	3,141,906	3,143,889
Total	89,457,319	13,556,963	103,014,282

The following table shows the participating and non-participating fund position of the Company.

	Participating Rs. '000	Non-Participating Rs. '000	Total Rs. '000
2020	120,363,450	13,650,092	134,013,542
Percentage	89.81%	10.19%	-

GENERAL INSURANCE RISK

From 01.01.2016, as per the mandatory requirement by the Insurance Regulatory Commission of Sri Lanka (IRCSL), SLIC fully implemented the Risk Based Capital (RBC) solvency framework which is required under the RBC regime.

Under this, the claim liability is defined as the combination of the central estimate of claim liability and the risk margin. Premium Liability is defined as the Central Estimate of the Unexpired Risk Reserve along with the risk margins.

Prudence in setting up reserves

There are two main components in General Actuarial reserves, namely the Premium Liability and the Claim Liability. SLIC set up Claim Liability (Outstanding claims reserve plus Incurred but not (enough) reported claims IBN(E)R) at 75% confidence level and that includes the central estimate of claim liability (CECL), attached claim handling expenses for future settlements of the claims (CHE) and provision for adverse deviation in central estimate liability & CHE. Premium Liability also set up at 75% confidence level and that is calculated based on the central estimate Un-Expired Risk Reserve which is determined by taking the average of the central estimate Ultimate Loss Ratio for the last two to three accident years and provisioning for adverse deviation as to reflect the additional volatility as the exposure is yet to occur.

Claims Development Information

The table below presents changes in the historical non-life reserves, net of reinsurance. The top line of the table shows the estimated gross reserves for unpaid losses and loss adjustment expenses as of each balance sheet date, which represents the estimated amount of future payments for losses incurred in that year and in prior years. The cumulative paid portion of the table presents the cumulative amounts paid through each subsequent year in respect of the reserves established at each year end. Similarly, the cumulative reported losses section details the sum of the cumulative paid amounts shown in the triangle above and the net outstanding position at the end of the financial year.

	2015	2016	2017	2018	2019	2020
Gross reserves for losses and loss adjustment expenses	7,894	8,664	8,549	8,776	7,311	7,862
Reinsurance recoverable	(976)	(1,434)	(1,451)	(1,590)	(1,061)	(1,395)
Net reserves for losses and loss adjustment expenses	6,917	7,230	7,098	7,186	6,250	6,466

Cumulative paid as of 31st December:

One year later	4,981	6,637	6,849	7,590	7,723	5,371
Two years later	6,989	8,392	9,004	9,632	9,451	-
Three years later	7,099	8,539	9,185	9,772	-	-
Four years later	7,160	8,722	9,242	-	-	-
Five years later	7,223	8,801	-	-	-	-
Six years later	7,301	-	-	-	-	-

Cumulative Reported as of 31st December:

One year later	6,326	7,913	8,297	9,467	9,153	6,493
Two years later	7,291	8,531	9,184	9,907	9,907	-
Three years later	7,376	8,717	9,414	10,288	-	-
Four years later	7,398	8,883	9,526	-	-	-
Five years later	7,417	8,943	-	-	-	-
Six years later	7,469	-	-	-	-	-

* Rs Mn

Sensitivities Analysis for General Insurance Risk

The following table shows the sensitivity of net income before tax and the sensitivity of net assets, as a result of adverse development in the reported claims outstanding by one percentage point. Such an increase could arise from either higher frequency of the occurrence of the insured events or from an increase in the severity of resulting claims or from a combination of frequency and severity. The sensitivities do not indicate a probability of such an event and do not consider any non-linear effects of reinsurance.

Here we assumed that the central estimate IBN(E)R is also affected by one percentage point along with the claims outstanding amount and the CHE is not affected. Based on the assumptions applied in the presentation of the sensitivity analysis in the table below, each additional percentage point increase in the reported claims outstanding would lead to a linear impact on net income before tax and net assets. In addition, the Company monitors insurance risk by evaluating extreme scenarios, and taking into account non-linear effects of reinsurance contracts.

	Change in Assumptions	Reported Gross Claim Outstanding Rs.	Reported Net Claim Outstanding Rs.	Impact on Gross Liabilities Rs.	Impact on Net Liabilities Rs.	Impact on Profit Before Tax Rs.	Impact on Equity (After Tax) Rs.
31st December 2020	+1%	5,630Mn	4,337Mn	73Mn	59Mn	(59)Mn	(42)Mn

INVESTMENT RISK MANAGEMENT

During 2020 investments underwent hitherto unknown risks due to COVID 19. Traditional trading strategies based on volatility and trend took backstage, as the pandemic was destined to wreck havoc on archaic investment decision making processes. Identifying opportunities and capitalising on them were the key to success during 2020. Reinvestment risk was critical for SLIC during 2020 as interest rates on Fixed Income securities tapered off to multi year lows due to central banks across the world cutting interest rates steeply to avert economies going in to recessions. The Central Bank of Sri Lanka also proactively cut interest rates steeply in a timely manner.

Risk Management Report Contd.

The diversity of SLIC’s investment portfolio helped mitigate the negative impact of low reinvestment rates as interest rate cuts and excess liquidity in markets helped trigger an equity rally. In addition to return, due attention was also given to aspects such as liquidity and credit risks, due to the uncertainty that prevailed due to COVID-19.

Taking calculated risks and capitalizing on sound valuations was the focus for the year to meet the obligations of the Fund, based on prudent risk management principles and applicable IRCSL guidelines.

Market Risk

Interest Rate Risk

Risk of losses that may arise due to changes in interest rates and changes in the shape of the yield curve is called interest rate risk. This risk was managed by investing in long to medium duration corporate debt securities whenever opportunities arose. During 2020 the Central Bank eased monetary policy aggressively, as COVID-19 threatened to cripple the economy.

Going forward reinvestment risk is expected to pose further challenges, as interest rates are expected to remain low. However, low interest rates will present more trading opportunities.

Exchange Rate Risk

Possibility of incurring losses due to adverse movements in exchange rates are called exchange rate risk. During 2020 the US Dollar appreciated to all-time highs against the Sri Lankan Rupee. However, prudent and timely measures implemented by the Central Bank helped the Rupee to recoup losses.

Equity Risk

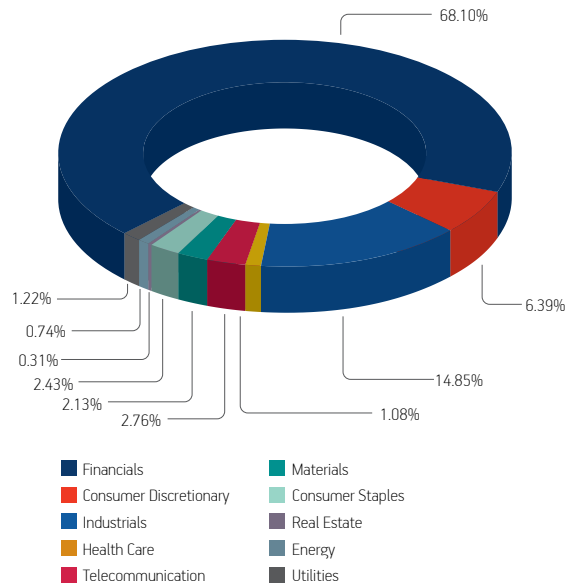
Equity Risk is the risk arising from adverse volatilities in stock prices.

Both the All Share Index and the more liquid S&P SL20 rose during 2020. However, this was after they plummeted in the aftermath of the COVID-19 lockdown. SLIC Equity portfolio is exposed to systematic risk which is the uncertainty inherent to the entire market.

Diversity in SLIC’s equity portfolio helped mitigate the impact of the steep drop in equity markets, whilst timely action to purchase shares at irresistibly low multiples resulted in substantial trading gains which helped boost bottom line during the year.

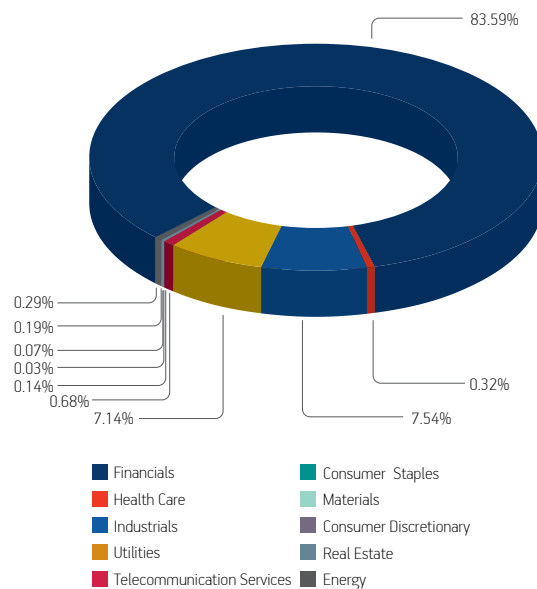
Sector Allocation - Listed Equity

Life Fund as at 31.12.2020



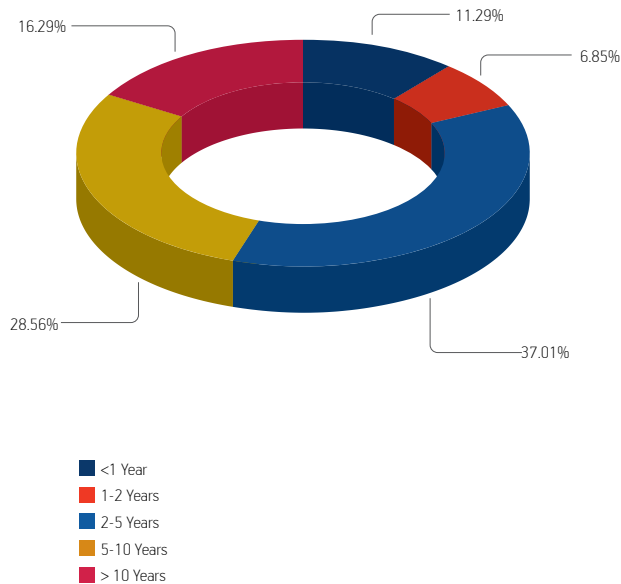
Sector Allocation - Listed Equity

General Fund as at 31.12.2020



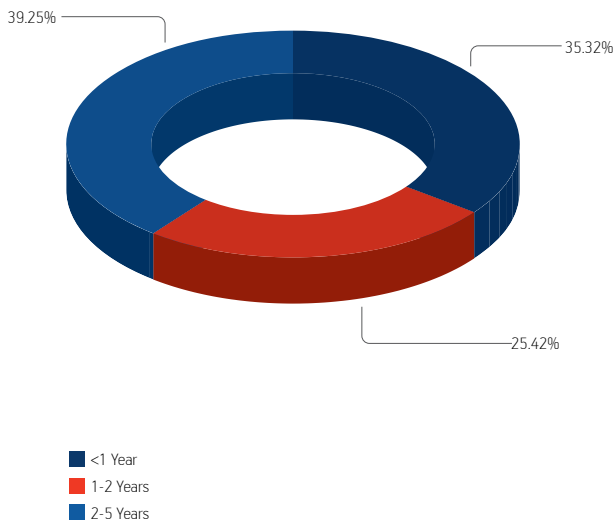
Maturity Profile

Life Fund as at 31.12.2020



Maturity Profile

General Fund as at 31.12.2020



Liquidity Risk

Losses that may need to be incurred in the process of purchasing or selling investment assets can be categorized under liquidity risk. SLIC addresses liquidity needs of funds by investing the major portion of its' funds in highly liquid assets such as Treasury Bonds.

The Life Fund and General Fund have contrasting liquidity needs and investment horizons. Hence structuring maturity profiles to suit liquidity needs of the respective funds is given due attention at SLIC. Internally developed stringent thresholds on investment concentration limits investments in illiquid instruments help mitigate liquidity risk.

Credit Risk

Losses that may arise due to non-settlement of interest and/or capital is termed Credit Risk. The robust criteria adopted by SLIC in selecting amongst investment options mitigates this risk. Credit risk in investments are monitored and managed rigorously in order to ensure the investment asset quality is maintained at high standards, with a view of avoiding exposure to high risk segments particularly during times of uncertainty.

Concentration Risk

The risk of portfolios not being sufficiently fragmented can over expose the portfolio to unwarranted risks when uncertainties are high. If the portfolio is highly concentrated, under-performance in those particular segments can have a significant drag on the entire portfolio. Investments are diversified at SLIC in order to minimize concentration risk.

Operational Risk

Operational risk entails the risk of incurring losses due to lapses in operating procedures, including human error and fraud. Segregation of duties, dual controls, robust policies and manuals along with regular audits are carried out to minimize operational risk.

Risk Management Report Contd.

ICT RISK MANAGEMENT



Once these risks are identified they are measured in degrees of importance and risk mitigation strategies are devised to mitigate them. The ICT risks are monitored regularly by means of vulnerability assessments carried out by internal (ICT System Security Team) and external parties (Information System Auditors). These vulnerability assessments result in reports which are then used to rectify shortcomings leading to a more secure ICT services deployment.

Cyber Security Risk Management

“Cybersecurity threats are on the surge impacting on the financial sector as a whole, including the insurance sector mainly in three areas: loss of confidential data, disruption of business and reputational damage.”

Cyber Risk Areas	Root Cause	Inherent Risk Level	Risk Mitigating Strategies	Residual Risk Level
Malware	◆ Lapses in Anti-malware Programmes.	High	◆ ICT security vulnerability assessments ◆ Monitoring by ICT System Security Team. ◆ ICT System Security Team has identified many areas for improvement of cyber security defenses. ◆ The firewalls have been upgraded and are providing higher levels of enablement in stopping cyber-attacks at the network perimeter.	Medium
Zero Day Exploits	◆ Taking advantage of an overlooked security parameter.			
SQL Injection	◆ Firewalls not being upgraded			
Ransomware	◆ Malicious code delivered to the system – clicking a link.			
Drive-by Attack	◆ Downloading programmes or executable from unrecognized vendors			
Trojan Viruses				

New Actions to Mitigate Cyber Risk

- ◆ Redesigning the network architecture using a layered approach to be in a better position to mitigate emerging cyber security threats.
- ◆ Upgrading the endpoint and server antivirus systems to be more behaviour aware and to mitigate zero-day types of malicious cyber-attacks.
- ◆ Introducing a Security Incident and Event Management system using multiple sources of hardware logs, packets and flows to identify behaviour based attacks before they do significant damage to data and ICT systems and to generate alerts for the cyber defense team to respond to these alerts.
- ◆ Setting up a Cyber Security Operations Center using Security Orchestration Automation and response techniques to be in a position to respond more effectively to cyber security attacks.

MANAGING FRAUD AND MISCONDUCTS

Managing/mitigating risk of fraud and misconduct is a challenge for any organization and at SLIC significant initiatives have been implemented that can safeguard both market confidence and public trust. In 2018 SLIC introduced Fraud Management Policy which established the framework for the detection and prevention of fraud, misappropriations, and other irregularities of SLIC. The Fraud Management Policy is established to facilitate the development of controls that will aid in the detection and prevention of fraud against the Company and its staff. It is the intent of SLIC to promote consistent organizational behavior by providing guidelines and assigning responsibilities for the development of controls and conduct of investigations and regular reviews.

Fraud Risk Areas Covered by Internal Audit	Root Cause	Inherent Risk Level	Risk Mitigating Strategies	Residual Risk Level
Agents	◆ Possible control gaps and opportunity to exploit such weaknesses.	High	<ul style="list-style-type: none"> ◆ Highly qualified and experienced staff and creating robust understanding of risks and controls. ◆ Misappropriations by agents are addressed as part of the customer complaints management ◆ Annual Audit Plan covers all high risk areas such as claim payments, commission and Incentive payments and other management expenses ◆ Design, implement, and evaluate ethics and compliance programmes and related antifraud programmes and controls. ◆ All findings on misconduct and fraud pertaining to branches are reviewed and respective actions are being taken by the audit follow up committee. ◆ Comprehensive system audit function relating to insurance and other systems was designed and implemented ◆ Loss events reported on a quarterly basis have been informed to the enterprise Risk Management Department to take appropriate actions and to incorporate risk mitigation actions. ◆ Disciplinary action is taken against employees found to be guilty of fraudulent activities 	Low
Customers				
Employees				
Suppliers				
ICT				
Projects				
Investments				

The SLIC Enterprise Risk Management function's one objective is to mitigate the risk by designing and implementing an overall risk management process, which includes an analysis of the financial impact on the Company when risks occur, performing a risk assessment, evaluations, and reporting to the Risk Management Committee. In line with the regulatory guidelines, regulatory enforcement has been increased and scrutiny has been enhanced to mitigate the risk of fraud and misconduct at SLIC. All three departments report to the Board Audit and Risk Management Committees.

Risk Management Report Contd.

HUMAN RESOURCE RISK (HR RISK)

Human Resource is considered to be the most precious asset in any organization and it is one of the main contributory factors for an organization to maintain its competitive edge. The success of any organization largely depends on the quality and performance of its employees. Therefore, the management of the human resource of any organization is extremely important and can generate high risk for the business. Further, the higher the value of the human resource, a higher risk is posed.

If risk is not properly managed, it can impede the business growth of any organization. Hence, it is important to assess and identify all the potential risks and then take counter measures to minimize or eliminate the risks in the business. A proper assessment will show that there are many ways to address those Human Resource related risk elements in an organization.

These risks can be at different levels such as high, medium and low and it can be internal or external. Hence it is extremely important that HR Risk prevention strategies are incorporated into the corporate business strategy of the organization.

Key HR Risk Areas

HR Risk Area	Root Cause	Inherent Risk Level	Risk Mitigating Strategies	Residual Risk Level
Recruitment	Inability of the organization to get on Board the right candidate at the right time who has the necessary knowledge, skills and experience required by the business.	High Risk	Recruitment policy which stipulates that the recruitment process should be fair, unbiased and transparent, giving equal opportunity irrespective of ethnicity, gender, political affiliations or demographic area and selection is purely on merit of a candidate to fulfill the job requirement.	Low Risk
			Excess recruitment can lead to an unnecessary financial burden and a risk to the business. In order to eliminate this risk, the cadre requirement for the next 3 years have been identified through proper analysis and all recruitments will be done as per this cadre requirement.	
			Outsourcing of manpower requirements for non-core areas related to insurance business and confine recruitment of new staff only for core business	
Training and Development	Lapses in the T&D process will be a big risk which will hamper the ability to enhance the quality of its human capital to drive business growth while maintaining the competitive edge in a highly competitive industry.	High Risk	T&D process which will ensure each and every employee receives necessary training to enhance their own performance which will improve the productivity of the overall operation while supporting them realize their career aspirations	Low Risk
			The required trainings are identified through a thorough training need analysis from which the training calendar is developed. This will ensure the right employees will get the right training at the right time.	

HR Risk Area	Root Cause	Inherent Risk Level	Risk Mitigating Strategies	Residual Risk Level
Performance Management	Non Availability of a clear process to map individual performance in line with the organization to achieve its goals.	High Risk	<p>Performance Appraisal System (PAS) through which goals for individual employees are set in alignment to the departmental KPIs are set to drive the organizational goals.</p> <p>Set at the beginning of each year and agreed with the respective line manager, the performance of individuals is measured in the PM process through periodic self-assessments and midyear review with the respective Line Manager.</p> <p>The final performance rating at the end of the year will link to tangible benefits for the individuals which motivates to drive performance.</p>	Medium Risk
Trade Unions Activities	Non Harmony of objectives	High Risk	<p>Effective communication between management and the employees of an organization. Management clearly and timely communicates to the employees on the business strategy, management decisions, any changes on policies and procedures etc. while the employees should be able to give honest and vital feedback, suggestions and ideas to the management to grow the business.</p> <p>Make the employees feel that they are also part of the decision making process and enhance their engagement which will support to drive the business strategy forward. Trade Unions being given the opportunity to actively participate in the Company decision making process</p> <p>Conduct outbound trainings, leadership development trainings and workshops on Trade Union rights and responsibilities to align them with the Company's business strategy.</p>	Medium Risk
Large number of personal files in the HR department	Document management	High Risk	<p>Initiatives have been taken to introduce a document management system, where the documents in all personal files will be properly categorized, scanned and then saved as soft copies. Hence by using digital technology it could be possible to store all the documents in a safe and secure manner taking minimum storage space while facilitating fast access when required to act promptly on requirements of employees</p>	Low Risk

Risk Management Report Contd.

OTHER KEY INITIATIVES TO MITIGATE HR RISKS

◆ “Bee News”

Further as a vital component of our communication strategy, a quarterly corporate news letter “Bee News” has been introduced. The Bee News reaches all the employees of SLIC including those who are in our branches across the country. The purpose of this initiative is to disseminate information related to routine operations and employees and align everyone towards the Company’s strategic direction. We have also conducted a suggestions week during the year, where employees were requested to submit suggestions towards organizational development through WhatsApp for which we received a very good response. These were utilized for the Company’s strategic planning process.

◆ HR policies and procedures

Several vital HR policies and procedures have also been developed during the last four years. This has been done with constant feedback from all employees. This will support and maintain transparency in all our activities and ensure free and fair treatment to all the employees. These policies are shared with all the employees and is available in the intranet.

◆ Work/life balance

Ensuring a good Work/life balance for all employees is another factor that help to mitigate HR Risks. “Happy employees will make happy customers” and hence have launched many employee engagement activities in view of balancing the body and mind of employees such as yoga class, gymnasium facilities etc.

Further, some religious activities representing religions and sport activities have been conducted periodically across all regions. Availability of a good library is another important aspect that will help to improve spiritual wellbeing of employees and currently we have a library which has more than 3000 books on various subjects for the use of our employees.

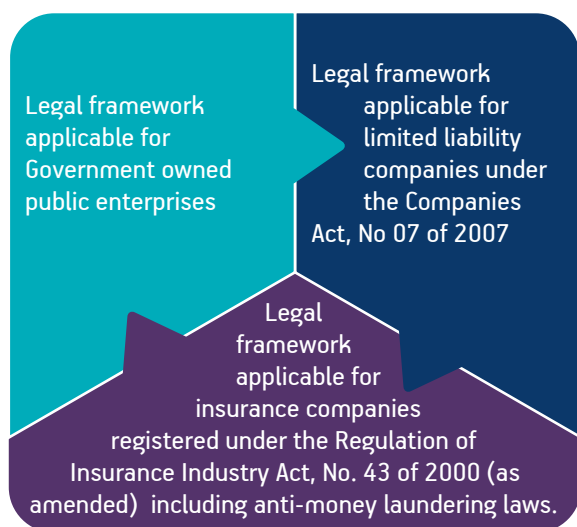
All the above activities have been successfully implemented and have immensely contributed to mitigate HR Risk thus far and will support to obtain the highest level of commitment and contribution from the most precious asset of our organization to grow our business while maintaining a competitive edge over our competitors in the industry.

Compliance Report

For insurance providers, transparency is key which requires stringent adherence to the compliance requirements and at SLIC, we have woven the compliance needs into the daily business practices. The speed and sheer breadth of regulatory change has become a continuous challenge for insurance companies and especially the new financial reporting standard IFRS 17 will certainly represent the most noteworthy change to insurance accounting requirements in over 20 years.

SLIC being a Government owned entity is subject to panoply of laws, rules and regulations applicable for limited liability companies, insurance companies and state-owned companies.

The following graph depicts the legal framework applicable to the Company:



We are committed to complying with all the relevant legislation and therefore, a formal compliance framework for identifying, monitoring, reporting on and ensuring compliance has been developed and practiced. The compliance mandate sets out for the establishment and operation of a corporate compliance function headed by the Chief Compliance Officer for this purpose. The Chief Compliance Officer reports to the 'Audit & Compliance Committee', 'Risk Management Committee' and to the Board on a regular basis. The Board approved 'Compliance Policy' of the Company sets out the guiding principles, key elements, and procedures designed to achieve the objective of the compliance function of the Company. Executive Committee of the Company helps to translate the "tone at the top" to a healthy "mood in the middle" by ensuring that compliance with laws, rules and regulations are adopted across the board.

'Compliance Risk' is defined as the risk or damage to SLIC's integrity as a result of failure to comply with relevant laws, regulations, internal policies, procedures and principles as otherwise the failure to effectively manage compliance risk could expose SLIC to fines, civil and criminal penalties etc. The compliance risk assessment has been mainly focused on regulatory related matters, though during the year under review initiatives were taken to expand the scope to assess the risk pertaining to non-compliance, which includes strengthening the anti-money laundering framework and having new policies such as Data Classification Policy and Outsourcing Policy. The business principles of SLIC require all staff at every level to conduct themselves, not only in compliance with the laws and regulations but also acting with integrity and being accountable. SLIC understands that good compliance risk management involves delivering the expectation of customers and other stakeholders.

The Board of Directors of the Company is responsible for setting the compliance risk appetite by balancing mandatory (regulations and industry codes etc.) and discretionary (business strategy and objectives and corporate policies etc.) risk. Effective compliance risk management is a collaborative process that pulls together and leverages all diverse control functions within the organization such as risk management, internal control, legal and human resources.

The Company's Compliance Department has identified the divisions responsible to the applicable laws, rules and regulations and implements a collaborative process in meeting compliance requirements. As a proactive measure, the Compliance Department guides the management on anticipated regulations of the future, since a proactive business process management solution provides the Company with the tools necessary to address new regulations cost-effectively.

It is the policy of the Company to prohibit and actively pursue the prevention of money laundering and any activity that facilitates money laundering or the funding of terrorist activities. SLIC is committed to AML compliance in accordance with applicable laws and requires its management, staff, and appointed agents to adhere to these standards in preventing the use of its products and services for money laundering purposes. SLIC also has internally developed an e-learning module to give the members of the staff a thorough understanding of what money laundering is, how it's done, and the steps that can be taken to help preventing it. At the end of the process, employees have to sit an exam and qualify for which an allocation of 5% is made in the performance appraisal.

Compliance Report Contd.

We have a whistleblowing policy and the Compliance Officer is the Whistleblowing Officer and ensures that the policy is implemented within the Company. "Code of Business Conduct & Ethics for Directors, Key Management Personnel and all other Employees" is designed to ensure that the organizational members are in line with the set out principles, rules, values, standards, as well as legal compliance when engaging in business.

The Compliance Department also conducts department-wise training and educates the senior management by way of 'compliance tips' through internal communication platforms. The Company is working on enhancing its information technology infrastructure which will, in the future, facilitate the utilization of skilled compliance capital to focus on compliance management more efficiently.

In the area of compliance risk, four lines of the defense model are adopted: the actual risk owners identified as the risk partners of the respective departments act as the first line of defense; the Risk Management Committee and the Audit and Compliance Committee act as the second line of defense; internal audit acts as a third line of defense for the "money laundering" function; the regulator, i.e., the Insurance Regulatory Commission of Sri Lanka (IRCSL) and the External Auditors (Circular No. 29, dated, 23rd August 2010) act as the fourth line of defense. To ensure that the compliance risk agenda is not secondary to the audit agenda, the Compliance Department reports to both the Audit & Compliance Committee and the Risk Management Committee.

The likelihood of compliance risk has been minimized by ensuring that the following are in place: integrating monitoring of compliance and risk management; supporting open and transparent reporting; and building relationships with the stakeholders. In a bid to further strengthen the compliance framework in term of ethics and best practices, the compliance issues and incidents are escalated to the Board and Sub-Committees in order to take both corrective and preventive actions.

Amidst the prevalent COVID-19 environment, we are attentive of the need to remain aware of financial crimes and the importance of taking cyber resilience measures. Cybercrime, including theft of identity, compromise of email addresses and websites, and distributed denial of service ransomware attacks, is progressively existing globally. We are mindful of the need to manage emerging compliance risks such as data protection and inadvertent financing of terrorism.

During the year under review, the Company complied with all statutory requirements, rules and regulations as tabulated below, subject to the disclosures in the External Auditor's Report and Notes to the Financial Statements.

SRI LANKA INSURANCE CORPORATION LTD

Regulatory and Statutory Compliance - Submission of Returns and Payments to Regulatory / Monitoring Authorities
Compliance Report for the period from 1st January 2020 to 31st December 2020

Regulatory / Statutory Requirement	Frequency of Submission of Return / Payment	Due Date of Submission / Payment	Executed Date	Compliance and Remarks
Regulatory / Statutory returns / payments fall due in the period				
INSURANCE REGULATORY COMMISSION OF SRI LANKA				
Quarterly Returns to IRCSL as stipulated under Section 49 (b) of RII Act				
Revised Quarterly Returns to IRCSL as stipulated under Sec 49 (b) of RII Act with effect from 1 st April 2012 (49 Formats)				
Determination Formats	Quarterly within 45 days of end of quarter	4th QR (19)- 15th February	14.02.2020	
		1st QR (20) -15th May	15.05.2020	
		2nd QR (20) -15th August	14.08.2020	
		3rd QR (20) -15th November	14.11.2020	
Risk Based Capital (Formats) - General	Quarterly within 45 days of end of quarter	4th QR (19)- 15th February	14.02.2020	
		1st QR (20) -15th May	15.05.2020	
		2nd QR (20) -15th August	14.08.2020	
		3rd QR (20) -15th November	14.11.2020	
Risk Based Capital (Formats) - Life	Quarterly Within 45 days of End of quarter	4th QR (19)- 15th February	14.02.2020	
		1st QR (20) -15th May	15.05.2020	
		2nd QR (20) -15th August	14.08.2020	
		3rd QR (20) -15th November	14.11.2020	
Balance Sheet and Profit Loss Account (Formats)	Quarterly	4th QR (19)- 15th February	14.02.2020	
		Within 45 days of		
		End of quarter		
Quarterly Certification by CEO & CFO & Principal Officer under the IRCSL circular 12 (Certification A)	Quarterly within 45 days end of the quarter	4th QR (19)- 15th February	14.02.2020	
		1st QR (20) -15th May	15.05.2020	
		2nd QR (20) -15th August	14.08.2020	
		3rd QR (20) -15th November	14.11.2020	
Quarterly Certification by CEO & CFO & Principal Officer under the IRCSL circular 12 (Certification B)	Quarterly within 45 days end of the quarter	4th QR (19)- 15th February	14.02.2020	
		1st QR (20) -15th May	15.05.2020	
		2nd QR (20) -15th August	14.08.2020	
		3rd QR (20) -15th November	14.11.2020	
FURTHER RETURNS				
1) Reinsurance Treaty Cover Notes	Annually	before 15th March in subsequent year	13.03.2020	
2) Reinsurance Risk Transfer Programme (year 2020)	Annually	on or before 31/01/2020	31.01.2020	
3) Facultative Arrangement	Quarterly	4th QR (19)- 15th February	14.02.2020	
		1st QR (20) -15th May	15.05.2020	
		2nd QR (20) -15th August	14.08.2020	
		3rd QR (20) -15th November	14.11.2020	

Compliance Report Contd.

Regulatory / Statutory Requirement	Frequency of Submission of Return / Payment	Due Date of Submission / Payment	Executed Date	Compliance and Remarks
Annual Filing under the Regulation of Insurance Industry Act No.43 of 2000				
Risk Based Capital (Formats) - General	Annually	2019 year end - 30th April 2020	31.05.2020	IRCSL extended the deadline to 31/05/2020
Risk Based Capital (Formats) - Life	Annually	2019 year end - 30th April 2020	31.05.2020	IRCSL extended the deadline to 31/05/2020
Determination Formats				
1. Long Term Insurance Fund Corporate Debts	Annually	2019 year end - 30th April 2020	31.05.2020	IRCSL extended the deadline to 31/05/2020
2. Form BR-IN – Breakup of Investments (AR) - Long Term Insurance Fund				
3. Form BR-IN – Breakup of Investments (AR) - Technical Reserve				
4. Technical Reserve Corporate Debts				
Balance Sheet and Profit Loss Account (Formats)	Annually	2019 year end - 30th April 2020	31.05.2020	IRCSL extended the deadline to 31/05/2020
Actuarial Report & Abstract	Annually	2019 year end - 30th April 2020	31.05.2020	IRCSL extended the deadline to 31/05/2020
OTHER FORMATS				
1. Risk Assessment Report	Annually	2019 year end - 30th April 2020	30.04.2020	IRCSL extended the deadline to 31/05/2020
2. Statement of Responsibility of Directors	Annually	2019 year end - 30th April 2020	31.05.2020	IRCSL extended the deadline to 31/05/2020
3. Long Term Insurance Business - Certification with regard to compliance with the provisions of the Act by the insurer	Annually	2019 year end - 30th April 2020	31.05.2020	IRCSL extended the deadline to 31/05/2020
4. General Insurance Business - Certification with regard to compliance with the provisions of the Act by the insurer	Annually	2019 year end - 30th April 2020	31.05.2020	IRCSL extended the deadline to 31/05/2020
5. Annual Report of the Company	Annually	2019 year end - 30th April 2020	29.06.2020	Due to the delay in the finalization of Group Audit

Regulatory / Statutory Requirement	Frequency of Submission of Return / Payment	Due Date of Submission / Payment	Executed Date	Compliance and Remarks
6. Auditors Report on factual findings on Circular 29 of IRCSL	Annually	2019 year end - 30th April 2020	29.06.2020	Due to the delay in the finalization of Group Audit
7. Management Letter	Annually	2019 year end - 30th April 2020	02.09.2020	
8. Compliance Certification A - Long Term Insurance Business Compliance Certification A -General Insurance Business	Annually	2019 year end - 30th April 2020	31.05.2020	IRCSL extended the deadline to 31/05/2020
9. Compliance Certification B	Annually	2019 year end - 30th April 2020	31.05.2020	

PAYMENTS

Cess Life 0.2%, General 0.4% of Net Premium	Quarterly	4th QR (19) - 31st January	31.01.2020	
		1st QR (20) -30th April	30.04.2020	
		2nd QR (20)-31st July	31.07.2020	
		3rd QR (20)-31st October	30.10.2020	
Annual Fees	Annually	One month after the Audited Accounts or before 31st July of the following year	09.07.2020 -Life	
		Accounts on or before 31st July of the following month	09.07.2020 -General	

INLAND REVENUE DEPARTMENT

RETURNS

VAT returns	Quarterly	4th QR (19) - 31st January	31.01.2020	
		1st QR (20) - 31st December 2020	28.12.2020	
		2nd QR (20)-31st July	31.07.2020	
		3rd QR (20)-31st October	31.10.2020	
Stamp Duty	Quarterly	4th QR (19) - 15th January	14.01.2020	
		1st QR (20) - 15th April	15.07.2020	IRD extended the deadline to 15.07.2020 due to current situation directly resulting from COVID -19.
		2nd QR (20) - 15th July	15.07.2020	
Economics Service Charge	Annually	2019 -20th April 2020	20.04.2020	
PAYE Return	Annually	2019 -30 th April 2019	30.04.2020	
Crop Insurance Levy	Quarterly	3rd QR(19) -30th January	30.01.2020	
		4th QR(19) -30th April	30.04.2020	
		1st QR(19) -30th July	30.07.2020	
		Final(19)-30th September	09.10.2020	
		2nd QR(20) -30th October	29.10.2020	

Compliance Report Contd.

Regulatory / Statutory Requirement	Frequency of Submission of Return / Payment	Due Date of Submission / Payment	Executed Date	Compliance and Remarks
PAYMENTS				
VAT	Monthly	20th of the following month	paid on due date	
PAYE Tax	Monthly	15th of the following month	paid on due date	
Economics Service Charge	Quarterly	3rd QR (19) - 20th January	20.01.2020	
		Abolished w.e.f. 01.01.2020	-	
		Abolished w.e.f. 01.01.2020	-	
		Abolished w.e.f. 01.01.2020	-	
Income Tax	Quarterly	on or before 15th February	14.02.2020	
		on or before 15th May	15.05.2020	
		on or before 15th August	14.08.2020	
		on or before 30th September	30.09.2020	
		on or before 15th November	13.11.2020	
Stamp Duty	Quarterly	4th QR (19) - 15th January	14.01.2020	
		1st QR (20) - 15th April	30.04.2020	IRD extended the deadline to 30.04.2020 due to current situation directly resulting from COVID -19
		2nd QR (20) - 15th July	15.07.2020	
		3rd QR (20) - 15th October	15.10.2020	
Crop Insurance Levy	Quarterly	3rd QR(19) -30th January	30.01.2020	
		4th QR(19) -30th April	30.04.2020	
		1st QR(20) -30th July	30.07.2020	
		Final(20)-30th September	09.10.2020	
		3rd QR(20) -30th October	29.10.2020	
Withholding Tax	Monthly	Abolished w.e.f. 01.01.2020		

Regulatory / Statutory Requirement	Frequency of Submission of Return / Payment	Due Date of Submission / Payment	Executed Date	Compliance and Remarks
CENTRAL BANK OF SRI LANKA				
EPF Returns	Bi-Annually	31st January & 31st July	31.01.2020 31.07.2020	
AML (Anti-Money Laundering) Returns				
1. Cash Transaction Report	Monthly within two days Monthly	15th day of the following month within two days	Submitted on due date	
2. Suspicious Transaction Reports			-	
EPF Contribution		one day before the last working day of the following month	executed on due dates	
Employees Trust Fund Board				
ETF Returns	Bi-Annually	31st January & 31st July	31.01.2020 31.07.2020	
ETF Contribution	Monthly	one day before the last working day of the following month	executed on due dates	
Registrar of Motor Vehicles				
Payment - Luxury & Semi Luxury Tax	Monthly	15th of the following month	Paid on due dates	
Registrar of Companies				
Registration of Financial Statements	Annually	Within 20 working days after the Financial Statements of the Company	08.07.2020	
Ministry of Transport				
Payment - Road safety fund	Monthly	15th of the following month	paid on due dates	
Municipal /Urban Council				
Payment - Rates & Tax	Annually	Before 31st January of the current year(for the rebate)	31.01.2020	
National Insurance Trust Fund				
Payment - SRCC & Terrorism Fund	Monthly	Within 45 days from end of the month	Paid on due dates	
Commissioner for Workmen's Compensation				
Renewal of License - Workmen's Compensation Insurance	Annually	Before 30th May	07.07.2020	Delay in execution due to current situation directly resulting from COVID -19

Statement of Internal Control

The Board provides the eventual oversight and direction for the internal controls and risk management, to ensure that a sound system of internal controls is in place. The Board keeps abreast with the developments in the areas of risk and governance to ensure its effectiveness in safeguarding stakeholders' interests.

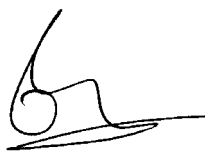
The Board of Directors of the Company recognizes that sound internal controls and risk management practices are integral part of the Company's overall risk management framework. The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failures to achieve expected results and strategic objectives. In order to achieve this objective, the Board has established five main Board Sub-Committees and a well-defined organizational structure which clearly articulates the lines of accountability and delegated authority. The five Board Sub-Committees are Audit & Compliance Committee (ACC), Risk Management Committee, Human Resources Committee, Investment Committee and Strategic Review Committee. Main committees are governed by Board approved Charters and function in compliance with the basic principles of good governance.

The Audit & Compliance Committee plays a strategic role in assisting the Board to achieve its oversight responsibilities in areas such as financial reporting, internal control systems, risk management systems and the internal and external audit functions. The Internal Audit Department verifies compliance of operations with policies and procedures and the adequacy and effectiveness of the internal control systems, and highlights significant findings in respect of any non-compliances. Audits are carried out on all units and branches, the frequency of which are determined by the level of risk assessed to provide an independent and objective report on operational and management activities of these units and branches. The annual audit plan is reviewed and approved by the Audit Committee and the findings of the audits are submitted to the Audit Committee for review at their periodic meetings. A special Sub-Committee has been established to discuss the findings of the branch audits.

Internal control over financial reporting is vital to the governance of the organization. ACC's main responsibility pertaining to internal control is the internal control over financial reporting. In addition, whereas the management is responsible to establish and maintain an effective system of internal control, the ACC is responsible to oversee these controls and to review the effectiveness of the system as a whole. The performance of the system of internal control is assessed through ongoing monitoring activities, separate evaluations such as internal audit, and procedures for monitoring the appropriateness and effectiveness of the identified controls are embedded within the normal operations of the organisation.

A robust compliance management system that is integrated into the overall risk management strategy of the institution is in place, as more fully described in the compliance risk management chapter. Compliance programme encompasses legal requirements to adhere being a limited liability Company governed by the Companies Act, No. 07 of 2007, an insurance Company registered under the Regulation of Insurance Industry Act No. 43 of 2000 (as amended) and the legal framework applicable for state owned limited liability companies. In order to mitigate the vicious consequences on the integrity and stability of the operational framework, we have implemented a robust anti-money laundering framework which encompasses screening of customers with the designated database, due diligence of customers, the e-learning module which form a part of the performance appraisal of the employees, annual internal audit and AML risk assessment.

The Board has delegated risk management function to a separate Risk Committee which focuses on the Company's most critical risks and risk management capabilities. Directors are satisfied that the risk management policies and procedures designed and implemented by the Company are consistent with the Company's strategy and risk appetite while fostering an enterprise-wide culture that supports appropriate risk awareness. Risk department makes representations to the Board appointed sub-committees; namely, Risk Management Committee and Investment Committee and also to several management committees; namely, Executive Committee, Audit Follow up committee and Product Development Committee etc. Accordingly, ERM provides independent opinion from a risk perspective which enables the management and Board to make informed decisions considering the risk impact.



Jagath Wellawatta
Chairman

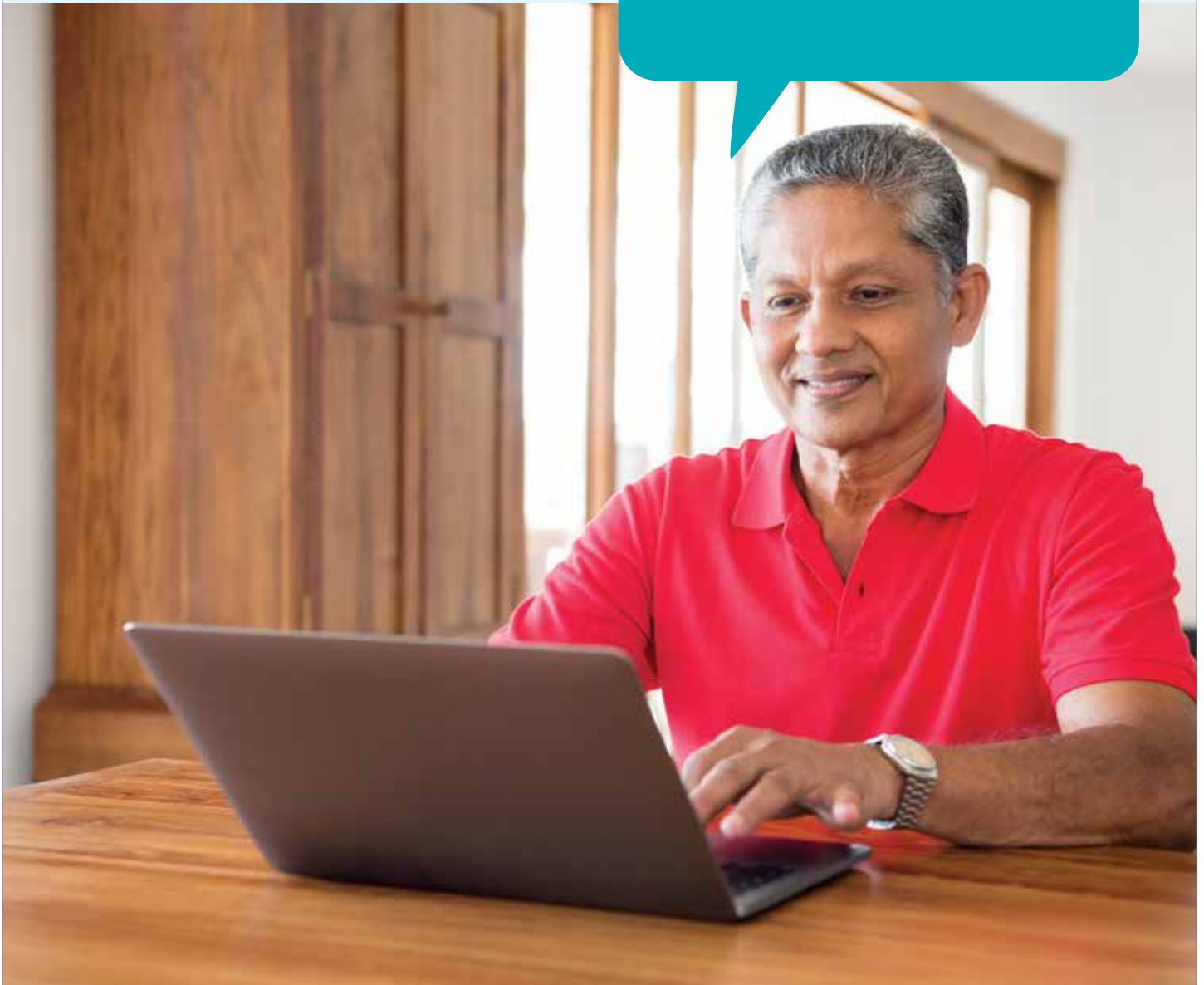


K. A. Vimalenthirarajah
Chairman-Audit and Compliance Committee
3rd June 2021

FINANCIAL INFORMATION

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“ Inclusive insurance means that I get to live my best years with safety and security”



Annual Report of the Board of Directors of the Company

GENERAL

The Board of Directors of the Company has pleasure in presenting their Annual Report to the shareholders together with the audited financial statements for the year ended 31st December 2020 of the Company and the Group and the Auditor's Report on those financial statements confirming the requirements of the Companies Act No. 07 of 2007 (as amended), Regulation of Insurance Industry Act No. 43 of 2000 (as amended) and Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995 and amendments made thereon and best practices of corporate governance.

As at 31st December 2020, 99.97% shares are vested with the Secretary to the Treasury on behalf of the Government of Sri Lanka.

Litro Gas Terminal Lanka (Pvt) Ltd, Canowin Hotels and Spas (Pvt) Ltd and Management Services Rakshana (Pvt) Ltd are fully owned subsidiaries of the Company. The Company has 99.94% shareholding of Litro Gas Lanka Ltd and 51.34% shareholding of The Lanka Hospitals Corporation PLC. In addition, the Company also has 45.95% shareholding of Canwill Holdings (Pvt) Ltd.

The registered office and the head office of the Company is at "Rakshana Mandiraya", No. 21, Vauxhall Street, Colombo 02.

This Report was approved by the Board of Directors on 19th May 2021.

PRINCIPAL ACTIVITIES OF THE COMPANY & THE GROUP

The Company underwrites life and non-life insurance (general insurance) business in Sri Lanka. There were no major changes to the principal activities of the Company during the year under review.

The principal activity of Litro Gas Terminal Lanka (Pvt) Ltd is storage of Liquid Petroleum Gas (LPG) and Litro Gas Lanka Ltd provides the importation and distribution of LPG in domestic, commercial and bulk form. The Lanka Hospitals Corporation PLC provides health-care services. Management Services Rakshana (Pvt) Ltd provides the payroll management. Primary business of Canwill Holdings (Pvt) Ltd is to manage/invest in hotel projects. Canowin Hotels and Spas (Pvt) Ltd primarily owns and manages the outlets of Southern Expressway.

DIRECTORS' RESPONSIBILITY FOR FINANCIAL REPORTING

The Directors are responsible for preparation and presentation of financial statements of the Company and the Group to reflect true and fair view of its affairs. The Directors' responsibilities include designing, implementing, maintaining internal controls relevant to the preparation and fair presentation of the financial statements that are free from material misstatements whether due to fraud or error, selecting and adopting accounting policies and making accounting estimates that are reasonable in the circumstances.

The Directors are of the view that the Statement of Financial Position, Statement of Profit or Loss and Other Comprehensive Income, Statement of Changes in Equity, Cash Flow Statement, Significant Accounting Policies and notes thereto in the Annual Report have been prepared in conformity with the Sri Lanka Financial Reporting Standards and Lanka Accounting Standards, Regulation of Insurance Industry Act No. 43 of 2000 (as amended) and Companies Act No. 07 of 2007 (as amended).

FINANCIAL STATEMENTS AND AUDITOR'S REPORT

The financial statements for the year ended 31st December 2020 are prepared based on the Sri Lanka Financial Reporting Standards and Lanka Accounting Standards issued by the Institute of Chartered Accountants of Sri Lanka. The financial statements of the Group and the Company signed by the Chief Financial Officer and the Directors are given in the Annual Report. These financial statements and notes give a true and fair view of the Company's financial position as at 31st December 2020 and of its performance for the year ended on that date.

AUDITOR'S REPORT

The Auditor General was appointed as the External Auditor in terms of Article 154 (1) of the Constitution of the Democratic Socialist Republic of Sri Lanka. Messrs BDO Partners, a firm of Chartered Accountants, has been appointed by the Auditor General as the qualified auditor to assist the Auditor General in the annual audit of the financial statements of the Company for the year ended 31st December 2020, in terms of Article 154 (4) of the Constitution of the Democratic Socialist Republic of Sri Lanka.

The Auditor's report on financial statements which form an integral part of the report of the Board of Directors is given in the Annual Report.

FEES ON AUDIT AND OTHER RELATED SERVICES

The amount paid as audit fees during the year under review and the amount paid as other related services are given below. The Directors are aware that the auditors do not have any relationship interest in the Company other than those disclosed in this paragraph.

	2020	2019
	Rs. '000	Rs. '000
Statutory Audit Fees	5,602	7,771
Non-Audit Related Services	-	13,390

ACCOUNTING POLICIES

The significant accounting policies adopted in preparation of these financial statements are given in the annual report.

RISK MANAGEMENT AND INTERNAL CONTROL SYSTEMS

The Board of Directors of the Company has implemented and oversees the risk management function of the Company.

The Company has implemented sound internal control policies and procedures and such policies and procedures are monitored by the Internal Audit Department of the Company. Audit and Compliance Committee oversees the internal control function of the Company.

The Board is satisfied with the effectiveness of the internal control and risk management function of the Company for the year under review.

GOING CONCERN

The Board of Directors is satisfied that the Company and the group have adequate resources to continue its operations in the foreseeable future by considering the financial position, performance, cash flows and regulatory and statutory factors. Accordingly, going concern basis was adopted in preparing the financial statements.

THE COMPANY'S RESPONSE TO THE COVID-19 PANDEMIC

The COVID-19 pandemic continues to have a substantial impact on business and the wider economy across the globe. As the broader economy recuperates and reacts to the pandemic, insurers will encounter a number of challenges but also see many new opportunities in the medium to long term. The impact on general insurers will differ based on the products and types of coverage offered by the insurers. The pandemic has taken a toll on new premium on certain lines of business, such as travel and losses from these lines of business may become noteworthy, while other lines of business such as motor and home have remained comparatively steady. For life insurance, in addition to the expectation of lower new business volumes together with increased lapses, there has been a significant drop in market values and interest rates globally.

We have been continuing our business operations to the maximum possible level during the COVID pandemic period, adopting both working from home option and working physically reporting to the Company while adhering to the highest standards of health guidelines ensuring the protection and wellbeing of our customers and staff members. We have capitalized on digital platforms to ensure smooth operations to deliver business objectives timely.

TURN OVER / GROSS WRITTEN PREMIUM (GWP)

The total turnover of the Company recorded Rs.52,614 million for the year under review and Rs. 48,609 million for the comparative figure (2019). The total GWP, Rs. 39,421 million comprised of life insurance Gross Written Premium of Rs. 19,258 million and non-life insurance

Gross Written Premium of Rs. 20,163 million for the year 2020. The reported value for total Gross Written Premium in 2019 was Rs. 33,794 million out of which life insurance Gross Written Premium was Rs. 14,820 million and non-life insurance Gross Written Premium, Rs. 18,974 million for the last year. A detailed analysis of the total GWP achieved by the Company is given in the financial statements.

FINANCIAL RESULTS AND APPROPRIATIONS

	2020 Rs. '000	2019 Rs. '000
Profit Before Taxation (PBT)	7,971,782	8,205,007
Income Tax Expenses	2,183,248	1,176,052
Profit After Taxation	5,788,533	7,028,955
Other Comprehensive Income	(368,153)	(155,611)
Adjustments	(182)	79,331
Current year profit transfer allocated to Shareholders in the form of AFS	(118,402)	(253,692)
Unappropriated Profit Brought Forward	27,447,385	24,840,496
Realization of Revaluation Reserve on Land Disposal	5,182	-
Profits Available for Appropriation	32,754,362	31,539,479
Dividends Paid	695,693	1,720,720
Surplus attributable to Shareholders from Life Insurance	2,145,273	2,371,377
Unappropriated Profit Carried Forward	29,913,401	27,447,385

DIVIDENDS

The Board of Directors recommends a final dividend of LKR 1.50 per share (totalling LKR 899,614,800), payable in to holders of issued and paid-up ordinary shares of the Company as at the close of business on 30th June 2021.

The Directors have confirmed that the Company satisfies the solvency test requirement under Section 56 of the Companies Act No. 07 of 2007 for the said final dividend declared. The solvency certificates were obtained from the Auditors.

DONATIONS

During the year 2020, the Company made LKR 9.4 million as donations.

PROVISION FOR TAXATION

The tax position of the Company is disclosed in the financial statements.

RESERVES

The movement in reserves during the year is set out in the Statement of the Changes in Equity.

Annual Report of the Board of Directors of the Company Contd.

INSURANCE LIABILITIES & PROVISIONS

The Directors have taken all reasonable steps to ensure adequate provisioning for unearned premium and claims outstanding including provisions for Claims Incurred But Not Reported (IBNR) and Claims Incurred But Not Enough Reported (IBNER) in non-life insurance. The Directors have also consulted an independent Actuary in the process of valuing IBNR and IBNER reserves and his report is given in the Annual Report.

Gratuity liability was also valued by an independent Actuary as required by the LKAS 19 Employee Benefits.

As at the date of this report, the Directors are not aware of any circumstances, which would render inadequate provisions made in the financial statements.

DIRECTORS' AND OFFICERS' INSURANCE

The Directors and Officers are covered by a Directors' and Officers' Liability Insurance Policy, during the year under review.

INVESTMENTS

The amount of investments held by the Company as at 31st December 2020 amounted to Rs 205,746 million (2019 - Rs. 185,185 million). A detailed breakup of the investments held is disclosed in the financial statements.

PROPERTY, PLANT AND EQUIPMENT

The details of Property, Plant and Equipment are given in the Annual Report.

MARKET VALUE OF FREEHOLD PROPERTIES

The Company uses the cost method as the accounting policy for recording Property, Plant and Equipment other than Land and Building. The Company's policy for revaluing the assets is once in every three years. Accordingly, the Land and Buildings were revalued in the financial year 2018 by M/S FM Valuers. Such assets were valued on an open market value for existing use basis. The results of such revaluation were incorporated in the financial statements from its effective date which is 31st December 2018. .

EVENTS OCCURRING AFTER THE REPORTING DATE

There have not been any material events that occurred subsequent to the reporting date which require adjustments to or disclosure in the financial statements, other than disclosed in Notes to the financial statements.

RELATED PARTY TRANSACTIONS

The Related Party transactions as per the Sri Lanka Accounting Standards (LKAS) 24, Related Party Disclosures, which is adopted in the preparation of the financial statements are given in this annual Report.

DIRECTORS' INTEREST IN CONTRACTS WITH THE COMPANY

The Directors' interests in contracts are disclosed in the financial statements. These interests have been duly disclosed at the meeting of Board Directors. Directors do not hold any shareholding of the Company.

DIRECTORS' REMUNERATIONS

The Directors' fees and emoluments paid during the year was Rs. 10.2 million and the figure reported in the last year (2019) was Rs. 5.4 million.

STATED CAPITAL

The Stated Capital of the Company as at 31st December 2020 was Rs. 6,000 million, in compliance with the Companies Act No. 07 of 2007 (as amended). As at 31st December 2020, 99.97% shares were vested with the Secretary to the Treasury on behalf of the Government of Sri Lanka.

STATUTORY PAYMENTS

The Directors to the best of knowledge and belief are satisfied that all statutory payments in relation to the Government, the Insurance Regulatory Commission of Sri Lanka (IRCSL) and in relation to the employees have been made on time.

INTANGIBLE ASSETS

Intangible Assets as at 31st December 2020 have been recorded in the financial statements of the Company.

ENVIRONMENT

The Company operates with the relevant environmental laws and regulations and has not engaged in any harmful activities.

COMPLIANCE WITH LAWS AND REGULATIONS

The Company has complied with all applicable laws and regulations during the financial year as otherwise disclosed in the Independent Auditors' Report. The Compliance Department monitors the compliance functions of the Company and reports to the Audit and Compliance Committee, Risk Management Committee, and the Board of Directors. Further, periodic compliance reports are submitted to the Board.

THE APPROVAL OF THE FINANCIAL STATEMENTS

The audited financial statements, for the period ended 31st December 2020 were approved by the Board of Directors on 27th April 2021.

The Board of Directors as at reporting date is as follows:

Mr. Jagath Wellawatta
Mr. K A Vimalenthirarajah
Mr. Anil Koswatta
Mr. Anil Meegahagedera
Mr. Nishantha Dayananda
Ms. J Surekha Alles
Mr. W.A. Samantha Upananda

(Ms. K D Rosemary Olga resigned from the Board w.e.f 17/08/2020 and Mr. W.A. Samantha Upananda was appointed to the Board w.e.f 24/02/2021)

ANNUAL GENERAL MEETING

The Annual General Meeting will be held virtually as an online audio visual meeting given the prevalent COVID-19 pandemic from the Auditorium of the Company, at its Registered Office at No.21, Vauxhall Street, Colombo 02, on 30th June 2021, at 10.00 a.m.

ACKNOWLEDGEMENT OF THE CONTENTS OF THE REPORT

As required by Section 168 (1) (k) of the Companies Act, No. 07 of 2007 (as amended), the Board of Directors does hereby acknowledge the contents of this report.

By Order of the Board



N G N AGENTS AND SECRETARIES (PRIVATE) LIMITED
Company Secretaries

For Board of Directors



Jagath Wellawatta
Director
3rd June 2021



K A Vimalenthirarajah
Director

Statement of Directors' Responsibility

The responsibilities and obligations of the Directors in relation to the Financial Statements in terms of the Section 150, Section 152 and Section 153 of the Companies Act No. 07 of 2007, are set out in the following statement. The responsibility of the auditors, in relation to the Financial Statements, is set out in the Report of the Auditors in the Annual Report.

In terms of the Companies Act No. 07 of 2007, the Directors of the Company are responsible for ensuring the Financial Statements of the Company give a true and fair view of the state of affairs of the Company as at the Balance Sheet Date and the profit or loss or income and expenditure, as the case may be, of the Company for the accounting period ending on that balance sheet date.

The Directors are required to ensure that the Financial Statements of the Company have been prepared and presented based on the Accounting Standards (SLFRSs and LKASs), the Companies Act No. 07 of 2007, Sri Lanka Accounting and Auditing Standard Act No. 15 of 1995 and the Regulation of Insurance Industry Act No. 43 of 2000, (as amended).

The Directors confirm that appropriate accounting policies have been consistently applied and supported by prudent judgments and estimates in the preparation of Financial Statements. Further, the Directors have reasonable expectations that the Company has adequate resources to continue in operational existence for the foreseeable future, and therefore has continued to adopt the going concern basis in preparing the financial Statements.

In addition, the Board of Directors also wishes to confirm that, as required by the Sections 166 (1) and 167 (1) of the Companies Act, they have prepared this Annual Report on time and ensured that a copy thereof is sent to every shareholder of the Company, who have expressed a desire to receive a hard copy of the Annual Report within the stipulated period of time.

The Directors confirm that to the best of their knowledge all taxes, statutory levies and financial obligations payable by the Company and all contributions and taxes payable on behalf of employees of the Company and all other known statutory dues, as at the Balance Sheet date, have been paid or provided for.

The Directors adopted a report from the actuary on which bonus payable to policy holders and the surplus available to shareholders in the Life Insurance business were determined. The Directors are of the view that they have discharged their responsibilities as set out in this statement.

By order of the Board.

N G N AGENTS AND SECRETARIES (PRIVATE) LIMITED

Company Secretaries

3rd June 2021

Chief Financial Officer's Statement of Responsibility

The Financial Statements of Sri Lanka Insurance Corporation Ltd. (the Company) and the Consolidated Financial Statements of the Company and Subsidiaries (the Group) as at 31st December 2020 were prepared and presented in compliance with the requirements of the following.

- i. Sri Lanka Financial Reporting Standards (SLFRS/LKASs) issued by the ICASL
- ii. The Companies Act No. 07 of 2007
- iii. Regulation of Insurance Industry Act, No. 43 of 2000, (as amended).

The formats used in the preparation of the Financial Statements and disclosures made therein comply with the formats prescribed by the relevant regulators, which are also in compliance with the disclosure requirements of the Sri Lanka Accounting Standards. We confirm that to the best of our knowledge, the Financial Statements, Significant Accounting Policies and other financial information included in this Annual Report, fairly represents, in all material respects, the financial condition, and results of the operations and the cash flow of the Company during the year under review. In addition, we confirm that the Company has adequate resources to continue its operations and has applied the going concern basis in preparing these Financial Statements. The Board of Directors is responsible for ensuring that management fulfils its financial reporting responsibilities. As the Chief Financial Officer, I am responsible for having established and maintaining adequate accounting policies, procedures and internal controls over financial reporting. Management has a system of internal controls designed to provide reasonable assurance that the financial statements are accurate and complete in all material respects. Management believes that the internal controls provide reasonable assurance that the financial records are reliable and form a proper basis for preparing the Financial Statements, and that the assets are properly accounted for and safeguarded. The SLIC internal Auditor also conduct periodic reviews to ensure that the internal controls and procedures are consistently followed.

The Board of Directors has appointed an Audit and Compliance Committee, which is headed by an Independent Director. The Audit and Compliance Committee has reviewed internal audit function, audit follow up committee reports and Financial Statements. The Financial Statements have been audited, on behalf of the shareholders, by the Auditor General, in pursuance of provisions in Article 154 (1) of the constitution of the Democratic Socialist Republic of Sri Lanka. The Independent Auditor has full and free access to the Audit and Compliance Committee and may meet with or without the presence of the Management. We confirm to the best of our knowledge that –

- i. The Company has complied with all applicable laws, rules and regulations and guidelines as otherwise expressed in the Notes to the Financial Statements.
- ii. There are no material non compliances as otherwise expressed in the Notes to the Financial Statements and replace of the Auditor General.
- iii. All taxes, duties and all statutory payments by the Company and all contributions and taxes payable on behalf of and in respect of the employees of the Company as at the reporting date have been paid, or where relevant provided for.
- iv. Reserving and solvency guidelines have been complied with and total reserves are backed by matching admissible assets.
- v. The equity capital meets the set minimum capital requirements in accordance with the applicable regulations.



Malanie Tennakoon
Chief Financial Officer
3rd June 2021

Certificate of Actuary of the Insurer



Private and Confidential

26 April 2021

The Board of Directors

Sri Lanka Insurance Corporation Limited No. 21, Vauxhall Street,
Colombo 02, Sri Lanka


Actuarial Valuation of the Long Term Insurance Business as at 31 December 2020

In accordance with the engagement letter dated 26 April 2019, Willis Towers Watson India Private Limited ("Willis Towers Watson", "we", "our" or "us") has carried out an actuarial review of the valuation of long term insurance liabilities of Sri Lanka Insurance Corporation Limited's Long Term Insurance Business as at 31 December 2020.

We hereby certify that:

1. Reasonable steps have been taken by the Company to ensure that data used for the actuarial valuation of the liabilities of the Long Term Insurance Fund is complete and accurate.
2. Adequate and proper reserves have been provided as at 31 December 2020, for all liabilities in respect of the Long Term Insurance Fund, taking into account all current and contingent liabilities as at that date.
3. The total long term insurance provision maintained within the life fund on distribution basis is LKR 103,014 million. The value of assets held within the life fund is LKR 146,508 million on IRCSL basis and LKR 135,638 million on SLFRS basis. The gross surplus transferred to the shareholder fund from life fund is LKR 1,655 million during 2020. The gross surplus allocated for bonus declaration to policyholders during 2020 from participating fund is LKR 2,673 million. Subsequent to the shareholder transfers and post-tax, the life fund is LKR 144,884 million on IRCSL basis and LKR 134,014 million on SLFRS basis as at 31 December 2020.

Kunj Behari Maheshwari, FIA, FIAI
Director, Insurance Consulting and Technology, India
Willis Towers Watson India Private Limited
E-mail: kunj.maheshwari@willistowerswatson.com

Signature: 

Place: India

Date: 26 April 2021

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Gurugram 122001 India

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Liability Adequacy Test

Willis Towers Watson 

Private and Confidential

02 April 2021

The Board of Directors

Sri Lanka Insurance Corporation Limited No. 21, Vauxhall Street,
Colombo 02, Sri Lanka


Liability Adequacy Test

1. The Sri Lanka Accounting Standard 'SLFRS 4, Insurance Contracts' prescribes that an insurer shall assess at the end of each reporting period whether its recognised insurance liabilities are adequate, using current estimates of future cash-flows under its insurance contracts. Willis Towers Watson has undertaken a liability adequacy test for long term insurance provisions maintained within the life fund of Sri Lanka Insurance Corporation Limited as contemplated by SLFRS 4.
2. In carrying out the liability adequacy test, we have compared the provisions held as per the audited accounts with the actuarial liability. For this purpose, the value of the actuarial liability is computed following the principles laid out within the risk based capital framework as prescribed by the IRCSL (erstwhile IBSL) [the Solvency Margin (Risk Based Capital) Rules 2015], whereby liabilities are valued using a discounted cash-flow approach covering the full lifetime of all the cash in- and out- flows required to settle the obligations related to existing in-force insurance contracts.
3. The projections are based on in-force policies and riders as at 31 December 2020.
4. Based on the checks undertaken, I certify:
 - ◆ that the valuation of actuarial liability is based on internationally accepted actuarial methods and adheres to the requirements under SLFRS 4;
 - ◆ that the assumptions used for such valuation are reasonable estimates based on available experience studies and after allowing for suitable margins for adverse deviation; and
 - ◆ that the long term insurance provisions maintained within the life fund of Sri Lanka Insurance Corporation Limited as per the audited accounts of the Company for the year ended 31 December 2020 is in excess of the liabilities computed in the above mentioned manner.

Kunj Behari Maheshwari, FIA, FIAI

Director, Insurance Consulting & Technology, India

Willis Towers Watson

Signature: 

Place: India

Date: 02 April 2021

Willis Towers Watson India Private Limited

Registered Office:

2nd floor, Tower B, Unitech Business Park,

South City – 1, Sector 41,

Gurugram 122001 India

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Certificate of Incurred But Not (Enough) Reported Claims



21 May 2021

TO THE SHAREHOLDERS OF SRI LANKA INSURANCE CORPORATION LIMITED

Sri Lanka Insurance Corporation Limited 31 December 2020 Net IBNR and LAT Certification

I hereby certify that the 75% confidence level IBNR provision of LKR 2,129,794,593 is adequate in relation to the Claim Liability of Sri Lanka Insurance Corporation Limited as at 31 December 2020, net of reinsurance (undiscounted). This IBNR provision, together with the Case Reserves held by the Company, is expected to be adequate at a 75th percentile to meet the future liabilities, including the claim handling expenses, in respect of the Company's incurred claims obligations as at 31 December 2020, in many but not all scenarios of future experience. (The undiscounted 75% confidence level IBNR provision, gross of reinsurance, including an allowance for CHE is LKR 2,231,490,495).

At the end of each reporting period, companies are required to carry out a Liability Adequacy Test (LAT) as laid out in SLFRS4. The LAT is performed to assess the adequacy of the carrying amount of the Unearned Premium Reserve (UPR). I hereby certify that the UPR provision of LKR 10,526,553,886 set by the Company, net of reinsurance and DAC, is adequate at a 50th percentile in relation to the unexpired risks of Sri Lanka Insurance Corporation Limited as at 31 December 2020, in many but not all scenarios of future experience. As such, there is no premium deficiency to be recognised by the Company.

The results have been determined in accordance with internationally accepted actuarial principles.

I have relied upon information and data provided by the management of the above Company and I have not independently verified the data supplied, beyond applying checks to satisfy myself as to the reasonableness of the data.

A handwritten signature in black ink, appearing to read 'Matthew Tiong', is written over a light grey circular watermark background.

Matthew Tiong

Fellow of the Institute of Actuaries of Australia (FIAA)
 For and on behalf of NMG Financial Services Consulting
 Dated 21 May 2021

Independent Auditors' Report



ජාතික විගණන කාර්යාලය தேசிய கணக்காய்வு அலுவலகம் NATIONAL AUDIT OFFICE



මගේ අංකය
எனது இல.
My No.

BAF/E/SLIC/AR/2020

ඔබේ අංකය
உமது இல.
Your No.

දිනය
திகதி
Date

03 June 2021

Chairman
Sri Lanka Insurance Corporation Limited

Report of the Auditor General on the Financial Statements and Other Legal and Regulatory Requirements of the Sri Lanka Insurance Corporation Limited for the year ended 31 December 2020 in terms of Section 12 of the National Audit Act, No. 19 of 2018.

1. FINANCIAL STATEMENTS

1.1 Qualified Opinion

The audit of the financial statements of the Sri Lanka Insurance Corporation Limited (the "Company") and the consolidated financial statements of the Company and its subsidiaries (the "Group") for the year ended 31 December 2020 comprising the statement of financial position as at 31 December 2020 and the statement of profit or loss and other 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, was carried out under my direction in pursuance of provisions in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with provisions of the National Audit Act No. 19 of 2018. My report to Parliament in pursuance of provisions in Article 154 (6) of the Constitution will be tabled in due course. To carry out this audit I was assisted by a firm of Chartered Accountants in public practice.

In my opinion, except for the effects of the matters described in the basis for Qualified Opinion section of my report, the accompanying financial statements of the Company and the Group give a true and fair view of the financial position of the Company and the Group as at 31 December 2020, and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

1.2 Basis for Qualified Opinion

Company

- (a) According to the judgment delivered by Supreme Court of Sri Lanka on 4th June 2009, the legal ownership of the majority of shares of the Company was vested with the Secretary to the Treasury to be held on behalf of the Government of Sri Lanka. Further, according to the said judgment, the Secretary to the Treasury was directed to cause profits of the Company during the period Distilleries Company of Sri Lanka PLC was the parent of the Company, be computed and the profits attributable to the previous parent be settled. No adjustments have been made in the Financial Statements pending determination of the aforesaid attributable profits.
- (b) In the absence of confirmation of balances, I was unable to verify the completeness, existence and accuracy of the amounts receivables from Distilleries Company of Sri Lanka PLC Group of Companies amounting to Rs.168,763,399 as at the reporting date as disclosed in Note 16 to the financial statements. Accordingly, I am unable to verify the completeness, existence and accuracy of the amounts receivable and was unable to determine whether adjustment might be necessary to the financial statements for the year ended 31 December 2020.



Independent Auditors' Report Contd.

**Group**

(c) The Secretary to the Treasury holds 99.97% shares of the Company. The Company has also invested in Litro Gas Lanka Ltd (LGLL) and Litro Gas Terminal Lanka (Pvt) Ltd (LGTLL) and holds 99.94% and 100% in these companies respectively. Thus, LGLL and LGTLL are subsidiaries of the Company, and their financial statements have been consolidated in the Group financial statements of the Company.

I was the auditor of LGLL and LGTLL, as per the provisions in Articles 154(1) of the constitution of the Democratic Socialist Republic of Sri Lanka and the National Audit Act No.19 of 2018. However, LGLL and LGTLL appointed a private auditor as their auditor at their Annual General Meeting held on 07 December 2020, based on their opinion that LGLL and LGTLL are not auditee entities according to Articles 154(1) of the constitution of the Democratic Socialist Republic of Sri Lanka and the National Audit Act No.19 of 2018. I sought advice from the Attorney General via the letter dated 26 November 2020, whether LGLL and LGTLL could be considered as auditee entities within my jurisdiction. The Attorney General expressed his opinion via the letter dated 06 January 2021, concluding that there is no legal impediment for the Auditor General to conduct audits of LGLL and LGTLL according to law. Accordingly, I communicated my intention to audit these companies, to the Company's Chairman and the members of the Board of LGLL and LGTLL, as per the legal opinion sought from the Attorney General.

The Company's Chairman also referred the representations made by the Chairman of LGLL and LGTLL on the appointment of the private auditor, to the Secretary to the Treasury via a letter dated 18 February 2021. The representations made by the Chairman of LGLL and LGTLL included the basis on which the private auditor was appointed with a legal opinion from a private lawyer. The Secretary to the Treasury sought clarification from the Attorney General via a letter dated 19 February 2021, whether LGLL and LGTLL should be audited by the Auditor General in view of the aforementioned representations. This matter was also raised at the meeting held on 08th March 2021, wherein certain representations were made by me and the Chairman of Committee on Public Enterprises (COPE).

Based on these requests, the Attorney General delivered his opinion to the Secretary to the Treasury via the letter dated 12 May 2021, stating that the Auditor General is statutorily enabled to conduct audits of LGLL and LGTLL according to law and that the powers of the COPE as set out by law could be exercised regarding such companies. Accordingly, I informed to the Secretary to the Treasury, copying the Board of Directors of the Company, the Chairman of COPE and the Board of Directors of LGLL and LGTLL; stating my intention to audit the financial statements of LGLL and LGTLL for the year ended 31 December 2020 by engaging my own staff.

The financial statements of the Group include the financial position, performance and cash flows of LGLL and LGTLL. The total assets of these companies as at 31 December 2020 amounted to Rs.43,277,102,671, and the total profit for the year ended 31 December 2020 amounted to Rs.1,103,301,494. Because of the matters stated in the aforementioned paragraphs, I am unable to obtain sufficient and appropriate evidence over the financial position, performance and cash flows of LGLL and LGTLL, which are incorporated in the consolidated financial statements of the Group, if the audits of the financial statements of LGLL and LGTLL had been carried out under my direction in pursuance of provisions in Articles 154(1) of the constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with the provisions of the National Audit Act No.19 of 2018.

Hence, I am unable to ascertain whether the net profits of Rs. 1,103,301,494 for the year ended 31 December 2020 and the subsidiary companies' (LGLL and LGTLL) total assets and net asset balance amounting to Rs.43,277, 102, 671 and Rs 26,615,998,405 respectively in the Group financials statements are fairly stated as at the reporting date.

I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuSs). My responsibilities, under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

Emphasis of Matter

Without qualifying my opinion, I draw attention to the note no 50 to the financial statements which describes that the directors have made an assessment of the Group's ability to continue as a going concern, and being satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, Directors are not aware of any material uncertainties that may cast significant doubt upon the Group's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

1.3 Other information included in the Company's 2020 Annual Report.

The other information comprises the information included in the Company's 2020 Annual Report but does not include the financial statements and my auditor's report thereon, which I have obtained prior to the date of this auditor's report. Management is responsible for the other information.

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

In connection with my audit of the financial statements, my responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated.

If based on the work I have performed on the other information that I have obtained prior to the date of this auditor's report, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

1.4 Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

In preparing the financial statements, management is responsible for assessing the Company'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 Company or to cease operations, or has no realistic alternative but to do so.

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

As per Section 16(1) of the National Audit Act No. 19 of 2018, the Company is required to maintain proper books and records of all its income, expenditure, assets and liabilities, to enable annual and periodic financial statements to be prepared of the Company.

1.5 Auditor's Responsibilities for the Audit of the Financial Statements

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

Independent Auditors' Report Contd.



As part of an audit in accordance with Sri Lanka Auditing Standards, I exercise professional judgment and maintain professional scepticism throughout the audit. I also:

- ◆ Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- ◆ Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- ◆ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- ◆ Conclude on the appropriateness of the management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Company 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.

I communicate with those charged with governance regarding, among other matters, significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

2. Report on Other Legal and Regulatory Requirements

2.1 National Audit Act, No. 19 of 2018 and Companies Act, No. 7 of 2007 include specific provisions for following requirements.

- 2.1.1 I have obtained all the information and explanation that required for the audit and as far as appears from my examination, proper accounting records have been kept by the Company as per the requirement of section 163 (1) (d) of the Companies Act, No. 7 of 2007 and section 12 (a) of the National Audit Act, No. 19 of 2018.
- 2.1.2 The financial statements of the Company comply with the requirement of section 151 of the Companies Act, No. 07 of 2007.
- 2.1.3 The financial statements presented is consistent with the preceding year as per the requirement of section 6 (1) (d) (iii) of the National Audit Act, No. 19 of 2018.

2.1.4 The financial statements presented includes all the recommendations made by me in the previous year as per the requirement of section 6 (1) (d) (iv) of the National Audit Act, No. 19 of 2018.

2.2 Based on the procedures performed and evidence obtained were limited to matters that are material, nothing has come to my attention;

2.2.1 to state that any member of the governing body of the Company has any direct or indirect interest in any contract entered into by the Company which are out of the normal cause of business as per the requirement of section 12 (d) of the National Audit Act, No. 19 of 2018;

2.2.2 to state that the Company has not complied with any applicable written law, general and special directions issued by the governing body of the Company as per the requirement of section 12 (f) of the National Audit Act, No. 19 of 2018 except for;

Reference to law/ direction	Description
(a) Section 53 of Regulation of Insurance Industry (Amendment) Act No. 03 of 2011	As discussed in Note 48 to the financial statements, the Company has not segregated the long-term insurance business and the general insurance business being carried on by it into two separate companies
(b) Section 47 (2) of the Regulation of Insurance Industry Act, No.43 of 2000	As far as it appears from examination, due to the above stated non-compliance described in the previous point, the accounting records of the Company have not been maintained in the manner required by the rules issued by the Insurance Regulatory Commission of Sri Lanka.

2.2.3 to state that the Company has not performed according to its powers, functions and duties as per the requirement of section 12 (g) of the National Audit Act, No. 19 of 2018;

2.2.4 to state that the resources of the Company had not been procured and utilized economically, efficiently and effectively within the time frames and in compliance with the applicable laws as per the requirement of section 12 (h) of the National Audit Act, No. 19 of 2018;



W.P.C. Wickramaratne
 Auditor General

Statement of Financial Position

As at 31 December	Note	Group		Company	
		2020 Rs. '000	2019 Rs. '000	2020 Rs. '000	2019 Rs. '000
Assets					
Financial investments	5	173,514,327	164,732,428	170,307,333	162,150,029
Investment in subsidiaries	6	-	-	20,823,892	20,823,892
Investment in associates	7	164,125	148,509	164,125	148,509
Property, plant & equipment	8	56,752,233	52,346,702	10,867,358	11,073,931
Right of use assets	9	1,615,049	2,367,672	631,575	592,052
Investment properties	10	2,574,580	2,571,466	1,719,966	1,719,966
Intangible assets	11	3,087,290	3,135,380	37,172	66,562
Loans to policyholders	12	1,734,723	1,803,439	1,734,723	1,803,439
Reinsurance receivable	13	2,180,977	1,679,053	2,180,977	1,679,053
Premium receivable	14	6,733,833	4,034,109	6,733,833	4,034,109
Deferred tax assets	15	1,562	324	-	-
Other assets	16	9,333,530	8,428,432	3,801,278	3,802,514
Deferred expenses	17	478,162	561,022	478,162	561,022
Cash and cash equivalents	18	31,546,403	22,969,711	16,149,956	3,244,666
Total Assets		289,716,794	264,778,247	235,630,350	211,699,744
Liabilities and Shareholders' Equity					
Equity					
Stated capital	19	6,000,000	6,000,000	6,000,000	6,000,000
Regulatory restricted reserves		98,237	98,237	98,237	98,237
Revaluation reserve	20	13,112,599	13,058,735	7,359,125	7,354,173
Available-for-sale reserve	21	5,704,652	9,472,362	5,704,652	9,472,362
Revenue reserves	22	59,314,487	53,711,450	43,959,510	39,348,225
Total Equity Attributable to Equity Holders of the Company		84,229,975	82,340,784	63,121,524	62,272,997
Non-controlling interest		8,985,168	8,767,718	-	-
Total Equity		93,215,143	91,108,503	63,121,524	62,272,997

As at 31 December	Note	Group		Company	
		2020 Rs. '000	2019 Rs. '000	2020 Rs. '000	2019 Rs. '000
Liabilities					
Insurance provision - Life	23	137,129,036	119,167,865	137,129,036	119,167,865
Insurance provision - Non-life	24	18,866,402	16,648,028	18,866,402	16,648,028
Reinsurance payable		1,675,280	1,327,660	1,675,280	1,327,660
Current tax liabilities	25	2,305,626	1,350,734	2,033,053	916,466
Deferred tax liabilities	15	7,652,015	7,871,499	3,193,362	3,344,700
Right of use liabilities	9	1,194,978	1,992,268	528,450	464,995
Retirement benefit obligations	26	3,216,945	2,344,273	2,553,490	1,819,815
Other liabilities	27	22,193,986	20,585,514	6,075,756	5,191,044
Financial liabilities	28	2,267,383	2,381,904	453,997	546,174
Total Liabilities		196,501,651	173,669,744	172,508,826	149,426,747
Total Liabilities and Equity		289,716,794	264,778,247	235,630,350	211,699,744

The accounting policies and notes on pages 146 to 264 form an integral part of these Financial Statements.


These financial statements have been prepared in compliance with the requirements of the Companies Act No. 7 of 2007.



Malanie Tennakoon
Chief Financial Officer

The Board of Directors is responsible for the preparation and presentation of these Financial Statements.

Approved and signed for and on behalf of the Board of Directors;



Jagath Wellawatta
Chairman



K. A. Vimalenthirarajah
Director

3rd June 2021
Colombo

Statement of Profit or Loss and Other Comprehensive Income

As at 31 December	Note	Group		Company	
		2020 Rs. '000	2019 Rs. '000	2020 Rs. '000	2019 Rs. '000
Revenue	29	99,849,812	98,779,167	52,614,494	48,608,572
Gross Written Premium	31	39,266,270	33,631,572	39,421,293	33,794,348
Change in reserve for gross unearned premium		(1,548,103)	(400,274)	(1,548,103)	(400,274)
Gross Earned Premium		37,718,167	33,231,298	37,873,190	33,394,074
Premium ceded to reinsurers		(3,547,302)	(3,715,493)	(3,547,302)	(3,715,493)
Change in reserve for unearned reinsurance premium		(119,430)	93,481	(119,430)	93,481
Net Earned Premium		34,051,435	29,609,286	34,206,458	29,772,062
Revenue from other operations	31.1	46,505,729	50,685,169	-	-
Total Revenue		80,557,164	80,294,455	34,206,458	29,772,062
Other Income					
Investment income	32	17,754,928	16,954,587	16,511,316	17,671,505
Fees and commission income	33	67,886	89,310	67,886	89,310
Net realized (loss)/gains	34	(70,982)	(394,722)	359,760	(56,456)
Other income	35	1,540,816	1,835,537	1,469,074	1,132,150
		19,292,648	18,484,712	18,408,036	18,836,510
Total Income		99,849,812	98,779,167	52,614,494	48,608,572
Benefits, Losses and Expenses					
Net benefits and claims	36	(15,772,296)	(16,623,697)	(15,772,296)	(16,623,697)
Underwriting and net acquisition costs (including reinsurance)	37	(2,996,793)	(2,986,186)	(2,996,793)	(2,986,186)
Change in contract liabilities - life fund		(16,118,705)	(11,659,844)	(16,118,705)	(11,659,844)
Other operating and administrative expenses	38	(15,417,438)	(20,154,142)	(9,754,918)	(9,133,838)
Cost of services of subsidiaries		(40,053,742)	(38,992,473)	-	-
Net Benefits, Losses and Expenses		(90,358,974)	(90,416,341)	(44,642,712)	(40,403,565)
Profit Before Tax		9,490,838	8,362,826	7,971,782	8,205,007
Income tax expense	39	(2,560,510)	(3,848,989)	(2,183,249)	(1,176,052)
Net Profit for the year		6,930,328	4,513,837	5,788,533	7,028,955

As at 31 December	Note	Group		Company	
		2020 Rs. '000	2019 Rs. '000	2020 Rs. '000	2019 Rs. '000
Other Comprehensive Income					
<i>Items that will not be reclassified to profit or loss</i>					
Gain on revaluation of property, plant and equipment		215,014	4,052,095	-	-
Deferred tax effect on revaluation of property, plant and equipment	39.2	(46,099)	(914,998)	11,585	(914,998)
Deferred tax effects on realization of revaluation of reserve on Land disposal	39.2	(1,451)	-	(1,451)	-
Actuarial gains/(losses) on retirement benefit obligations	26	(480,974)	(251,471)	(431,136)	(182,233)
Deferred tax effect on actuarial gains/(losses)	39.2	67,511	36,601	62,983	26,622
<i>Items that are or may be reclassified subsequently to profit or loss</i>					
Net change in fair value of available-for-sale financial assets		(2,703,169)	(3,437,318)	(2,703,169)	(3,437,318)
Deferred tax effect on fair value of available for sale reserve	39.2	(55,002)	36,311	(55,002)	36,311
Other comprehensive income for the year, net of tax		(3,004,170)	(478,780)	(3,116,190)	(4,471,617)
Total comprehensive income for the Year		3,926,158	4,035,057	2,672,343	2,557,338
Profit for the year attributable to:					
Equity holders of the company		6,792,682	5,077,984	5,788,533	7,028,955
Non-controlling interest		137,646	(564,147)	-	-
Net Profit for the year		6,930,328	4,513,837	5,788,533	7,028,955
Total comprehensive income attributable to:					
Equity holders of the company		3,713,007	3,532,948	2,672,343	2,557,338
Non-controlling interest		213,151	502,109	-	-
Total comprehensive income for the year		3,926,158	4,035,057	2,672,343	2,557,338
Basic / Diluted Earning per share (Rs.)	40	11.33	8.46	9.65	11.72
Dividend per share (Rs.)	41	1.50	3.25	1.50	3.25

The accounting policies and notes on pages 146 to 264 form an integral part of these Financial Statements.

Figures in brackets indicate deductions.

Statement of Changes in Equity

Group	Stated Capital	Revaluation Reserve	General Reserve	Available-For-Sale Reserve	Unrestricted Reserve
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Balance as at 01 January 2019	6,000,000	11,109,100	643,442	12,267,185	466,179
Total Comprehensive Income for the year					
Profit for the year	-	-	-	-	-
Other comprehensive income	-	2,063,877	-	(3,401,007)	-
Total Comprehensive Income for the year	-	2,063,877	-	(3,401,007)	-
Transaction with Owners of the Company recorded directly in equity					
Transfer of revaluation reserve on disposal of property, plant and equipment	-	(9,519)	-	-	-
Surplus Attributable to Shareholders from Life Insurance	-	-	-	-	-
Current year profit transfer allocated to Shareholders	-	-	-	-	-
Depreciation transfer on surplus on revaluation of building	-	(25,392)	-	-	-
Gain on Asset Disposal	-	(79,331)	-	-	-
Effect of change in percentage holding in subsidiaries	-	-	-	-	-
Dividend paid	-	-	-	-	-
Transferred AFS Reserves - Life Fund	-	-	-	606,185	-
Balance as at 31 December 2019	6,000,000	13,058,735	643,442	9,472,362	466,179

Regulatory Restricted Reserves Rs. '000	Surplus from Life Insurance Rs. '000	Retained Earnings Rs. '000	Total Rs. '000	Non- Controlling Interest Rs. '000	Total Equity Rs. '000
98,237	8,419,845	41,084,041	80,088,028	8,226,474	88,314,502
-	-	5,077,985	5,077,985	(564,147)	4,513,837
-	-	(207,906)	(1,545,036)	1,066,256	(478,780)
-	-	4,870,078	3,532,949	502,109	4,035,057
-	-	9,519	-	-	-
-	2,371,374	(2,371,374)	-	-	-
-	-	(253,692)	(253,692)	-	(253,692)
-	-	25,392	-	-	-
-	-	79,331	-	-	-
-	-	88,034	88,034	216,850	304,884
-	-	(1,720,720)	(1,720,720)	(177,716)	(1,898,436)
-	-	-	606,185	-	606,185
98,237	10,791,219	41,810,610	82,340,785	8,767,718	91,108,503

Statement of Changes in Equity Contd.

Group	Stated Capital	Revaluation Reserve	General Reserve	Available-For-Sale Reserve	Unrestricted Reserve
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Balance as at 01 January 2020	6,000,000	13,058,735	643,442	9,472,362	466,179
Total Comprehensive Income for the year					
Profit for the year	-	-	-	-	-
Other comprehensive income	-	92,358	-	(2,758,171)	-
Deferred tax effects on realization of revaluation of reserve on Land disposal	-	(1,451)	-	-	-
Total Comprehensive Income for the year	-	90,907	-	(2,758,171)	-
Transaction with Owners of the Company recorded directly in equity					
Transfer of revaluation reserve on disposal of property, plant and equipment	-	(6,470)	-	-	-
Surplus Attributable to Shareholders from Life Insurance	-	-	-	-	-
Current year profit transfer allocated to Shareholders in the form of AFS	-	-	-	-	-
Prior year adjustment on depreciation	-	-	-	-	-
Depreciation transfer on surplus on revaluation of building	-	(25,391)	-	-	-
Dividend paid	-	-	-	-	-
Dividend adjustment	-	-	-	-	-
Realization of Revaluation Reserve on Land Disposal	-	(5,182)	-	-	-
Transferred AFS Reserves - Life Fund	-	-	-	(1,009,539)	-
Balance as at 31 December 2020	6,000,000	13,112,599	643,442	5,704,652	466,179

The accounting policies and notes on pages 146 to 264 form an integral part of these Financial Statements.

Figures in brackets indicate deductions.

The Financial Statements are to be read in conjunction with related notes, which form an integral part of these Financial Statements

Regulatory Restricted Reserves Rs. '000	Surplus from Life Insurance Rs. '000	Retained Earnings Rs. '000	Total Rs. '000	Non- Controlling Interest Rs. '000	Total Equity Rs. '000
98,237	10,791,219	41,810,610	82,340,785	8,767,718	91,108,503
-	-	6,792,682	6,792,682	137,646	6,930,328
-	-	(412,411)	(3,078,224)	75,505	(3,002,719)
-	-	-	(1,451)	-	(1,451)
-	-	6,380,271	3,713,007	213,151	3,926,158
-	-	6,470	-	-	-
-	2,145,269	(2,145,269)	-	-	-
-	-	(118,402)	(118,402)	-	(118,402)
-	-	(182)	(182)	-	(182)
-	-	25,391	-	-	-
-	-	(695,693)	(695,693)	-	(695,693)
-	-	-	-	4,299	4,299
-	-	5,182	-	-	-
-	-	-	(1,009,539)	-	(1,009,539)
98,237	12,936,488	45,268,378	84,229,976	8,985,168	93,215,144

Statement of Changes in Equity Contd.

For The Year Ended 31 December 2020	Stated Capital	Revaluation Reserve	General Reserve	Available-For-Sale Reserve
Company	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Balance as at 01 January 2019	6,000,000	8,348,503	643,442	12,267,184
Total Comprehensive Income for the Year				
Profit for the year	-	-	-	-
Other comprehensive income	-	(914,998)	-	(3,401,007)
Total Comprehensive Income for the Year	-	(914,998)	-	(3,401,007)
Transaction with Owners of the Company recorded directly in equity				
Gain on Asset Disposal	-	(79,331)	-	-
Surplus attributable to shareholders from life insurance	-	-	-	-
Current year profit transfer allocated to Shareholders in the form of AFS	-	-	-	-
Dividend paid	-	-	-	-
Transferred AFS Reserves - Life Fund	-	-	-	606,185
Balance as at 31 December 2019	6,000,000	7,354,173	643,442	9,472,362
Balance as at 01 January 2020	6,000,000	7,354,173	643,442	9,472,362
Total Comprehensive Income for the Year				
Profit for the year	-	-	-	-
Other comprehensive income	-	11,585	-	(2,758,171)
Deferred tax effects on realization of revaluation of reserve on Land disposal	-	(1,451)	-	-
Total Comprehensive Income for the Year	-	10,134	-	(2,758,171)
Transaction with owners of the Company recorded directly in equity				
Gain on Asset Disposal	-	-	-	-
Surplus attributable to shareholders from life insurance	-	-	-	-
Current year profit transfer allocated to Shareholders in the form of AFS	-	-	-	-
Adjustments -Last year Depreciation	-	-	-	-
Dividend paid	-	-	-	-
Realization of Revaluation Surplus on Disposal	-	(5,182)	-	-
Transferred AFS Reserves - Life Fund	-	-	-	(1,009,539)
Balance as at 31 December 2020	6,000,000	7,359,125	643,442	5,704,652

The accounting policies and notes on pages 146 to 264 form an integral part of these Financial Statements.
Figures in brackets indicate deductions.

Unrestricted Reserve	Regulatory Restricted Reserves	Surplus from Life Insurance	Retained Earnings	Total Equity
Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
466,179	98,237	8,419,844	24,840,496	61,083,885
-	-	-	7,028,955	7,028,955
-	-	-	(155,611)	(4,471,616)
-	-	-	6,873,344	2,557,338
-	-	-	79,331	-
-	-	2,371,374	(2,371,374)	-
-	-	-	(253,692)	(253,692)
-	-	-	(1,720,720)	(1,720,720)
-	-	-	-	606,185
466,179	98,237	10,791,218	27,447,386	62,272,997
466,179	98,237	10,791,218	27,447,386	62,272,997
-	-	-	5,788,533	5,788,533
-	-	-	(368,153)	(3,114,739)
-	-	-	-	(1,451)
-	-	-	5,420,380	2,672,343
-	-	2,145,269	(2,145,269)	-
-	-	-	(118,402)	(118,402)
-	-	-	(182)	(182)
-	-	-	(695,693)	(695,693)
-	-	-	5,182	-
-	-	-	-	(1,009,539)
466,179	98,237	12,936,488	29,913,401	63,121,524

Statement of Cash Flows

For the year ended 31 December	Note	Group		Company	
		2020 Rs. '000	2019 Rs. '000	2020 Rs. '000	2019 Rs. '000
Cash flows from operating activities					
Premium received from customers		36,482,422	33,687,578	36,637,445	33,687,578
Reinsurance premium paid		(2,788,590)	(2,830,526)	(2,788,590)	(2,830,526)
Insurance claims and benefits paid		(15,318,308)	(18,458,462)	(15,318,308)	(18,458,462)
Reinsurance receipts in respect of claims and benefits		1,396,816	1,080,769	1,396,816	1,080,769
Cash receipts from debtors		47,210,506	51,790,042	309,454	908,784
Cash paid to and on behalf of employees		(6,941,529)	(8,127,225)	(4,925,159)	(4,683,890)
Interest received		15,278,106	15,082,977	13,881,548	12,034,555
Dividend received	32.2	867,608	821,537	1,067,608	3,387,570
Other operating cash payments		(48,107,467)	(46,244,826)	(5,730,671)	(6,473,565)
Cash flows from operating activities		28,079,564	26,801,865	24,530,143	18,652,813
Retiring gratuity paid	26	(80,871)	(67,010)	(51,951)	(43,643)
Interest expense paid		(150,077)	-	-	-
Income tax paid		(1,984,845)	(3,214,472)	(1,283,799)	(1,356,625)
Net cash from operating activities		25,863,771	23,520,383	23,194,393	17,252,545
Cash flows from investing activities					
Acquisition of financial investments		(41,216,602)	(54,485,748)	(40,592,007)	(54,485,748)
Proceeds from financial investments		31,124,186	40,554,310	31,124,186	40,554,310
Proceeds from disposal of property, plant & equipment		74,773	112,440	22,500	-
Acquisition of property, plant & equipment		(674,763)	(1,407,520)	(239,587)	(334,083)
Expenditure incurred on capital work in progress	8.1.3	(5,624,355)	-	-	-
Acquisition of investment property	10	(5,010)	(46,062)	-	-
Interest on loans granted to policyholders		-	1,673,482	-	-
Settlement of loans by policyholders		-	(1,909,203)	-	-
Interest Received		-	-	-	-
Adjustment for transfer of Leasehold Land to RoUA		(714)	-	-	-
Acquisition of intangible assets	11.2	(10,338)	(5,123)	(6,156)	-
Net cash used in investing activities		(16,332,823)	(15,513,425)	(9,691,064)	(14,265,521)
Cash flows from financing activities					
Dividend paid	22.2	(695,693)	(1,898,436)	(695,693)	(1,720,720)
Lease rental paid		(519,604)	(474,639)	(169,929)	-
Proceeds from borrowings		-	1,498,481	-	-
Net cash used in financing activities		(1,215,297)	(874,594)	(865,622)	(1,720,720)
Effect of exchange rate changes on cash and cash equivalents		359,760	41,587	359,760	41,587

For the year ended 31 December	Note	Group		Company	
		2020 Rs. '000	2019 Rs. '000	2020 Rs. '000	2019 Rs. '000
Net increase/(decrease) in cash and cash equivalents		8,675,411	7,173,951	12,997,467	1,307,889
Cash and cash equivalents at the beginning of the year		22,161,421	14,987,469	2,698,492	1,390,603
Cash and cash equivalents at the end of the year		30,836,832	22,161,421	15,695,959	2,698,492
Cash and cash equivalents at the end of the year					
Cash at bank & in hand		2,073,167	8,559,748	1,699,351	1,182,029
Short term investments		29,473,236	14,409,963	14,450,605	2,062,637
Bank overdraft		(709,571)	(808,290)	(453,997)	(546,174)
	18	30,836,832	22,161,421	15,695,959	2,698,492

*The above reported overdraft amount of the Company mainly includes unrepresented cheques and it is only a book balances.
Figures in brackets indicate deductions.

The accounting policies and notes on pages 146 to 264 form an integral part of these Financial Statements.

A. RECONCILIATION OF OPERATING PROFIT WITH CASH FLOW FROM OPERATING ACTIVITIES

	Company	
	2020 Rs. '000	2019 Rs. '000
Profit from operations	4,822,334	5,101,400
Increase in Long Term Insurance Fund	19,268,152	14,877,118
Depreciation charge	459,557	437,762
Profit on sale of investments	(1,493,710)	(1,092,945)
Gratuity provision	785,626	465,214
Gain/(loss) on foreign exchange transaction	(359,760)	56,456
(Increase)/decrease in debtors	(3,331,930)	(796,149)
Increase/(decrease) in unearned premium	1,500,547	398,231
Increase/(decrease) in claims provisions	1,265,368	(1,610,642)
Increase/(decrease) in creditors	1,613,960	816,365
Net cash from operating activities	24,530,144	18,652,812

Segmental Review : Statement of Income

For the Year ended 31 December	2020						
	Non Life Insurance	Life Insurance	Healthcare	Energy	Other	Eliminations	Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Gross Written Premium	20,163,296	19,257,997	-	-	-	(155,023)	39,266,270
Change in Reserves for gross Unearned Premium	(1,548,103)	-	-	-	-	-	(1,548,103)
Gross Earned Premium	18,615,193	19,257,997	-	-	-	(155,023)	37,718,167
Premium Ceded to Reinsurers	(3,133,728)	(413,574)	-	-	-	-	(3,547,302)
Change in Reserve for Unearned Reinsurance Premium	(119,430)	-	-	-	-	-	(119,430)
Net Earned Premium	15,362,035	18,844,423	-	-	-	(155,023)	34,051,435
Revenue from other operations	-	-	6,803,676	41,222,971	107,925	(1,628,843)	46,505,729
Total Revenue	15,362,035	18,844,423	6,803,676	41,222,971	107,925	(1,783,866)	80,557,164
Benefits and Losses							
Insurance claims and benefits (net)	(7,786,220)	(7,986,076)	-	-	-	-	(15,772,296)
Underwriting and net acquisition costs	(864,830)	(2,131,963)	-	-	-	-	(2,996,793)
Change in contract liabilities - Life fund	-	(16,118,705)	-	-	-	-	(16,118,705)
Cost of services of subsidiaries	-	-	(3,941,721)	(37,719,891)	(20,973)	1,628,843	(40,053,742)
Total Benefits and Losses	(8,651,050)	(26,236,744)	(3,941,721)	(37,719,891)	(20,973)	1,628,843	(74,941,536)
Other Revenue							
Investment income	2,601,161	13,910,156	198,161	1,196,496	48,955	(200,000)	17,754,928
Fees and commission income	-	67,886	-	-	-	-	67,886
Net realized gains	261,998	97,762	16,464	(374,602)	(72,604)	-	(70,982)
Other income	296,068	1,245,441	62,461	223,354	722,066	(1,008,574)	1,540,816
	3,159,227	15,321,245	277,086	1,045,248	698,417	(1,208,574)	19,292,648
Expenses							
Other operating, investment related and administrative expenses	(5,047,880)	(4,779,473)	(2,728,680)	(3,111,851)	(913,151)	1,163,597	(15,417,438)
Profit before Taxation	4,822,332	3,149,451	410,361	1,436,477	(127,782)	(200,000)	9,490,838
Income tax expense	(1,179,071)	(1,004,178)	(25,366)	(332,718)	(19,177)	-	(2,560,510)
Net Profit after Taxation/Transfer to Shareholders' Fund	3,643,261	2,145,273	384,995	1,103,759	(146,959)	(200,000)	6,930,329

2019							
Non Life Insurance	Life Insurance	Healthcare	Energy	Other	Eliminations	Total	
Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
18,974,323	14,820,025	-	-	-	(162,776)	33,631,572	
(400,274)	-	-	-	-	-	(400,274)	
18,574,049	14,820,025	-	-	-	(162,776)	33,231,298	
(3,358,525)	(356,967)	-	-	-	-	(3,715,493)	
93,481	-	-	-	-	-	93,481	
15,309,004	14,463,057	-	-	-	(162,776)	29,609,286	
-	-	7,548,711	45,092,487	108,413	(2,064,442)	50,685,169	
15,309,004	14,463,057	7,548,711	45,092,487	108,413	(2,227,218)	80,294,455	
(9,290,432)	(7,333,265)	-	-	-	-	(16,623,697)	
(967,782)	(2,018,406)	-	-	-	-	(2,986,186)	
-	(11,659,844)	-	-	-	-	(11,659,844)	
-	-	(4,329,019)	(36,830,284)	(25,024)	2,064,442	(39,119,884)	
(10,258,214)	(21,011,515)	(4,329,019)	(36,830,284)	(25,024)	2,064,442	(70,389,611)	
4,228,592	13,442,917	233,522	1,580,908	77,557	(2,608,907)	16,954,587	
-	89,310	-	-	-	-	89,310	
(24,434)	(32,022)	(44,967)	(169,566)	(123,733)	-	(394,722)	
278,892	925,694	68,019	813,198	629,667	(879,932)	1,835,537	
4,483,050	14,425,899	256,574	2,224,539	583,491	(3,488,838)	18,484,712	
(4,546,109)	(4,660,164)	(2,634,990)	(3,542,736)	(5,685,439)	1,042,707	(20,026,730)	
4,987,731	3,217,277	841,276	6,944,007	(5,018,558)	(2,608,907)	8,362,825	
(330,151)	(845,900)	(260,640)	(1,972,500)	(47,829)	(391,969)	(3,848,989)	
4,657,579	2,371,377	580,636	4,971,507	(5,066,387)	(3,000,875)	4,513,837	

Segmental Review : Statement of Financial Position

As at 31st December	2020						
	Non Life Insurance	Life Insurance	Healthcare	Energy	Other	Eliminations	Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Assets							
Financial investments	31,693,115	138,614,218	3,106,994	100,000	-	-	173,514,327
Investment in subsidiaries	19,634,852	1,296,543	-	5,000,000	18,500,000	(44,431,395)	-
Investment in associates	164,125	-	-	-	-	-	164,125
Property, plant & equipment	10,781,351	86,004	4,757,114	18,859,285	22,268,479	-	56,752,233
Right of Use Asset	172,755	458,820	551,719	408,773	22,982	-	1,615,049
Investment properties	1,719,966	-	-	-	854,614	-	2,574,580
Leasehold property	-	-	-	-	-	-	-
Intangible assets	37,172	-	56,532	-	781	2,992,805	3,087,290
Loans to policyholders	-	1,734,723	-	-	-	-	1,734,723
Reinsurance receivable	1,692,118	488,859	-	-	-	-	2,180,977
Premium receivable	6,202,338	531,495	-	-	-	-	6,733,833
Deferred tax assets	-	-	-	-	1,562	-	1,562
Other assets	637,709	3,877,779	1,118,908	4,206,856	1,251,067	(1,758,788)	9,333,531
Deferred expenses	478,162	-	-	-	-	-	478,162
Cash and cash equivalents	3,186,885	12,963,071	290,657	14,702,188	403,602	-	31,546,403
Total Assets	76,400,548	160,051,512	9,881,924	43,277,102	43,303,087	(43,197,378)	289,716,794
Liabilities and Equity							
Liabilities							
Insurance provision - Life	-	137,129,036	-	-	-	-	137,129,036
Insurance provision - Non-life	18,866,402	-	-	-	-	-	18,866,402
Lease liabilities	17,474	510,975	272,170	394,141	217	-	1,194,978
Reinsurance payable	1,059,939	615,341	-	-	-	-	1,675,280
Current tax liabilities	919,374	1,113,679	47,914	220,416	4,243	-	2,305,626
Deferred tax liabilities	3,193,361	-	1,052,709	3,333,001	72,943	-	7,652,015
Retirement benefit obligations	1,332,256	1,221,234	294,427	187,860	181,168	-	3,216,945
Other liabilities	3,528,994	3,260,971	785,047	12,358,676	2,974,396	(714,098)	22,193,986
Financial liabilities	281,487	172,510	260,343	167,007	2,430,615	(1,044,579)	2,267,383
Total Liabilities	29,199,287	144,023,746	2,712,610	16,661,101	5,663,582	(1,758,677)	196,501,651
Equity							
Stated capital	6,000,000	-	2,671,543	1,947,109	37,870,087	(42,488,740)	6,000,000
Regulatory restricted reserves							
from one off surplus	-	98,237	-	-	-	-	98,237
Capital reserve	7,301,747	57,378	1,093,047	3,349,535	4,063,395	(2,752,502)	13,112,599
Available-for-sale reserve	2,819,764	2,884,888	-	-	-	-	5,704,652
Revenue reserves	31,079,750	12,987,262	3,404,724	21,319,357	(4,293,977)	(5,182,630)	59,314,487
Non-controlling interest	-	-	-	-	-	8,985,168	8,985,168
Total Equity	47,201,261	16,027,765	7,169,314	26,616,001	37,639,505	(41,438,702)	93,215,143
Total Liabilities and Equity	76,400,548	160,051,512	9,881,924	43,277,102	43,303,087	(43,197,378)	289,716,794

2019							
Non Life Insurance	Life Insurance	Healthcare	Energy	Other	Eliminations	Total	
Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
31,033,992	131,116,035	2,482,400	100,000	-	-	-	164,732,428
19,634,852	1,296,543	-	5,000,000	18,500,000	(44,431,395)	-	-
148,509	-	-	-	-	-	-	148,509
10,985,571	88,364	4,375,000	14,683,834	22,213,932	-	-	52,346,702
156,733	435,320	638,881	1,113,910	23,029	-	-	2,367,673
1,719,966	-	-	-	851,500	-	-	2,571,466
-	-	-	-	-	-	-	-
66,560	-	75,838	-	175	2,992,808	-	3,135,380
-	1,803,439	-	-	-	-	-	1,803,439
1,398,724	280,330	-	-	-	-	-	1,679,053
3,507,533	526,576	-	-	-	-	-	4,034,109
-	-	-	-	324	-	-	324
591,503	3,710,573	1,333,768	3,112,897	1,161,144	(1,481,377)	-	8,428,432
561,022	-	-	-	-	-	-	561,022
1,620,339	1,624,328	521,702	18,206,846	987,996	8,501	-	22,969,711
71,425,304	140,881,508	9,427,389	42,217,487	43,738,100	(42,911,537)	-	264,778,250
-	119,167,865	-	-	-	-	-	119,167,865
16,648,028	-	-	-	-	-	-	16,648,028
-	464,996	377,312	1,149,961	-	-	-	1,992,268
1,082,178	245,482	-	-	-	-	-	1,327,660
284,668	631,799	56,909	367,495	9,864	-	-	1,350,735
3,344,700	-	1,101,753	3,364,730	60,316	-	-	7,871,499
949,469	870,346	245,320	156,412	122,726	-	-	2,344,273
2,618,600	3,072,010	749,652	11,273,339	3,374,478	(502,559)	-	20,585,519
300,144	246,030	266,885	184,434	2,366,294	(981,883)	-	2,381,904
25,227,787	124,698,527	2,797,831	16,496,370	5,933,679	(1,484,441)	-	173,669,751
6,000,000	-	2,671,543	1,947,109	37,870,087	(42,488,739)	-	6,000,000
-	98,237	-	-	-	-	-	98,237
7,296,794	57,378	982,213	3,356,005	4,063,395	(2,697,050)	-	13,058,736
4,611,587	4,860,777	-	-	-	-	-	9,472,363
28,289,136	11,166,590	2,975,802	20,418,002	(4,129,060)	(5,009,024)	-	53,711,446
-	-	-	-	-	8,767,718	-	8,767,718
46,197,517	16,182,981	6,629,558	25,721,116	37,804,422	(41,427,095)	-	91,108,498
71,425,304	140,881,508	9,427,389	42,217,487	43,738,100	(42,911,536)	-	264,778,250

Notes to the Financial Statements

1. REPORTING ENTITY

1.1 CORPORATE INFORMATION

Sri Lanka Insurance Corporation Limited (the "Company/SLIC"), is a public limited liability Company incorporated and domiciled in Sri Lanka. The registered office of the Group/Company is located in the District of Colombo and the principal place of business is located at 'Rakshana Mandiraya', No.21, Vauxhall Street, Colombo 02.

The consolidated financial statements of the Group as at and for the year ended 31st December 2020, comprises the Company and its subsidiaries (together referred to as the "Group" and individually as "Group entities") and the Group's interest in associates. The financial statements of all companies within the Group are prepared for a common financial year which ends on 31st December 2020.

599,598,516 number of ordinary shares (99.97%) of the parent Company are owned by Secretary to the Treasury and the rest is owned by employees and ex-employees of the Company.

1.2 Principal activities and nature of operations

1.2.1 Group/Company

The principal activity of the Company is to undertake and carry on all classes of insurance businesses.

1.2.2 Subsidiaries

Name of the Subsidiaries	Principal Activities
The Lanka Hospital Corporation PLC	Providing healthcare and laboratory services
Litro Gas Lanka Ltd	Importing, processing, storing, distributing and selling of Liquid Petroleum Gas (LPG) and provide other incidental services.
Litro Gas Terminal Lanka (Pvt) Ltd	Providing bulk storage facilities for Liquid Petroleum Gas (LPG)
Canowin Hotels and Spas (Pvt) Ltd	Providing office space on rent for commercial purpose and engage in hospitality trade.
Canwill Holdings (Pvt) Ltd	Investment promotion related to leisure sector, controlling and monitoring subsidiaries as a holding company
Management Services Rakshana (Pvt) Ltd	Providing payroll management services to Sri Lanka Insurance Corporation Limited

2. BASIS OF PREPARATION

2.1 Statement of Compliance

The financial statements have been prepared in accordance with Sri Lanka Accounting Standards (LKASs/SLFRSs) issued by the Institute of Chartered Accountants of Sri Lanka, the requirements of the Companies Act No, 07 of 2007 and the Regulation of Insurance Industry Act No.43 of 2000.

The financial statements were authorized for issue by the Board of Directors on 3rd June 2021.

2.2 Basis of Measurement

The financial statements of the Company and the Group have been prepared on the historical cost basis except for the following material items, which are measured on an alternative basis.

- ◆ Policyholders' liability have been measured at actuarially-determined values
- ◆ The liability for defined benefit obligation are actuarially valued and recognized as the present value of defined benefit obligation
- ◆ Land and buildings are measured at fair value
- ◆ Financial assets held for trading are measured at fair value
- ◆ Financial assets designated at fair value through profit or loss are measured at fair value
- ◆ Available for sale financial assets are measured at fair value

The Group/Company presents its statement of financial position broadly in the order of liquidity.

2.3 Functional and presentation currency

The financial statements are presented in Sri Lankan Rupees which is the Group 's and Company's functional currency. All amounts have been rounded to the nearest thousand, unless otherwise indicated.

2.5 Use of Estimates and Judgments

In preparing these financial statements, management has made judgments, estimates and assumptions that affect the application of group accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized prospectively.

Information about assumption and estimation uncertainty that have significant effect on the amounts recognized in the financial statements is included under the following notes:

Note 26 - Measurement of defined benefit obligations: key actuarial assumptions;

Note 5,8,13,14 & 16 - Provision for impairment of non-financial assets and financial assets: key assumptions

Note 23 - Actuarial valuation of life insurance; key actuarial assumptions

Note 24 - Measurement of life insurance provision for non-life including IBNR

Note 17 - Measurement of Deferred Acquisition Cost (DAC)

Note 05 - Fair value measurement of unquoted instruments and fair value through profit or loss financial investments

Note 10 - fair valuation of Investment Properties

Measurement of fair values

A number of the Group's/Company's accounting policies and disclosures require measurement of fair values, for both financial and non-financial assets and liabilities.

The Group has an established control framework with respect to the measurement of fair values. This includes a valuation team that has overall responsibility for overseeing all significant fair value measurements, including Level 3 fair values, and reports directly to the Chief Financial Officer. Significant valuation issues are reported to the Company's and respective subsidiary's Audit Committee.

When measuring the fair value of an asset or a liability, the Group/Company uses observable market data as far as possible. Fair values are categorized into different levels in a hierarchy based on the inputs used in the valuation techniques as follows.

- ◆ **Level 1** - quoted prices (unadjusted) in active markets for identical assets and liabilities.
- ◆ **Level 2** - inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.
- ◆ **Level 3** - inputs for the asset or liability that are not based on observable market data (unobservable inputs)

Further information about assumptions made in measuring fair values is included in the respective notes to the financial statements.

Impact of COVID-19 Pandemic

The COVID-19 pandemic, government policy decision along with economic and market conditions have increased the uncertainty of estimate made in preparation of the financial statements. Management is aware and considered such circumstances when reviewing the estimates and underlying judgements. The estimation uncertainties are associated with:

- ◆ The extend and the duration of the disruption to the business operations created from spread of the virus and measures taken by the health authorities
- ◆ The effectiveness of the action taken by the government and the central bank to minimize the disruption to the businesses
- ◆ The extend and the duration of expected economic downturn, impact to capital and money market and other macro-economic factors such as GDP growth rate, unemployment, inflation and international trade restriction
- ◆ The extent of which the economic downturn affects to purchasing power of the customers and the consumer behaviour

The impacts of the COVID-19 pandemic on accounting estimates are discussed further under the relevant notes to these financial statements wherever applicable.

2.6 Materiality and Aggregation

Each material class of similar items is presented separately in the financial statements. Items of dissimilar nature or function are presented separately unless they are immaterial as permitted LKAS 1 – "Presentation of Financial Statements".

2.7 Comparative information

The comparative information have been reclassified where necessary to conform to the current year's presentation.

2.8 Going Concern

The Directors have made an assessment of the Group/Company's ability to continue as a going being satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, Directors are not aware of any material uncertainties that may cast significant doubt upon the Group/Company's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

Notes to the Financial Statements Contd.

The outbreak of the COVID-19 pandemic and the safety measures implemented by the government of Sri Lanka to mitigate the pandemic's spread have made several impacts to the operational and financial aspects of the group. As a result of these measures including island wide curfew imposed by the government, the operations of the Group were temporarily disrupted during mid-March 2020. However, the Group has successfully bounced back to smooth operation from early-June 2020 and the Group is confident that it did not have any significant impact to its financial position or liquidity.

In preparing Financial Statements, the Directors are responsible for assessing the Group's and the Company's ability to continue as a going concern. The Management has assessed the anticipated implications of possible lockdowns, low economic growth, changes in government fiscal and monetary policies and movements of equity and money market on the Group and the Company. Sound business continuity plans which already in place and the prudent investment strategy have minimized the impact came with this pandemic.

The Directors have made an assessment of the Company's and the Group's ability to continue as a going concern and is satisfied about the ability to continue in business for the foreseeable future. Furthermore, management has concluded that the range of possible outcomes considered in arriving at this judgement including impacts from COVID-19 pandemic does not give rise to material uncertainties related to the events or conditions that may cast significant doubt on the Group's or the Company's ability continue as going concern. Therefore, the financial statements continue to be prepared on a going concern basis.

The additional information is disclosed in note 50 to the financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

The Group and Company has consistently applied the following accounting policies to all periods presented in these financial statements.

3.1 Basis of consolidation

3.1.1 Business combinations

The Group accounts for business combinations using the acquisition method when control is transferred to the Group. The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on a bargain is recognized in Profit or Loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

3.1.2 Non-controlling interests

NCI are measured at their proportionate share of the acquiree's identifiable net assets at the date of acquisition.

Changes in the Parent Company's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

3.1.3 Subsidiaries

Subsidiaries are the entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that currently are exercisable are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

Investments in subsidiaries are carried at cost less impairment in the Company's financial statements

3.1.4 Loss of control

When the Group/Company loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related NCI and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

3.1.5 Interest in equity accounted investees

An associate is an entity in which the Company has significant influence and which is neither a subsidiary nor a joint venture. Significant influence is presumed to exist when the Group/Company holds between 20% or more of the voting power of the investee, unless this can be clearly demonstrated that this is not the case.

Interests in associates are accounted for using the equity method. They are initially recognised at cost, which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Group's share of the profit or loss and OCI of equity-accounted investees, until the date on which significant influence or joint control ceases.

Investment in associate is carried at cost less impairment in the company's financial statements.

3.1.6 Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions, are eliminated. Unrealized gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

3.2 Foreign currency transactions

Transactions in foreign currencies are translated to the functional currencies of the Group/Company at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated to the functional currency at the exchange rate at the reporting date.

Non-monetary assets and liabilities that are measured at fair value in foreign currencies are translated into the functional currency at the exchange rate when the fair value was determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction.

Foreign currency differences are generally recognized in profit and loss.

3.3 Insurance contracts

Product classification

SLFRS 4 requires contracts written by insurers to be classified as either "insurance contracts" or "investment contracts" depending on the level of insurance risk transferred.

Insurance contracts are those contracts when the Group/Company (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/Company determines whether it has significant insurance risk, by comparing benefits paid with benefits payable if the insured event did not occur. Insurance contracts can also transfer financial risk.

Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its lifetime, even if the insurance risk reduces significantly during this period, unless all rights and obligations are extinguished or expire. Investment contracts can, however, be reclassified as insurance contracts after inception if insurance risk becomes significant.

All the products sold by the Group/Company are insurance contracts and therefore classified as insurance contracts under the SLFRS 4 – 'Insurance Contracts'. Thus, the Group/Company does not have any investment contracts within its product portfolio as at the reporting date.

3.3.1 Surplus Profit transfer from insurance contract liability to Shareholders

The Company assesses the shareholder's value by using reserves attributable to shareholders at each reporting period. The difference between the opening and closing balance of the reserves is considered as the surplus profit attributable to shareholders and deduct from the insurance contract liability as at reporting date. The surplus profit attributable to shareholder comprises two forms as follows;

- ◆ Surplus profit attributable to shareholder from the Policyholder Fund
- ◆ Profit earned from the shareholder assets

Surplus profit attributable to shareholder from the Policyholder Fund

The surplus is derived from the actuarial valuation, on the recommendation of the Independent Consultant Actuary

Profit earned from the shareholder assets

Profits earned from the shareholders' assets based on the recommendation of in-house actuarial department and approve of the Board of Directors.

3.4 Statement of profit or loss and other comprehensive income

3.4.1 Revenue Recognition

3.4.1.1 Gross Written Premium (GWP)

(a) Life Insurance Gross Written Premium

Gross recurring premium on life insurance contracts are recognized as revenue when payable by the policyholder (policies within the 30 day grace period are considered as due). Any premium received in advance is not recorded as revenue and recorded as a liability until the premium is due unless otherwise the relevant policy conditions require such premium to be recognized as income. Benefits and expenses are provided against such revenue to recognize profits over the estimated life of the policies.

For single premium business revenue is recognized on the date on which the policy is effective.

Notes to the Financial Statements Contd.

(b) Non - Life Insurance Gross Written Premium

Gross written premium comprises the total premium receivable for the whole period of cover provided by contracts entered into during the accounting period. They are recognized on the date on which the policy commences. Upon inception of the contract, premium are recorded as written and are earned primarily on a pro-rata basis over the term of the related policy coverage.

Rebates that form part of the premium rate, such as no- claim rebates, are deducted from the gross written premium.

Unearned Premium Reserve (UPR)

Unearned premium are those proportions of premium written in a year that relate to periods of risk after the reporting date. UPR represents the portion of the premium written in the year but relating to the unexpired term of coverage.

Unearned premium are calculated on 365 basis in accordance with the Regulation of Insurance Industry Act, No. 43 of 2000. However, for those contracts for which the period of risk differs significantly from the contract period, premium are earned over the period of risk in proportion to the amount of insurance protection provided. The proportion attributable to subsequent periods is deferred as a provision for unearned premium which is included under liabilities.

3.4.1.2 Reinsurance Premium

Gross reinsurance premium on insurance contracts are recognized as an expense on the earlier of the date when premium are payable or when the policy becomes effective. Reinsurance premium are decided based on rates agreed with reinsurers.

(a) Non-Life Insurance Reinsurance Premium

Reinsurance premium written comprises of total premium payable for the whole cover provided by contracts entered into the period and are recognized on the date on which the policy incepts.

Unearned Reinsurance Premium Reserve

Unearned reinsurance premium are those proportions of premium written in a year that relate to periods of risk after the reporting date. Unearned reinsurance premium are deferred over the term of the underlying direct insurance policies for risks-attaching contracts (using 365 basis in accordance with the Regulation of Insurance Industry Act, No. 43 of 2000. However, for those contracts for which the period of risk differs significantly from the contract period, premium are earned over the period of risk in proportion to the amount of insurance protection provided).

(b) Life Insurance Reinsurance Premium

Reinsurance premium on life are recognized as an expense on the earlier of the date when premium are payable or when the policy becomes effective.

3.4.1.3 Fees and Commission Income**(a) Reinsurance Commission Income**

Reinsurance commission income on outwards reinsurance contracts are recognized as revenue when receivable. Subsequent to initial recognition, reinsurance commission income on outwards reinsurance contracts are deferred and amortized on a straight line basis over the term of the expected premium payable.

(b) Other Fees Income

Insurance contract policyholders are charged for policy administration services and other contract fees. These fees are recognized as revenue upon receipt or becoming due.

3.4.1.4 Investment income

Finance income comprises interest income on funds invested, dividend income, capital gains or losses and foreign currency gains or losses.

(a) Interest income

Interest income is recognized in profit or loss using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash receipts or payments through the expected life of the financial asset (or, where appropriate, a shorter period) to the carrying amount of the financial asset. When calculating the effective interest rate, the Group/Company estimates future cash flows considering all contractual terms of the financial instrument, but not future credit losses.

The calculation of the effective interest rate includes all transaction costs and fees and points paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset.

(b) Dividend Income

Dividend income is recognized when the right to receive income is established.

3.4.1.5 Revenue from Contracts with Customers

Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

3.4.1.6 Hospital Revenue

The Group recognises revenue from hospital services over time, using an input method to measure progress towards complete satisfaction of the service, because the customer simultaneously receives and consumes the benefits provided by the Group.

Consultancy fees collected on behalf of the in house and visiting consultants by the Group do not form part of revenue are excluded from the revenue.

3.4.1.7 Revenue from sale of goods

Revenue from sale of goods is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the equipment. The Group considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated. In determining the transaction price for the sale of goods, the Group the effects of variable consideration and the existence of significant financing components.

(i) Variable consideration

If the consideration in a contract includes a variable amount, the Group estimates the amount of consideration to which it will be entitled in exchange for transferring the goods to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved. Some contracts for the sale of goods provide customers with a right of return. The rights of return gives rise to variable consideration.

(ii) Rights of return

Certain contracts provide a customer with a right to return the goods within a specified period. The Group uses the expected value method to estimate the goods that will not be returned because this method best predicts the amount of variable consideration to which the Group will be entitled. The requirements in SLFRS 15 on constraining estimates of variable consideration are also applied in order to determine the amount of variable consideration that can be included in the transaction price. For goods that are expected to be returned, instead of revenue, the Group recognises a refund liability.

(iii) Significant financing component

Generally, the Group receives short-term advances from its customers. Using the practical expedient in SLFRS 15, the Group does not adjust the promised amount of consideration for the effects of a significant financing component if it expects, at contract inception, that the period between the transfer of the promised good or service to the customer and when the customer pays for that good or service will be one year or less.

3.4.1.8 Rental Income from Investment Property

The rental income from investment property is recognized as revenue on a straight-line basis over the term of the lease. Lease incentives granted are recognized as an integral part of the total rental income, over the term of the lease.

3.4.1.9 Profit / loss on disposal of property, plant and equipment

Profit / loss on disposal of property, plant and equipment is recognized in the period in which the sale occurs and is classified under other income.

3.4.2 Benefits, Claims and Expenses

3.4.2.1 Gross Benefits and Claims

(a) Life insurance business

Claims by death and maturity are charged against revenue on notification of death or on expiry of the term. The interim payments and surrenders are accounted for only at the time of settlement.

Expenses on life insurance relates to the acquisition expenses and expenses for maintenance of life insurance business, investment related expenses not treated as a part of the capital cost of investment, etc. which are accounted on accrual basis.

(b) Non - Life insurance business

Non - Life insurance claims include all claims occurring during the year, whether reported or not together with claims handling costs that are directly related to the processing and settlement of claims, a reduction for the value of salvage and other recoveries, and any adjustments to claims outstanding from previous years. Claims outstanding are assessed by review of individual claim files and estimating changes in the ultimate cost of settling claims.

The provision in respect of Claims Incurred But Not Reported (IBNR) and Claims Incurred But Not Enough Reported (IBNER) is actuarially valued to ensure a more realistic estimation of the future liability based on the past experience and trends. Actuarial valuations are performed on a quarterly basis.

Notes to the Financial Statements Contd.

Whilst the Directors consider that the provisions for claims are 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 that period.

The methods used to estimate claims and the estimates made are reviewed regularly.

3.4.2.2 Reinsurance claims

Reinsurance claims are recognized when the related gross insurance claim is recognized according to the terms of the relevant contract.

3.4.2.3 Net deferred acquisition expenses

Acquisition expenses, representing commissions, which vary with and are directly related to the production of business.

Acquisition expenses applicable to non-life insurance contracts are deferred and amortized over the period in which the related written premium are earned. Reinsurance commission is also treated in the same manner within deferred acquisition costs.

3.4.2.4 Actuarial Valuation of Life Insurance Fund

The Directors agree to the long term insurance provision for the Company at the year-end on the recommendations of the Independent Consultant Actuary following his annual investigation of the Life Insurance business. The actuarial valuation takes into account all liabilities and is based on assumptions recommended by the Independent Consultant Actuary.

3.4.2.5 Other expenses

Other expenses are recognized on accrual basis. All expenditure incurred in the running of the business and in maintaining the property, plant and equipment has been charged to the statement of profit or loss.

3.4.3 Employee benefits

(a) Short-term benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid under short-term cash bonus or profit-sharing plans 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.

(b) Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and

will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plans are recognized as an employment benefit expense in the statement of profit or loss in the periods during which services are rendered by employees.

Employee Provident Fund

The Company and employees of Sri Lanka Insurance Corporation Limited, Litro Gas Lanka Ltd and Litro Gas Terminal Lanka (Pvt) Ltd contribute 15% and 10% respectively on the salary of each employee to the approved provident fund.

Other Group entities and employees of the other group entities contribute 12% and 8% respectively on the salary of each employee to the approved provident fund.

Employees Trust Fund

The Group/Company contributes 3% of the salary of each employee to the Employees' Trust Fund.

(c) Defined Benefit Plan

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan.

The liability recognized in the statement of financial position in respect of defined benefit plans is the present value of the defined benefit obligation as at the reporting date. The calculation of defined benefit obligation is performed annually by a qualified actuary as at the reporting date using the Projected Unit Credit (PUC) method as recommended by LKAS 19 - 'Employee Benefits'. The actuarial valuation involves making assumptions about discount rate, salary increment rate and balance service period of employees. Due to the long-term nature of the plans such estimates are subject to significant uncertainty.

Under the Payment of Gratuity Act No. 12 of 1983, the liability to an employee arises only on completion of 5 years of continued service. The liability is not externally funded.

Net interest expense and other expenses related to defined benefit plans are recognized in profit or loss. The Group recognizes any gains and losses on the settlement of a defined benefit plan when settlement occurs.

The re-measurement of the net defined benefit obligation, which comprise actuarial gains and losses are recognized immediately in other comprehensive income.

3.4.4 Income tax expense

Income tax expense comprises current and deferred tax. Current and deferred taxes are recognized in profit and loss except to the extent that it relates to items recognized directly in equity or in OCI.

3.4.4.1 Current tax

The provision for income tax is based on the elements of income and expenditure as reported in the financial statements and computed in accordance with the sections 67 of the Inland Revenue Act No. 24 of 2017 and subsequent amendments thereto. As per this section the gains and profits of life insurance business on which tax is payable is aggregate of;

- ◆ Surplus distributed to shareholders from Life Insurance policyholders fund as certified by the actuary at the rate of 28%
- ◆ Investment Income of shareholder fund less any expenses incurred in the production of such income at a rate of 28%
- ◆ Surpluses distributed to Life Insurance policyholder who share the profits of a person engaged in the business of life insurance at a rate of 14% (Up to 3 years from 2018 and thereafter at 28%)

But for Non-life insurance business, all other sections are applicable and gain and profit of such business are taxed at 28%.

Current income tax is the expected tax payable or receivable on the taxable income or loss for the year and any adjustments to the tax payable or receivable in respect of previous years. It is measured using tax rates enacted at the reporting date.

Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions, where appropriate.

3.4.4.2 Deferred tax

Deferred tax is recognized in respect of temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax assets and liabilities are recognized for all temporary differences, carry-forward of unused tax credits and unused tax losses, to the extent that it is probable that future taxable profits will be available against which they can be utilized.

Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the

probability of future taxable profits improves.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

Unrecognized deferred tax assets are reassessed at each reporting date and recognized to the extent that it has become probable that future taxable profits will be available against which they can be used.

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

Recognition of deferred taxes COVID-19 could have impacted the entity's future profits and in turn impact the amount of deferred tax assets and recoverability. Therefore, the Board of Directors assess the effect of changes in COVID-19 environment on the recoverability of deferred tax assets. In this assessment, the Board of Directors considered potential impact from COVID-19 in a very conservative manner and performed sensitivity analysis to assess the impact on recoverability within the specified period. Refer Note 15 for more information.

3.4.4.3 Withholding Tax on Dividends

Withholding tax that arises from the distribution of dividends by the Group is recognized at the same time as the liability to pay the related dividend is recognized. As per notice (PN/IT/2020-03) dated 18th February 2020 published by the Department of Inland Revenue, requirement to deduct WHT on Dividends has been removed with effective from 1st January 2020.

3.4.4.4 Crop insurance levy (CIL)

The Crop Insurance Levy was introduced under the provisions of the Section 14 of the Finance Act No. 12 of 2013, and came into effect from 1 April 2013. It is payable to the National Insurance Trust Fund and liable at 1% of the Profit after Tax.

3.5 Statement of Financial Position

3.5.1 Property, Plant and Equipment

3.5.1.1 Initial Recognition and Measurement

Items of Property, Plant and Equipment are measured at cost less accumulated depreciation and accumulated impairment losses. The cost of Property, Plant and Equipment is the cost of acquisition or construction together with any expenses incurred in bringing the assets to its working condition for its intended use.

Notes to the Financial Statements Contd.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the following;

- ◆ the cost of materials and direct labour
- ◆ any other costs directly attributable to bringing the assets to a working condition for their intended use
- ◆ when the Group has an obligation to remove the asset or restore the site, an estimate of the costs of dismantling and removing the items and restoring the site on which they are located.

Any gain or loss on disposal is recognized in other operating income in profit or loss.

3.5.1.2 Subsequent expenditure and replacement

The cost of replacing a part of an item of property, plant and equipment is recognized 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 derecognized. The costs of the day-to-day servicing of property, plant and equipment are recognized in profit or loss as incurred.

3.5.1.3 Revaluations

After recognition as an asset, lands and buildings whose fair value can be measured reliably, have been carried at revalued amount at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Valuations are being performed to ensure that the fair value of a revalued asset does not materially differ from its carrying amount as at the reporting date.

Valuation of the land & buildings are undertaken by professionally qualified valuers at a minimum of three years and any gain or losses arising from change in fair value are included in the Other comprehensive income in the year which they arise.

An increase in the carrying amount as a result of revaluation, is recognized in other comprehensive income and accumulated in equity under the heading of revaluation reserve. However, the increase is recognized in profit or loss to the extent that it reverses a revaluation decrease of the same asset previously recognized in profit and loss.

A decrease in the carrying amount as a result of revaluation, is recognized in profit and loss. However, the decrease is recognized in other comprehensive income to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

Additionally, accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Upon disposal, any revaluation reserve relating to the particular asset being sold is transferred directly to retained earnings.

3.5.1.4 Depreciation

Depreciation is calculated to write off the cost of items of property, plant and equipment less their estimated residual values using straight line method over their estimated useful lives, and is generally recognized in profit or loss. This most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset.

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

◆ Buildings	- 20-40 years
◆ Furniture and Fittings	- 5-10 years
◆ Office and Other Equipment	- 5-10 years
◆ Electrical Generators and Air Condition Plant	- 5-10 years
◆ Motor Vehicles	- 4-5 years
◆ Fixtures and Fittings	- 6 2/3 years
◆ Plant and Machinery	- 20 years
◆ Computers and Computer Equipment	- 4 – 7 years
◆ LP Gas Storage Tanks, Pine Lines and fittings	- 25 years
◆ LP Gas Cylinders	- 10 years
◆ Other fixed assets	- 3-12 years

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

3.5.1.5 De-recognition

The carrying amount of an item of property, plant and equipment is de-recognized upon disposal or when no future economic benefits are expected from its use or disposal. The gain or loss arising from the de-recognition of an item of property, plant and equipment is included in profit or loss when item is de-recognized.

3.5.1.6 Impairment

The Board of Directors has assessed the potential impairment loss of PPE as at 31 December 2020 by considering the impact from the COVID-19 pandemic as well. Based on the assessment, no impairment provision is required to be made in the Financial Statements as at the reporting date in respect of PPE (2020 - Nil).

3.5.1.7 Capital work-in-progress

Capital work-in-progress is stated at cost. These are the expenses of a capital nature directly incurred in the construction of buildings, awaiting capitalization.

3.5.2 Intangible Assets

An intangible asset is recognized if it is probable that future economic benefits that are attributable to the asset will flow to the Group and the cost can be measured reliably.

3.5.2.1 Goodwill

Goodwill arising on the acquisition of subsidiaries is measured at cost less accumulated impairment losses.

Impairment of Goodwill

Goodwill acquired in a business combination is tested annually for impairment and when circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each cash generating unit to which the goodwill relates. When the recoverable amount of the cash generating unit is less than their carrying amount, an impairment loss is recognized in profit or loss. Impairment loss on goodwill is not reversed.

3.5.2.2 Software

Other intangible assets that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortization and any accumulated impairment losses. The intangible assets with finite useful life are assessed for impairment whenever there is an indication that intangible assets may be impaired. Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash generating unit (CGU) level.

The Group has software acquired separately as other intangible assets as at reporting date.

Subsequent Expenditure

Subsequent expenditure on software is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognized in profit or loss as incurred.

Amortization

Amortization is calculated to write off the cost of the intangible assets less their estimated residual values using the straight-line method over their estimated useful lives and is recognized in profit or loss. The estimated useful life of software is five years.

Amortization methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

De-recognition

An intangible asset is de-recognized upon disposal or when no future economic benefits are expected from its use or disposal. The gain or loss from the de- recognition of such intangible assets is included in profit or loss when the item is derecognized.

The Group has assessed potential impairment indicators of intangible assets including impact from COVID-19 as at 31st December 2020. Based on the assessment, no impairment indicators were identified.

3.5.3 Right of Use Asset

SLFRS 16 supersedes LKAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model. The Group has adopted SLFRS 16 using full retrospective method from 1 January 2019, without restating comparatives for 2018 reporting period, as permitted under the specific transitional provisions in the standard.

“At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether:

- ◆ the contract involves the use of an identified asset
- ◆ the Company has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- ◆ the Company has the right to direct the use of the asset

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right of use assets of the Group consists of branches premises taken on rent which were previously recognised as operating leases under LKAS 17.

Notes to the Financial Statements Contd.

Initial Measurement

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

Where a subsidiary Company has a right-of-use assets and lease liability as result of property rented out by the Company to the subsidiary, such right-of-use asset and lease liability are eliminated in the Consolidated Financial Statements.

Subsequent Measurement

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain re-measurements of the lease liability.

The lease liability is measured at amortized cost using the effective interest method. It is re-measured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option.

Impairment of ROU assets

As at the reporting date, No impairment loss has been recognized by the Group in respect of impairment of right of use assets due to the COVID-19 pandemic since as each business unit is operating under the business continuity plans as per the Company risk management strategy, to the extent possible, whilst strictly adhering to and supporting government directives.

3.5.4 Investment Property

Investment property is a property held either to earn rental income or for capital appreciation or for both. Investment properties are initially measured at cost and subsequently at fair value on annual basis with any change therein recognized in profit or loss.

Investment properties are de-recognized when disposed or permanently withdrawn from use because no future economic benefits are expected. Any gain or loss on disposal of investment property (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognized in profit or loss. When investment property that was previously classified as property, plant and equipment is sold, any related amount included in the revaluation reserve is transferred to retained earnings.

Transfers are made to the investment properties when there is a change in use. When a group Company occupies in a significant portion of an investment property of a subsidiary, such investment property is treated as property, plant and equipment in the consolidated financial statements and accounted for as per LKAS 16 - 'Property, Plant and Equipment'.

3.5.5 Impairment of non-financial assets

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than investment property, inventories and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill is tested annually for impairment.

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

An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount. Impairment losses are recognized in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, 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 recognized.

3.5.6 Inventories

Inventories include all consumable items which are stated at lower of cost and net realizable value.

Having evaluated the nature of the inventories held by the Group, the Group has assessed whether there is any impact to net realizable value of the inventories due to implications of the COVID-19 and assessed whether it was required to adjust the carrying value of the inventory. The Group has not identified any circumstances where adjustments are required to reduce the carrying value of the inventories.

3.5.7 Financial Instruments – LKAS 39

The Company classifies non derivative financial assets into following categories: available for sale financial assets, loans and receivables, held to maturity financial assets and financial assets at fair value through profit or loss.

The Company classifies non derivative financial liabilities into other financial liabilities category.

3.5.7.1 Non-derivative financial assets

The Company initially recognizes loans and receivables and debt securities issued on the date at which they are originated. All other financial assets (including assets designated at fair value through profit or loss) are initially recognised on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

A financial asset is measured initially at fair value plus, for an asset not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issue.

The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expires, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Company is recognized as a separate asset or liability.

Financial assets and liabilities are offset and the net amount is presented in the statement of financial position when, and only when, the Company currently has a legally enforceable right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

Subsequent measurement

(a) Available-for-sale financial assets (AFS)

Available-for-sale financial investments are those, which are neither classified as held for trading nor designated at fair value through profit or loss.

After initial measurement at fair value, available-for-sale financial investments are subsequently measured at fair value and changes therein are recognized in other comprehensive income and accumulated in the available-for-sale reserve. When these assets are derecognized, the gain or loss accumulated in equity is reclassified to profit or loss.

The Company evaluates its available-for-sale financial assets to determine whether the ability and intention to sell them in the near term would still be appropriate. In the case where the Company 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 Company 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.

Available for sale financial investments of the /Company comprise equity and debt securities, which are neither classified as held for trading nor designated at fair value through profit or loss.

(b) Financial assets at fair value through profit or loss (FVTPL)

A financial asset is classified as at fair value through profit or loss if it is classified as held-for-trading or is designated as such on initial recognition. Directly attributable transaction costs are recognized in profit or loss as incurred. Financial assets at fair value through profit or loss are measured at fair value and changes therein, including any interest or dividend income, are recognized in profit or loss.

Notes to the Financial Statements Contd.

The assets and liabilities are part of a Company's financial assets, financial liabilities, or both, which are managed, and their performance evaluated on a fair value basis, in accordance with the Group's investment strategy. Financial assets at fair value through profit or loss of the Company comprise listed equity investments.

(c) Held to maturity financial assets (HTM)

These are non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held to maturity when the Company has both the intention and ability to hold until maturity. These assets are initially recognized at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortized cost using the effective interest method.

Held to maturity financial assets comprise treasury bills and treasury bonds investments made by the Company.

(d) Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. These assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method.

Loans and receivables comprise investments in unquoted corporate debt, term deposits, asset backed securities, development bonds, commercial papers, other loans and receivables, cash and cash equivalents.

◆ **Reinsurance Receivable**

Company cedes insurance risk in the normal course of business to recognized reinsurers through formal reinsurance arrangements.

Reinsurance assets include the balances due from reinsurance companies for paid and unpaid losses and loss adjustment expenses. Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision or settled claims associated with the reinsurer's policies and are in accordance with the related reinsurance contract.

Reinsurance is recorded gross in the Statement of Financial Position unless a right to offset exists.

Reinsurance assets are reviewed for impairment at each reporting date, or more frequently, when an indication of impairment arises during the reporting year. Impairment occurs when there is objective

evidence as a result of an event that occurred after initial recognition of the reinsurance asset that the Company may not receive all outstanding amounts due under the terms of the contract and the event has a reliably measurable impact on the amounts that the Group will receive from the reinsurer. The impairment loss, if any is recorded in profit and loss.

Ceded reinsurance arrangements do not relieve the Company from its obligations to policyholders.

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

◆ **Premium Receivable**

Insurance receivables are recognized when due and measured on initial recognition at the fair value of the consideration receivable. Collectability of premium is reviewed on an ongoing basis.

According to the Premium Payment Warranty (PPW) directive issued by the Insurance Regulatory Commission of Sri Lanka (IRCSL), Non-Life insurance policies are issued subject to PPW and are cancelled upon the expiry of 60 days if not settled.

The Company accounts for life insurance premium on accrual basis. Accordingly, Life Insurance premium due (only the premium due in the 30 day grace period) are recognized at each reporting date and will be reversed if the premium are not settled during the subsequent month, and thus the policies will be lapsed as per the Company policy.

The Group has assessed the potential impairment loss of Premium Receivables as at 31st December 2020 considering economic implication of COVID-19 pandemic. Based on the assessment, no impairment provision is required to be made in the Financial Statements as at the reporting date in respect of Premium Receivables.

◆ **Other Receivables and Dues from Related Parties**

Other receivables and dues from Related Parties are recognized at cost less allowances for bad and doubtful receivables.

◆ **Cash and cash equivalents**

Cash and cash equivalents comprise reverse repurchase agreements, cash balances and call deposits with maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value and are used by the Group in the management of its short-term commitments.

3.5.7.2 Non-derivative financial liabilities

The Company initially recognizes debt securities issued and subordinated liabilities on the date that they are originated. All other financial liabilities are recognized initially on the trade date, which is the date that the Group becomes a party to the contractual provisions of the instrument.

Other financial liabilities are initially measured at fair value less any directly attributable transaction costs. Subsequent to the initial recognition, these liabilities are measured at amortized cost using effective interest rate method.

The Company derecognizes a financial liability when its contractual obligations are discharged, cancelled or expire.

Other financial liabilities comprise loans and borrowings, bank overdrafts, and trade and other payables.

3.5.8 Impairment of Financial Assets (Non-Derivatives)

Financial assets not classified as at fair value through profit or loss are assessed at each reporting date to determine whether there is an objective evidence of impairment.

Objective evidence that financial assets are impaired includes;

- default or delinquency by a debtor;
- indications that a debtor or issuer will enter bankruptcy;
- adverse changes in the payment status of borrowers or issuers;
- the disappearance of an active market for a security because of financial difficulties; or observable data indicating that there is a measurable decrease in the expected cash flows from a group of financial assets.
- In the case of equity investments classified as available for sale, objective evidence would also include a "significant" or "prolonged" decline in the fair value of the investment below its cost. The determination of what is "significant" or "prolonged" requires judgement.

3.5.8.1 Financial assets carried at Amortized Cost

The considers evidence of impairment for these assets at both an individual asset and a collective level. All individually significant assets are individually assessed for impairment. Those found not to be impaired are then collectively assessed for any impairment that has been incurred but not yet individually identified. Assets that are not individually significant are collectively assessed for impairment. Collective assessment is carried out by grouping together assets with similar risk characteristics.

An impairment loss is calculated as the difference between an asset's carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in profit or loss and reflected in an allowance account. If the amount of impairment loss subsequently decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, then the previously recognized impairment loss is reversed through profit or loss.

3.5.8.2 Available for Sale Financial Assets (AFS)

Impairment losses on available for sale financial assets are recognized by reclassifying the losses accumulated in the available for sale reserve to profit or loss. The amount reclassified is the difference between acquisition cost (net of any principal repayment and amortization) and the current fair value, less any impairment loss previously recognized in profit or loss.

If the fair value of an impaired available for sale debt security subsequently increases and the increase can be related objectively to an event occurring after the impairment loss was recognized, then the impairment loss is reversed through profit or loss. Impairment losses recognized in profit or loss for an investment in an equity instrument classified as available for sale are not reversed through profit or loss.

3.5.9 Financial Instruments – SLFRS 09

SLFRS 9 sets out requirements for recognizing and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces LKAS 39 Financial Instruments: Recognition and Measurement. Additionally, the Group has adopted consequential amendments to SLFRS 07 Financial Instruments: Disclosures that are applied to disclosures about 2018 but have not been generally applied to comparative information.

SLFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, FVOCI and FVTPL. The classification of financial assets under SLFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. SLFRS 9 eliminates the previous LKAS 39 categories of held to maturity, loans and receivables and available for sale.

Trade and other receivables, cash and cash equivalents and related party receivables which were earlier classified as loans and receivable under LKAS 39, are classified as amortised cost under SLFRS 9.

Notes to the Financial Statements Contd.

SLFRS 09 largely retains the existing requirements in LKAS 39 for the classification and measurement of financial liabilities and the adoption of the standard has not had a significant effect on the Group's except the Company's accounting policies related to financial liabilities.

3.5.10 Deferred Expenses

Deferred Acquisition Costs (DAC)

The DAC is applicable only to Non - Life Insurance Contracts. No DAC is calculated for life insurance contracts as the acquisition costs are incurred in line with the revenues earned.

Those direct and indirect costs incurred during the financial period arising from the writing or renewing of insurance contracts are deferred and amortized over the period in which the related revenues are earned. All other acquisition costs are recognized as an expense when incurred.

In line with the available regulatory guidelines from the Insurance Regulatory Commission of Sri Lanka (IRCSL), the DAC is calculated based on the 365 basis.

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 amount, an impairment loss is recognized in the Statement of profit or loss.

DAC is derecognized when the related contracts are either settled or disposed of.

3.5.11 Stated Capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognized as a deduction from equity, net of any tax effects.

3.5.12 Liabilities and Provisions

3.5.12.1 Insurance contract liabilities

Insurance Provision – Life Insurance

Life insurance liabilities are recognized when contracts are entered into and premium are charged. These liabilities are measured by using the gross premium method as specified by the Insurance Regulatory Commission of Sri Lanka (IRCSL) ACT, No. 43 of 2000 based on the recommendation of the Independent Consultant Actuary. The liability is determined as the sum of the discounted value of the expected future benefits, less the discounted value of the expected future premium less the discounted value of the expected future expenses that would be required to meet the future cash outflows based on the

valuation assumptions used. Valuation assumptions are derived based on the best estimate experience with a prescribed risk margin to allow for adverse deviations. Non-participating Liabilities are discounted using the risk-free yields.

The value of participating policy liabilities is the higher of the value of the guaranteed benefits liability and the total benefits liability, derived at the participating insurance fund level. In calculating the guaranteed benefits liability, only the guaranteed benefits are considered, and the cash flows are discounted using the risk-free interest rate yield curve. Total benefits liability includes all the guaranteed and nonguaranteed benefits and discounts the cash flows using the fund-based yield of the participating insurance fund.

Furthermore, adjustments are performed to capture the likely liabilities that may arise due to currently lapsed contracts reviving in the future.

As required by the SLFRS 4- 'Insurance Contracts', the Company performed a Liability Adequacy Test (LAT) in respect of Life Insurance contract liabilities with the assistance of an external actuary. In performing the liability adequacy test, current best estimates of future contractual cash flows, including related cash flows such as claims handling and policy administration expenses, policyholder options and guarantees, as well as investment income from assets backing such liabilities, are used.

Insurance Provision – Non - Life Insurance

Non - Life Insurance contract liabilities include the outstanding claims provision including IBNR and IBNER, the provision for unearned premium and the provision for premium deficiency.

The valuation of Unearned Premium Reserve are measured in accordance with guidelines of the Regulation of Insurance Industry Act, No. 43 of 2000 (i.e. based on the 365 basis). However, for those contracts for which the period of risk differs significantly from the contract period, premium are earned over the period of risk in proportion to the amount of insurance protection provided).

The Incurred But Not Reported (IBNR) and Incurred But Not Enough Reported (IBNER) claims reserve are actuarially computed.

No provision for equalization or catastrophe reserves is recognized. The liabilities are derecognized when the obligation to pay a claim expires, is discharged or is cancelled.

As required by the SLFRS 4 - 'Insurance Contracts', the Company performed a Liability Adequacy Test (LAT) in respect of Non - Life Insurance contract liabilities with the assistance of the external actuary.

There is no material impact on the insurance contract liabilities due to COVID-19 outbreak as at 31 December 2020 since insurance contract liabilities are determined by using the discount rate and methodology as disclosed in Note 46.2.

3.5.12.2 Title Insurance Reserve

Title insurance reserve is maintained by the Company to pay potential claims arising from the title insurance policies. Title insurance policies are normally issued for a long period such as 5 years or more. Due to the long-term nature and uncertainty of this class of business, Company has adopted the approach of only earning sufficient premium to cover the claims and expenses as they arise, with the remaining premium pooled into a fund for future claims and expenses. Under this approach, no profit is recognised on the earned premium.

3.5.12.3 Provisions (except on insurance contracts)

A provision is recognized in the statement of financial position when the Group/Company has a legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation and can be measured reliably. Provisions except on insurance contracts are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessment of the time value of money and the risks specific to the liability.

3.6 Commitments and contingent liabilities

Contingent liabilities are possible obligations whose existence will be confirmed only by occurrence or non-occurrence of uncertain future events not wholly within the control of the Group/Company or present obligations where the transfer of economic benefits is not probable or cannot be reliably measured.

Capital commitments and contingent liabilities of the Group/Company are disclosed in the respective notes to the financial statements.

3.7 Segmental Reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating results are reviewed regularly by the Chief Executive Officer (CEO) to make

decisions regarding resources to be allocated to the segments and to assess its performance, and for which discrete finance information is available.

Segment results that are reported to the CEO include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Accordingly, segmental information of the Group reflects Non - Life Insurance, Life Insurance, Healthcare, Energy and other segments. Inter-segment transfers are based on fair market prices.

3.8 Earnings per share (EPS)

The Group presents basic and diluted earnings per share data for its ordinary shareholders. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Group by the weighted average number of ordinary shares determined in accordance with LKAS 33. The diluted effect of shares are considered when calculating diluted earnings per share.

3.9 Proposed Dividends

Dividend proposed by the Board of Directors after the Reporting date is not recognised as a liability and is only disclosed as a Note to the Financial Statements. Provision for dividend is recognised only at the time the dividend proposed by the Board of Directors is approved by the shareholders at the Annual General Meeting.

3.10 Events occurring after the reporting date

Events after the reporting period are those events, favorable and unfavorable, that occur between the reporting date and the date when the financial statements are authorized for issue. All material events after the reporting date have been considered and where appropriate, adjustments or disclosures have been made in the respective notes to the financial statements. Further notes are included in Note 46.

3.11 Statement of Cash Flows

The Cash Flow Statement has been prepared using the Indirect Method of preparing Cash Flows in accordance with the Sri Lanka Accounting Standard (LKAS) 7 'Statement of Cash flows'.

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

Notes to the Financial Statements Contd.

4. ACCOUNTING STANDARDS ISSUED BUT NOT EFFECTIVE AS AT THE REPORTING DATE**4.1. Standards issued but not yet effective which may have an Impact**

The Institute of Chartered Accountants of Sri Lanka has issued the following new Sri Lanka Accounting Standards which will become applicable for financial periods beginning on or after the 1st January 2019 or at a later date.

The new and amended standards that are issued, but not yet effective to the date of issuance of these financial statements are disclosed below.

- ◆ Amendments to SLFRS 9, LKAS 39, SLFRS 7, SLFRS 4 and SLFRS 16 – Interest Rate Benchmark Reform (Phase 1 & 2)
- ◆ SLFRS 17 - Insurance Contracts
- ◆ Amendments to SLFRS 16 - COVID – 19 Related Rent Concessions

None of the new or amended pronouncements are expected to have a material impact on the consolidated financial statements of the Group.

Temporary Exception from SLFRS 09**SLFRS 9 – “Financial instruments”**

This standard replaces the existing guidance in LKAS 39 – ‘Financial Instruments: Recognition and Measurement’ SLFRS 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets and new general hedge accounting requirements. SLFRS 9 is effective for annual reporting periods beginning on or after 1st January 2018, with early adoption is permitted.

The Company (SLIC) is predominantly based on the proposed amendments to SLFRS 4 ‘Insurance contracts’, the entities whose predominant activity is issuing insurance contracts are permitted to defer the full application of SLFRS 9 until the adopting the revised SLFRS 4, which is currently expected to commence in 2022. Consequent to the Global deferment of IFRS 17 - Insurance contract effective date from January 2021 to January 2023, the Company is expecting the temporary exemption to be deferred until 2023 January.

An insurer may apply the temporary exemption from SLFRS 9 if, and only if:

- a. It has not previously applied any version of SLFRS 9, other than only the requirements for the presentation of gains and losses on financial liabilities designated as at fair value through profit or loss
- b. Its activities are predominantly connected with insurance, at its annual reporting date that immediately precedes 1 April 2016, or at a subsequent annual reporting date.

In accordance with the amendments to SLFRS 4 - Insurance Contract, An insurer’s activities are predominantly connected with insurance if, and only if:

- a. the carrying amount of its liabilities arising from contracts within the scope of this SLFRS, which includes any deposit components or embedded derivatives unbundled from insurance contracts, is significant compared to the total carrying amount of all its liabilities; and
- b. the percentage of the total carrying amount of its liabilities connected with insurance relative to the total carrying amount of all its liabilities is:
 - I. greater than 90 per cent; or
 - II. less than or equal to 90 per cent but greater than 80 per cent, and the insurer does not engage in a significant activity unconnected with insurance.

The temporary exemption from SLFRS 9 will be reassessed whether its activities are predominantly connected with insurance at a subsequent annual reporting date if, and only if, there was a change in the entity’s activities, during the annual period that ended on that date.

The Company will decide on appropriate classification of its investments under SLFRS 9 closer to the time of adopting the revised SLFRS 4 and so is not able to fully quantify the impact of adopting SLFRS 9 on its financial statements as at reporting date. It is anticipated however that may not significantly change the company’s total equity.

SLFRS 15 – “Revenue from Contracts with Customers”

SLFRS 4 - Insurance Contracts are scoped out from this standard. Therefore, the Company may not have a significant impact to insurance transactions from the standard. However, there could be an impact to other revenue transaction with the implementation of this standard. The Company is assessing potential impact on its financial statements resulting from application of this standard.

SLFRS 17 – Insurance Contracts

SLFRS 17 is effective for annual periods beginning on or after 01st January 2023. Early adoption is permitted along with the adoption of SLFRS 9 and SLFRS 15. SLFRS 17 supersedes SLFRS 4 Insurance contracts. The Company is intended to adopt the new standard on its mandatory effective date.

SLFRS 4 permitted insurers to continue to use the statutory basis of accounting for insurance assets and liabilities that existed in their jurisdiction prior to January 2005. SLFRS 17 replaces this with new measurement model for all insurance contracts.

SLFRS 17 requires liabilities for insurance contracts to be recognized as the present value of future cash flows, incorporating an explicit risk adjustment, which is updated at each reporting date to reflect current conditions, and a contractual service margin (CSM) that is equal and opposite to any day – one gain arising on initial recognition. Losses are recognized directly to the income statement. For the measurement purposes contracts are grouped together into contracts of similar risk profitability profile and issue year, with further divisions for contracts that are managed separately.

Profit for insurance contracts under SLFRS 17 is represented by the recognition of the service provided to policy holders in the period (release of CSM), release from non-economic risk (release of risk adjustment) and investment profit.

The CSM is released as profit over the coverage period of the insurance contract, reflecting the delivery of services to the policyholder. For certain contracts with participating features (where a substantial share of the fair value of the related investments and other underlying items is paid to policyholders) the CSM reflects the variable fee to shareholders. For these contracts, the CSM is adjusted to reflect the changes in economic experience and assumptions. For all other contracts the CSM is only adjusted for non- economic assumptions.

SLFRS 17 introduces a new measure of insurance revenue, based on the delivery of service to policyholders and excluding any premium related to the investment elements of policies, which will be significantly different from existing premium revenue measures, currently reported in the income statement. In order to transition to SLFRS 17, the amount of deferred profit, being the CSM at transition date, need to be determined.

SLFRS 17 requires, the CSM to be calculated as if the standards had applied retrospectively. If this is not practical, an entity is required to choose either a simplified retrospective approach or determine the CSM by reference to the fair value of the liabilities at transition date. The approach for determining the CSM will have a significant impact on both shareholders' equity and on the amount of profit on in – force business in future reporting periods.

SLFRS 17 is expected to have a substantial change in the presentation of the financial statements and disclosures, as the requirements of the new standard are complex and requires a fundamental change to accounting for insurance contracts as well as the application of significant judgement and new estimation techniques. The effect of changes required to the Company's accounting policies as a result of implementing these standards are currently uncertain, but these changes can be expected to, among other things, alter the timing of profit recognition.

With the implementation of the SLFRS 17, the shadow accounting to insurance related assets and liabilities will not be applicable.

The Company has an implementation programme underway to implement SLFRS 17. The programme is responsible for setting accounting policies and developing application methodologies, establishing appropriate processes and controls, sourcing appropriate date and implementing actuarial and finance system changes.

Notes to the Financial Statements Contd.

5. FINANCIAL INVESTMENTS

As at 31 December	Note	Group				Company			
		2020		2019		2020		2019	
		Carrying Value Rs. '000	Fair Value Rs. '000	Carrying Value Rs. '000	Fair Value Rs. '000	Carrying Value Rs. '000	Fair Value Rs. '000	Carrying Value Rs. '000	Fair Value Rs. '000
Held to Maturity (HTM) Financial									
Assets	5.1	51,885,786	61,606,054	53,113,519	55,174,232	51,885,786	61,606,054	53,113,519	55,174,232
Loans & Receivables (L & R)									
	5.2	50,861,422	50,861,422	46,019,481	46,019,481	47,654,428	47,654,428	43,437,082	43,437,082
Available for Sale (AFS) Financial									
Assets	5.3	55,420,439	55,420,439	59,956,407	59,956,407	55,420,439	55,420,439	59,956,407	59,956,407
Fair Value Through Profit or Loss (FVTPL)									
Financial Asset	5.4	15,346,680	15,346,680	5,643,021	5,643,021	15,346,680	15,346,680	5,643,021	5,643,021
Total Financial Investments									
		173,514,327	183,234,595	164,732,428	166,793,141	170,307,333	180,027,601	162,150,029	164,210,742

5.1 Held to Maturity (HTM) Financial Assets

As at 31 December	Note	Group				Company			
		2020		2019		2020		2019	
		Carrying Value Rs. '000	Fair Value Rs. '000	Carrying Value Rs. '000	Fair Value Rs. '000	Carrying Value Rs. '000	Fair Value Rs. '000	Carrying Value Rs. '000	Fair Value Rs. '000
Treasury Bonds		51,885,786	61,606,054	53,113,519	55,174,232	51,885,786	61,606,054	53,113,519	55,174,232
		51,885,786	61,606,054	53,113,519	55,174,232	51,885,786	61,606,054	53,113,519	55,174,232

5.2 Loans & Receivables (LGR)

As at 31 December	Note	Group				Company			
		2020		2019		2020		2019	
		Carrying Value Rs. '000	Fair Value Rs. '000	Carrying Value Rs. '000	Fair Value Rs. '000	Carrying Value Rs. '000	Fair Value Rs. '000	Carrying Value Rs. '000	Fair Value Rs. '000
Unlisted Debentures		22,310,237	22,310,237	5,623,014	5,623,014	22,310,237	22,310,237	5,623,014	5,623,014
Term Deposit		17,293,583	17,293,583	29,647,015	29,647,015	14,086,589	14,086,589	27,064,616	27,064,616
Development Bond		11,257,602	11,257,602	10,749,452	10,749,452	11,257,602	11,257,602	10,749,452	10,749,452
		50,861,422	50,861,422	46,019,481	46,019,481	47,654,428	47,654,428	43,437,082	43,437,082

5.3 Available for Sale (AFS)

As at 31 December	Note	Group				Company			
		2020		2019		2020		2019	
		Carrying Value Rs. '000	Fair Value Rs. '000	Carrying Value Rs. '000	Fair Value Rs. '000	Carrying Value Rs. '000	Fair Value Rs. '000	Carrying Value Rs. '000	Fair Value Rs. '000
Listed Shares		19,215,501	19,215,501	23,765,733	23,765,733	19,215,501	19,215,501	23,765,733	23,765,733
Unlisted Shares		11,267	11,267	24,411	24,411	11,267	11,267	24,411	24,411
Unit Trusts		1,590,984	1,590,984	2,029,106	2,029,106	1,590,984	1,590,984	2,029,106	2,029,106
Listed Debentures		33,376,199	33,376,199	32,360,622	32,360,622	33,376,199	33,376,199	32,360,622	32,360,622
Treasury Bond		1,226,488	1,226,488	1,776,535	1,776,535	1,226,488	1,226,488	1,776,535	1,776,535
		55,420,439	55,420,439	59,956,407	59,956,407	55,420,439	55,420,439	59,956,407	59,956,407

5.4 Fair Value Through Profit or Loss (FVTPL)

As at 31 December	Note	Group				Company			
		2020		2019		2020		2019	
		Carrying Value Rs. '000	Fair Value Rs. '000	Carrying Value Rs. '000	Fair Value Rs. '000	Carrying Value Rs. '000	Fair Value Rs. '000	Carrying Value Rs. '000	Fair Value Rs. '000
Listed Shares		12,454,354	12,454,354	5,643,021	5,643,021	12,454,354	12,454,354	5,643,021	5,643,021
Unit Trusts		2,892,326	2,892,326	-	-	2,892,326	2,892,326	-	-
		15,346,680	15,346,680	5,643,021	5,643,021	15,346,680	15,346,680	5,643,021	5,643,021

Fair value through Profit & Loss investment and available for sale investments have been measured at fair value. Held to Maturity Investment and Loans & Receivable are measured at amortised cost.

Notes to the Financial Statements Contd.

5.5 Movement of Carrying Values in Financial Investments

Company	Available For Sale Financial Assets Rs. '000	Fair Value Through Profit or Loss Financial Assets Rs. '000	Held To Maturity Financial Assets Rs. '000	Loans and Receivable Rs. '000	Total Rs. '000
As at 01 January 2020	59,956,407	5,643,021	53,113,519	43,437,082	162,150,029
Purchases	1,288,761	11,352,842	584,368	27,376,378	40,602,349
Maturities	(3,152,545)	(2,002,047)	(1,800,000)	(23,617,970)	(30,572,562)
Disposals	(38,609)	(1,112,592)	-	-	(1,151,201)
Fair Value Gain Recorded in Other Comprehensive income	(4,844,854)	-	6,625	-	(4,838,229)
Realized Capital Gains/(Losses)	25,908	-	-	-	25,908
Realized/Unrealized Capital Gains/(Losses)	-	1,474,881	-	-	1,474,881
Interest Amortisation	2,123,057	-	-	-	2,123,057
Foreign Currency Translation Adjustments	19,342	(9,425)	-	269,095	279,012
Interest Income	3,914,179	-	5,511,279	4,022,605	13,448,063
Interest/Coupon Receipts	(3,871,206)	-	(5,530,005)	(3,832,762)	(13,233,973)
As at 31 December 2020	55,420,439	15,346,680	51,885,786	47,654,428	170,307,333
As at 01 January 2019	58,480,606	3,627,702	54,622,917	33,326,553	150,057,778
Purchases	13,523,857	2,286,917	-	38,674,920	54,485,694
Maturities	(1,100,000)	-	(1,500,000)	(29,092,447)	(31,692,447)
Disposals	(8,728,156)	(778,352)	-	-	(9,506,508)
Fair Value Gain Recorded in Other Comprehensive income	(3,403,456)	-	-	-	(3,403,456)
Realized Capital Gains/(Losses)	771,805	-	-	-	771,805
Realized/Unrealized Capital Gains/(Losses)	-	506,755	-	-	506,755
Impairment of Assets during the year	(127,933)	-	-	-	(127,933)
Interest Amortisation	(16,488)	-	22,479	-	5,990
Foreign Currency Translation Adjustments	(8,356)	-	-	(89,854)	(98,210)
Interest Income	3,345,191	-	5,670,816	3,693,876	12,709,883
Interest/Coupon Receipts	(2,780,663)	-	(5,702,692)	(3,075,966)	(11,559,321)
As at 31 December 2019	59,956,407	5,643,021	53,113,519	43,437,082	162,150,029

Group	Available For Sale Financial Assets Rs. '000	Fair Value Through Profit or Loss Financial Assets Rs. '000	Held To Maturity Financial Assets Rs. '000	Loans and Receivable Rs. '000	Total Rs. '000
As at 01 January 2020	59,956,406	5,643,023	53,113,520	46,019,481	164,732,428
Purchases	1,288,761	11,352,842	584,368	28,000,973	41,226,944
Maturities	(3,152,545)	(2,002,047)	(1,800,000)	(23,617,970)	(30,572,562)
Disposals	(38,609)	(1,112,592)	-	-	(1,151,201)
Fair Value Gain Recorded in Other Comprehensive income	(4,844,854)	-	6,625	-	(4,838,229)
Realized Capital Gains/(Losses)	25,908	-	-	-	25,908
Realized/Unrealized Capital Gains/(Losses)	-	1,474,881	-	-	1,474,881
Interest Amortisation	2,123,057	-	-	-	2,123,057
Foreign Currency Translation Adjustments	19,342	(9,425)	-	269,095	279,012
Interest Income	3,914,179	-	5,511,279	4,022,605	13,448,063
Interest/Coupon Receipts	(3,871,206)	-	(5,530,005)	(3,832,762)	(13,233,973)
As at 31 December 2020	55,420,439	15,346,682	51,885,787	50,861,422	173,514,327
As at 01 January 2019	58,480,603	3,627,702	54,622,918	36,100,316	152,831,539
Purchases	13,523,857	2,286,917	-	38,674,920	54,485,694
Maturities	(1,100,000)	-	(1,500,000)	(29,283,810)	(31,883,810)
Disposals	(8,728,156)	(778,352)	-	-	(9,506,508)
Fair Value Gain Recorded in Other Comprehensive income	(3,403,456)	-	-	-	(3,403,456)
Realized Capital Gains/(Losses)	771,805	-	-	-	771,805
Realized/Unrealized Capital Gains/(Losses)	-	506,755	-	-	506,755
Interest Amortisation	(16,488)	-	22,479	-	5,991
Foreign Currency Translation Adjustments	(8,356)	-	-	(89,854)	(98,210)
Impairment of Assets during the year	(127,933)	-	-	-	(127,933)
Interest Income	3,345,191	-	5,670,816	3,693,876	12,709,883
Interest/Coupon Receipts	(2,780,663)	-	(5,702,692)	(3,075,966)	(11,559,321)
As at 31 December 2019	59,956,406	5,643,023	53,113,520	46,019,481	164,732,428

6. INVESTMENT IN SUBSIDIARIES

As at 31 December	Sub Note	Company	
		2020 Rs. '000	2019 Rs. '000
At Cost			
Listed Subsidiaries	6.1	2,764,196	2,764,196
Unlisted Subsidiaries	6.2	18,059,696	18,059,696
		20,823,892	20,823,892

Notes to the Financial Statements Contd.

6.1 Listed Subsidiaries

	2020				2019			
	No. of Shares	Holding %	Cost Rs. '000	Fair Value Rs. '000	No. of Shares	Holding %	Cost Rs. '000	Fair Value Rs. '000
The Lanka Hospitals Corporation PLC	114,861,951	51.34%	2,764,196	6,179,573	114,861,951	51.34%	2,764,196	4,674,881
			2,764,196	6,179,573			2,764,196	4,674,881

6.2 Unlisted Subsidiaries

	No. of Shares	SLIC Holding %	Carrying Value Rs. '000	No. of Shares	SLIC Holding %	Carrying Value Rs. '000
Litro Gas Lanka Ltd	35,976,853	99.94%	3,510,063	35,976,853	99.94%	3,510,063
Litro Gas Terminal Lanka (Pvt) Ltd	158,710,945	100%	5,280,188	158,710,945	100%	5,280,188
Management Services Rakshana (Pvt) Ltd	5	100%	-	5	100%	-
Canwill Holdings (Pvt)Ltd.	850,000,000	45.95%	8,399,358	850,000,000	45.95%	8,399,358
Canwin Hotels & Spas (Pvt) Ltd	87,008,686	100%	870,087	87,008,686	100%	870,087
			18,059,696			18,059,696

Sri Lanka Insurance Corporation Ltd has invested Rs.8.5 Bn in Canwill Holdings (Pvt) Ltd and it is 45.95% of the stake holding of Canwill Holdings (Pvt) Ltd. According to the Net Asset Value of the Canwill Holdings (Pvt) Ltd as at 31st December 2019 Rs.100.6 Mn has recognised as impairment against the SLIC investment of Canwill Holdings (Pvt) Ltd in the company's Financial Statements as at 31.12.2019. Impairment has not been recognised for the financial year 2020.

6.3 Group Holdings in Principal Subsidiaries

The following disclosure excerpt highlights the group composition and the proportion of ownership interests held by NCI.

Company	Principal activities	Class of shares held	Group Interest		Non Controlling Interest	
			2020	2019	2020	2019
The Lanka Hospitals Corporation PLC	Healthcare and Laboratory Services	Ordinary	51.34%	51.34%	48.66%	48.66%
Lanka Hospital Diagnostics Limited	Healthcare and Laboratory Services	Ordinary	51.34%	51.34%	48.66%	48.66%
Litro Gas Lanka Ltd	Import, Process, Store, Distribute and sell Liquid Petroleum Gas (LPG) and provide other incidental services.	Ordinary	99.94%	99.94%	0.06%	0.06%
Litro Gas Terminal Lanka (Pvt) Ltd	Provide bulk storage facilities for Liquid Petroleum Gas	Ordinary	100%	100%	0.00%	0.00%
Canwin Hotels & Spa (Pvt) Ltd	Hoteliering	Ordinary	100%	100%	0.00%	0.00%

Company	Principal activities	Class of shares held	Group Interest		Non Controlling Interest	
			2020	2019	2020	2019
Canwill Holdings (Pvt) Ltd	Investment promotion in relation to leisure sector	Ordinary	72.97%	72.97%	27.03%	27.03%
Sino Lanka Hotels & Spa (Pvt) Limited	Hoteliering	Ordinary	72.97%	72.97%	27.03%	27.03%
Helanco Hotels & Spa (Pvt) Limited	Hoteliering	Ordinary	72.97%	72.97%	27.03%	27.03%
Management Services Rakshana (Pvt) Ltd	Management Services	Ordinary	100%	100%	0.00%	0.00%

6.4 Non Controlling Interest

The Group has not identified any non controlling interest which is material to the Group on quantitative and qualitative basis.

Canwill Holdings (Pvt) Ltd	Holding Percentage	Company	
		2020	2019
		Rs.	Rs.
Sinolanka Hotels & Spa (Pvt) Ltd	100%	18,000,000,000	18,000,000,000
Helanco Hotels & Spa (Pvt) Ltd	100%	500,000,000	500,000,000
Nilyan Hotels & Spa (Pvt) Ltd	100%	10	10
		18,500,000,010	18,500,000,010
Provision for impairment		(10)	(10)
		18,500,000,000	18,500,000,000

The Board of Directors of the Nilyan Hotels & Spa (Pvt) Ltd have been decided to strike off the name of the Company from the register maintained at the Department of Registrar General of Companies since the Company will not proceeding with business activities. Accordingly, provision has been made as fall in value of the investment of Rs. 10/- under Nilyan Hotels & Spa (Pvt) Ltd in the year 2017.

7. INVESTMENT IN ASSOCIATES

Group/Company	2020				2019			
	No. of shares	SLIC Holding %	Carrying Value	Fair Value	No. of shares	Holding %	Carrying Value	Fair Value
			Rs. '000	Rs. '000			Rs. '000	Rs. '000
Ceylon Asset Management Company Limited	1,250,000	18.95%	5,808	5,808	1,250,000	21.37%	4,779	4,779
Ceybank Asset Management Limited	759,998	26.57%	158,317	158,317	759,998	26.57%	143,730	143,730
			164,125	164,125			148,509	148,509

* The above investments are measured at SLIC's share of Net Asset Value (NAV) of the investee (based on the unaudited financial statements) and change in values are recognised in OCI. There is no material impact on the Group's profit after tax or EPS, or cash.

Notes to the Financial Statements Contd.

8. PROPERTY, PLANT & EQUIPMENT**8.1 Group**

	2020 Rs. '000	2019 Rs. '000
Carrying Amount	40,012,092	35,881,772
Work-in-Progress (Note 8.1.3)	16,740,141	16,464,930
	56,752,233	52,346,702

	Land Rs. '000	Buildings on Freehold Land Rs. '000	Building on Leasehold Land Rs. '000	Equipment Rs. '000	Furniture & Fittings Rs. '000	Motor Vehicle Rs. '000
Cost/Valuation						
Freehold						
Balance as at 01 January 2020	10,744,367	2,364,770	6,858,904	4,740,030	738,080	1,124,264
Additions during the Year	-	23,970	55,726	431,260	67,434	22,913
Revaluation	9,000	-	(140,475)	-	-	-
Accumulated Depreciation Transfers to Revaluation Reserve	-	-	-	-	-	-
Disposals	(5,625)	-	-	(40,562)	(25,551)	(79,686)
Transfers during the year	-	-	-	(851)	(465)	-
Transfers from Working Progress	2,619,141	1,145	18,906	30,564	25,943	17,539
Balance as at 31 December 2020	13,366,883	2,389,885	6,793,061	5,160,441	805,441	1,085,030
Accumulated Depreciation						
Freehold						
Balance as at 01 January 2020	9,282	177,439	283,906	2,568,799	371,175	675,907
Charge during the year	1,741	115,941	163,417	400,641	89,471	200,338
Accumulated Depreciation Transfers to Revaluation Reserve	-	-	-	-	-	-
Disposals	-	-	-	(33,882)	(13,989)	(79,686)
Transfers during the year	-	-	-	(80)	(1)	-
Revaluation	-	-	-	(346,489)	-	-
Balance as at 31 December 2020	11,023	293,380	447,323	2,588,989	446,656	796,559
Net Book Value						
As at 31 December 2019	10,735,085	2,187,331	6,574,998	2,171,231	366,905	448,357
As at 31 December 2020	13,355,860	2,096,505	6,345,738	2,571,452	358,785	288,471

Electrical Generators & passenger lifts	Fixtures & Fittings	Air-condition Plant	Plant and Machinery	Storage tanks, pipe lines and pumping stations	LPG Cylinders	Others	Total 2020	Total 2019
Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
55,961	5,283	109,328	1,521,873	5,479,240	14,707,517	300,006	48,749,625	43,741,464
521	-	18,553	-	-	-	46,076	666,453	1,236,806
-	-	-	-	-	-	-	(131,475)	4,052,095
-	-	-	-	-	-	-	-	(141,600)
-	-	-	-	-	(4,744)	(1,665)	(157,833)	(138,469)
-	-	-	-	-	-	(901)	(2,217)	-
-	-	-	127	14,921	2,618,976	-	5,347,262	(671)
56,482	5,283	127,881	1,522,000	5,494,161	17,321,749	343,516	54,471,815	48,749,625
10,617	1,116	16,493	393,336	1,829,149	6,307,086	223,548	12,867,853	10,321,211
10,539	2,372	18,020	69,889	222,423	741,614	36,018	2,072,424	2,723,404
-	-	-	-	-	-	-	-	(141,600)
-	-	-	-	-	(4,735)	(1,559)	(133,851)	(35,162)
-	-	-	-	-	-	(133)	(214)	-
-	-	-	-	-	-	-	(346,489)	-
21,156	3,488	34,513	463,225	2,051,572	7,043,965	257,874	14,459,723	12,867,853
45,344	4,167	92,835	1,128,537	3,650,091	8,400,431	76,458	-	35,881,772
35,326	1,795	93,368	1,058,775	3,442,589	10,277,784	85,642	40,012,092	-

Notes to the Financial Statements Contd.

8.1.1 Lands

Freehold Lands

The Lanka Hospitals Corporation PLC - carried at revalued amount

Location	Extent (perches)	Method of valuation	Property valuer	Effective date of valuation	Significant unobservable inputs	Carrying value as at 31.12.2020 Rs.	Revaluation surplus Rs.	Carrying value at cost Rs.
Hathbodiya, Kirula Road, Narahenpita, Colombo 05.	10.35	Open market value method	Mr. A A M Fathihu (FIV), Chartered Valuer	31st December 2020	Estimated price per perch	37,127,764	30,659,318	6,468,447
Hathbodiya, Kirula Road, Narahenpita, Colombo 05.	10.00	Open market value method	Mr. A A M Fathihu (FIV), Chartered Valuer	31st December 2020	Estimated price per perch	35,872,236	29,622,529	6,249,706
						73,000,000	60,281,847	12,718,153

Sinolanka Hotels & Spa (Pvt) Ltd

Sinolanka Hotels & Spa (Pvt) Ltd has purchased three blocks of land with buildings attached to land, with the intention of demolishing the buildings in 2014 to facilitate the expansion of ballroom, car parking facilities, re- organization of traffic circulation and compliance with the regulatory requirement. The total cost of the said properties purchased during 2013 was Rs 1,139,357,179. The total cost is allocated between freehold land and CWIP. The cost allocated to freehold land is determined on the basis of a valuation determined by the government valuation department which is Rs 7 Million per perch. Thereby Rs. 716,734,184 is allocated as the cost of the freehold land purchased. The land extent of the three blocks of land are Assessment No 112 - 62.77 p, Assessment No 108 - 15p and Assessment No 134 - 20.10p. In addition to the above freehold land, the Sinolanka Hotels & Spa (Pvt) Ltd occupies approximately 22.56p of land which was previously owned by Ceylinco Homes International Ltd and followings are the legal consequences connected therein.

Case No. DLM/43/18 was filed in the District Court of Colombo by Ceylinco Homes International (lotus tower) Ltd against Sinolanka Hotels & Spa (Pvt) Ltd, requesting to issue a declaration from the Court that they are the lawful owner of property and to eject the present occupier from the property, to recover damages and issue a Permanent Injunction restraining Sinolanka Hotels & Spa (Pvt) Ltd from occupying and making carrying out further construction on the property. The case was subsequently rejected by the Learned District Court Judge of Colombo by her order dated 24th July 2018.

Subsequently, the lawyers of the plaintiff sought leave of the court to resurvey the disputed property and such resurveyed plan was submitted to the court by the licensed surveyor on 07th August 2019. The court postponed the proceedings of the case until the determination of the case No. CA (Writ) Application No. 219/18 in the court of appeal, which is the Writ matter filed by the Ceylinco Homes International (lotus tower) Ltd. against Sinolanka Hotels & Spa (Private) Limited connected to the same property.

Case No. WP/HCCA/109/18/LA has filed in the High Court of the Western Province (Civil Appeal) by Ceylinco Homes International Ltd to initiate an appeal application against Sinolanka Hotels & Spa (Pvt) Ltd in order to set aside the aforesaid order of District Court dated 24th July 2018. This case was withdrawn by the aforesaid Ceylinco Homes International Ltd on 17th September 2020.

CA (Writ) Application No. 219/18, the acquisition process of this land has initiated by the Line Ministry (Ministry of Public Enterprise Development), through an Extraordinary Gazette No. 2065/24, dated 04th April 2018 in order to obtain immediate possession of the land by the Ministry of Land and Parliamentary Reforms. However, CA (Writ) Application No. 219/18 has instituted in the Court of Appeal by the Ceylinco Homes International Ltd on 02nd July 2018 against Ministry of Lands, Acquiring Officer, Urban Development Authority and Sinolanka Hotels & Spa (Pvt) Ltd in the Court of appeal in order to issue Writ of Certiorari quashing the order made under provision (a) to Section 38 of the Land Acquisition Act by the Minister of Lands and Parliamentary Reforms. The case was on going as at reporting date.

Leasehold Land

Sinolanka Hotels & Spa (Pvt) Ltd

Sinolanka Hotels & Spa (Pvt) Ltd entered into an agreement dated 16th July 2012 with the Urban Development Authority (hereafter referred to as the "Lessor"), whereby Lessor allocated to the Company (hereafter referred to as the "Lessee") a block of land bearing assessment No. 116, Galle Road, Colombo 03 comprising in extent 0.6057 Hectares together with the partly constructed building thereon, for an annual nominal lease of Rs. 10,000/- for a term of period of 99 years for the purpose of constructing and operating a Luxury Hotel Complex. The agreement further provided that the settlement of nominal annual lease for the period of 99 years in one lump sum of Rs. 990,000/-.

Upon the termination of the lease by effluxion of time, the Lessor may grant to the Lessee or its successors a renewal of the lease for a further period of 99 years or for a period to be mutually agreed upon by the Lessor and Lessee

In the event of termination or determination of the lease at the expiration of the said term as the case may be and on the Lessee yielding the demised premises with all buildings and with all furniture and fixtures and everything standing thereon to the Lessor, the Lessor shall purchase the building and everything standing thereon at the market value prevailing at the time of yielding.

In addition to the aforesaid lease agreement, the Government valuation department determined a value of Rs. 5.0 billion to be paid by the Company as full and final consideration to the Secretary to the Treasury in respect of the said property situated at 116, Galle Road, Colombo 03. The Valuation department further determined that the value attributable to the land in extent of 0.6057 hectares based on a 99 year lease for the purpose of constructing and operating a Luxury Hotel Complex amounted to Rs. 1.228 billion. The balance value was included in capital work in progress. Of the above referred Rs. 5.0 billion, Rs 4.8 billion has been paid to date to the secretary to the treasury. During the year 2016, Rs. 200 million which was previously recognised as payable to the secretary to the treasury was written back to the capital work in progress based on a decision made by the Board of directors.

Leasehold land was reclassified as Right of Use Assets with effect from 01st January 2019 with adoption of SLFRS 16 – Leases. Initial pre-payment and rental paid in advance to acquire right to use land on lease are capitalized and then amortized over the lease term in accordance with the pattern of benefits provided

Notes to the Financial Statements Contd.

Helanco Hotels & Spa (Pvt) Limited

The Company entered into an agreement dated 1st September 2014 with the Urban Development Authority (hereafter referred to as the "Lessor"), whereby Lessor allocated to the Company (hereafter referred to as the "Lessee") a block of land situated at Lewaya Road, Hambanthota, comprising in extent 3.812 Hectares, for a sum of Rs. 149,601,875/- for a term of period of 99 years, for the purpose of constructing and operating a Luxury Hotel Complex. The agreement further provided that the settlement of annual nominal ground rental for the period of 99 years in one lump sum of Rs. 4,950,000/-.

8.1.2 Buildings on Leasehold Land

The Lanka Hospitals Corporation PLC

Location	Type of property	Method of valuation	Effective date of valuation	Property valuer	Significant unobservable inputs	Carrying value as at 31.12.2020	Cumulative depreciation if assets were carried at cost	Net carrying value
						Rs.	Rs.	Rs.
No 578, Etiviligala Mawatha, Colombo 05	Building	Open market value method	31st December 2020	Mr. A A M Fathihu (FIV), Chartered Valuer	Estimated value per square foot	Rs.12,500 1,732,376,059	359,130,772	1,373,245,287

SinoLanka Hotels & Spa (Pvt) Ltd

Sinolanka Hotels & Spa (Pvt) Ltd entered in to an agreement dated 16th July 2012 with the Urban Development Authority (hereafter referred to as the "Lessor"), whereby Lessor allocated to the Company (hereafter referred to as the "Lessee") a block of land bearing assessment No. 116, Galle Road, Colombo 03 comprising in extent 0.6057 Hectares together with the partly constructed building thereon, for an annual nominal lease of Rs. 10,000/- for a term of period of 99 years for the purpose of constructing and operating a Luxury Hotel Complex. The agreement further provided that the settlement of nominal annual lease for the period of 99 years in one lump sum of Rs. 990,000/-.

Upon the termination of the lease by effluxion of time, the Lessor may grant to the Lessee or its successors a renewal of the lease for a further period of 99 years or for a period to be mutually agreed upon by the Lessor and Lessee

In the event of termination or determination of the lease at the expiration of the said term as the case may be and on the Lessee yielding the demised premises with all buildings and with all furniture and fixtures and everything standing thereon to the Lessor, the Lessor shall purchase the building and everything standing thereon at the market value prevailing at the time of yielding.

In addition to the aforesaid lease agreement, the Government valuation department determined a value of Rs. 5.0 billion to be paid by the Company as full and final consideration to the Secretary to the Treasury in respect of the said property situated at 116, Galle Road, Colombo 03. The Valuation department further determined that the value attributable to the land in extent of 0.6057 hectares based on a 99 year lease for the purpose of constructing and operating a Luxury Hotel Complex amounted to Rs. 1.228 billion. The balance value was included in capital work in progress. Of the above referred Rs. 5.0 billion, Rs 4.8 billion has been paid to date to the secretary to the treasury. During the year 2016, Rs. 200 million which was previously recognised as payable to the secretary to the treasury was written back to the capital work in progress based on a decision made by the Board of directors.

Leasehold land was reclassified as Right of Use Assets with effect from 01st January 2019 with adoption of SLFRS 16 – Leases. Initial pre-payment and rental paid in advance to acquire right to use land on lease are capitalized and then amortized over the lease term in accordance with the pattern of benefits provided

8.1.3 Capital Work-in-Progress

As at 31 December	Group		Company	
	2020 Rs. '000	2019 Rs. '000	2020 Rs. '000	2019 Rs. '000
At the beginning of the Year	16,464,930	19,167,137	-	-
Transferred to Opex to profit and loss account	-	14,977	-	-
Cost incurred during the Year	5,624,355	764,827	-	-
Amount capitalised during the Year	(5,349,145)	(616,375)	-	-
Revaluation of asset	-	(2,865,636)	-	-
At the end of the Year	16,740,140	16,464,930	-	-

Canwill Holdings (Pvt) Ltd

Capital work in progress consists of the partly completed property at No 116, Galle Road, Colombo 03; Grand Hyatt Colombo. Divestiture the ownership of the Grand Hyatt Colombo Hotel project was approved by the Cabinet of Ministers on 01st August 2017 and the proposed divestiture programme was to be completed before end of June 2019. However, the said divestiture programme was not executed within the stipulated time period and construction works of the Project were on hold till the Cabinet of Ministers approval is granted to recommence the construction activities at the Cabinet of Ministers meeting dated 08th July 2020. Accordingly, construction works of the Grand Hyatt Colombo Project were recommenced during the year 2020 and successfully ongoing as at the reporting date.

8.1.4 Impairment of Property, Plant and Equipment

Helanco Hotels & Spa (Pvt) Limited

In accordance with Sri Lanka Accounting Standards (LKAS) 16 – Property, Plant and Equipment, the initial costs incurred in relation to the commencement of construction of Hyatt Hotel at Hambantota were capitalized. The Board of Directors of the Company had since resolved to discontinue with the construction of the Hotel. As a consequence, the costs incurred so far on the project had been considered impaired as it would not be probable that the future economic benefits associated with these costs would flow to the entity. As such, a provision for impairment of Capital Works-in-Progress of Rs. 111,103,548/- had been recorded in the financial statements of 2015.

The hotel in Hambantota was to be constructed on a leased-hold land obtained from the Urban Development Authority for 99 years. The consideration paid to the Urban Development Authority with related taxes and other charges paid thereon for the use of the rights to the land were recognized as leasehold land and property in the financial statements for 2014. As the Company had since resolved to discontinue with the hotel project the Board of Directors are evaluating options available to the company. The Directors are of the view that the un-amortized leasehold land value of Rs. 161,295,731/- as at 31 December 2020 could be recovered from the disposal of the property. Hence, no impairment provision had been considered necessary on the asset.

Notes to the Financial Statements Contd.

8.1.5 Fully Depreciated Assets

Sri Lanka Insurance Corporation Limited

At the end of year 2020, there were no any fully depreciated assets.

The Lanka Hospitals Corporation PLC

Property plant and equipment as at 31st December 2020 includes fully depreciated assets having a gross carrying amount (cost) of Rs.1.59 Bn (2019 - 1.56 Bn).

Litro Gas Lanka Ltd

Property, plant and equipment include fully depreciated assets, the cost of which as at 31 December 2020 amounted to Rs. 330 Mn (31 December 2019 - Rs. 375 Mn).

The estimated life of LP gas cylinders was changed from 10 years to 20 years in the year 2020 based on the industry practice and the past experience of useful lifetime.

Litro Gas Terminal Lanka (Pvt) Ltd

Property, plant and equipment as at 31st December 2020 include fully depreciated assets still in use and the cost of which as of 31 December 2020, amounted to Rs. 15 Mn (2019 - Rs. 14.89 Mn).

8.1.6 Asset Requalification

Litro Gas Lanka Ltd

Certain types of assets: Storage tanks, pipelines, pumping stations, instrumentation equipment, tanks on bowsers and plant and machinery require periodically to be inspected, assessed and requalified to ensure that the said assets meet the required safety standards, to be used in the LPG industry. When such an asset is to be requalified for use, the cost and accumulated depreciation relating to the asset is derecognised. Subsequent to requalification, the previous written down value of the asset and the additional cost incurred to requalify the asset is capitalised, as it is expected that future economic benefits associated with asset will flow to the entity.

Litro Gas Terminal Lanka (Pvt) Ltd

Certain types of assets: Storage tanks, Pipelines, Pumping stations, Instrumentation equipment and plant and machinery require periodically to be inspected, assessed and requalified to ensure that the said assets meet the required safety standards, to be used in the LPG industry. When such an asset is to be requalified for use, the cost and accumulated depreciation relating to the asset is derecognised. Subsequent to requalification, the previous written down value of the asset and the additional cost incurred to requalify the asset is capitalised, as it is expected that future economic benefits associated with asset will flow to the entity.

8.1.7 Revaluation gain/(impairment)

Litro Gas Lanka Ltd

The increase in an asset's carrying amount as a result of revaluation, has been recognised in other comprehensive income and accumulated in equity under the heading of revaluation surplus. Any decrease is recognised in other comprehensive income to the extent of any credit balance existing in the revaluation surplus in respect of that asset. However, any excess revaluation decrease, if any, relating to an asset's carrying amount is recognised in profit or loss.

Revaluation of Property, Plant & Equipment.

Land, building, site development and all other assets under property, plant and equipment have been revalued in the year 2016. The fair value of property, plant and equipment was determined by Sunil Fernando & Associates (Private) Limited, an external independent chartered valuation surveyor, who had relevant experience in the category of assets being revalued.

Asset category	Cost	Net book value under cost model
Land	36,652	36,652
Building & Site development	315,098	236,365
Motor Vehicles	344,102	-
LPG storage tanks, pipe & fittings	116,435	13,277
Plant & machinery	299,709	81,501
Work shop equipment	464	-
Other equipment	34,166	2,228
Furniture, and fittings and Computers	151,517	65
LPG cylinders	4,135,870	-

Notes to the Financial Statements Contd.

Litro Gas Terminal Lanka (Pvt) Ltd*Revaluation of Property, Plant & Equipment.*

Building site development and all other assets under property, plant and equipment have been revalued during the year 2016. The fair value of property, plant and equipment was determined by Sunil Fernando & Associates (Private) Limited an external, independent chartered valuation surveyor, who had relevant experience in the category of assets being revalued.

Asset category	Date of revaluation	Cost	Net book value under cost model
Building & Site development	December - 2016	258,540	86,807
Plant & machinery	December - 2016	247,656	46,986
Storage Tanks, Pipeline & Pumping Stations	December - 2016	3,175,167	377,693
Motor Vehicles	December - 2016	3,288	-
Instrumentation Equipment	December - 2016	736,798	28,566
Office Equipment & Computers	December - 2016	47,347	595

Sinolanka Hotels & Spa (Pvt) Ltd

In early 2019, the Company carried out an asset revaluation for the Land and Construction Work in Progress (partly constructed building) through an independent valuer, Prathap Chartered Valuation & Consultancy (Pvt) Ltd (a member of RICS) in order to reflect the fair value of the assets in the financial statements of the company. Accordingly, the Company has recognized the appreciation of Land value including write-of-use land on lease to Rs. 4,052,095,000/- and impairment of the Capital Work in Progress (partly constructed building) amounting to Rs. 2,865,635,579/- in the financial year end 31st December 2019.

8.1.8 Assets Revaluation

Sri Lanka Insurance Corporation Ltd. - Company

Location	Extent of the land	Land Rs. '000	Building Rs. '000	Total Carrying Value 31-12- 2020 Rs. '000
Land situated at No. 288, Union Place, Colombo 2	A 01 R 00 P 20.35	2,705,250	-	2,705,250
Land & Building situated at No. 21, Vauxhall Street, Colombo 2	A 02 R 00 P 05.62	4,070,250	1,355,694	5,425,944
Land & Building situated at Thelawala, Katubedda, Moratuwa	A 02 R 00 P 13	224,775	28,714	253,489
Land & Building situated at Lake Road, 4th Lane, Anuradhapura	A 0 R 0 P 30	15,000	4,968	19,968
Land & Building situated at Main Street, 2nd Lane Anuradhapura	A 0 R 0 P 36.03	95,975	85,228	181,203
Land & Building situated at 571, Hospital Road, Jaffna	A 0 R 1 P 21.66	123,320	-	123,320
Land & Building situated at No. 25, Kande Veediya, Kandy	A 0 R 0 P 16.45	131,600	55,418	187,018
Land & Building situated at No. 20, Rajapaksha Broadway, Negombo	A 0 R 0 P 18.10	85,975	27,346	113,321
Land & Building situated at No. 7, Hakmana Road, Matara	A 0 R 1 P 04.17	176,680	21,084	197,764
Land & Building situated at No. 25, Waterfield Drive, Nuwara Eliya	A 0 R 02 P 23.01	146,625	9,010	155,635
Land & Building situated at No. 16/1, Dambulla Road, Kurunegala	-	-	68,400	68,400
Land & Building situated at No. 14A, Pulathisigama, Hingurakgoda	A 0 R 0 P 49.42	4,214	1,263	5,477
Land & Building situated at No. 46, Main Street, Trincomalee	A 0 R 01 P 37.65	104,828	1,086	105,914
Land situated at Bauddhaloka Mawatha, Gampaha	A 0 R 0 P 27.60	96,600	97,457	194,057
Land & Building situated at No. 14, River Side Road, Kalutara	A 0 R 0 P 61.9	40,235	-	40,235
Land & Building situated at No. 32, Negombo Road, Marawila	A 0 R 0 P 17.30	25,950	-	25,950
Land & Building situated at No. 195, Bowela Village, Heerassagala, Kandy	A 0 R 01 P 03	34,650	-	34,650
Land & Building situated at No. 97, New Road, Ambalangoda	A 0 R 01 P 02.41	127,230	60,273	187,503
Land & Building situated at No. 211/C, Colombo Road, Pilimatalawa	A 0 R 0 P 08	24,000	15,778	39,778
Land situated at No. 42, Kurunegala Road, Chilaw	A 0 R 0 P 15.63	35,168	-	35,168
Land & Building situated at No. 38, Miyugunagama, Mahiyanganaya.	A 0 R 0 P 09.96	5,978	556	6,534
Land & Building situated at Bogahahena, Dikwella Road, Beliatta	A 0 R 01 P 33.58	53,351	-	53,351
Land & Building situated at No. 68, Ragala Road, Rikillagaskada.	A 0 R 0 P 6.832	19,471	6,617	26,088
Land & Building situated at No. 69, Kothmale Road, Nawalapitiya.	A 0 R 0 P 05	15,000	12,906	27,906
Land situated at No. 157, Thangalla Road, Thawaluwila, Ambalantota.	A 0 R 0 P 22.73	9,092	-	9,092
Land & Building situated at No. 6, Wadugodapitiya Veediya, Kandy .	A 0 R 0 P 08.50	34,000	27,701	61,701
Land & Building situated at No. 389, Main Street, Kegalle	A 0 R 0 P 09.51	28,530	34,288	62,818
Land situated at Kachchery Junction, Kandy Road, Jaffna	A 0 R 0 P 38.24	7,648	-	7,648
Land & Building situated in Badulla, 14, R.H Gunawardana Mawatha, Badulla.	A 0 R 0 P 22.06	38,605	-	38,605
Land & Building situated at No. 60/1, Park Road, Nuwara Eliya	-	-	20,422	20,422
		8,480,000	1,934,209	10,414,209

Notes to the Financial Statements Contd.

8.2 Company

As at 31 December	2020	2019
	Rs. '000	Rs. '000
Carrying Amount	10,867,358	11,073,931
	10,867,358	11,073,931

	Land	Buildings on Freehold Land	Building on Leased hold Land	Equipment	Furniture & Fittings
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Cost/Valuation					
Balance as at 01 January 2020	8,485,624	1,840,379	69,700	338,944	179,124
Additions During the Year	-	24,130	-	112,774	21,890
Disposals	(5,625)	-	-	(28,374)	(19,159)
Balance as at 31 December 2020	8,479,999	1,864,509	69,700	423,344	181,855
Accumulated Depreciation					
Balance as at 01 January 2020	-	89,012	-	129,581	54,104
Depreciation Charge for the Year	-	95,706	-	105,983	47,095
Disposals	-	-	-	(25,211)	(12,503)
Balance as at 31 December 2020	-	184,718	-	210,353	88,696
As at 31 December 2019	8,485,624	1,751,367	69,700	209,363	125,020
As at 31 December 2020	8,479,999	1,679,791	69,700	212,991	93,159

During the year the Company has acquired property, plant & equipment amounting to Rs 231.5 million (2019 Rs.311.14 million)

At the end of year 2020, there were no any fully depreciated assets.

There were no assets pledged against the borrowings.

Transfers were made to correct the opening balances and correction of respective class of assets.

Motor Vehicle	Electrical Generators and Passenger Lift	Fixtures & Fittings	Air-cond. Plant	Others	Total 2020	Total 2019
Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
406,707	55,961	312	109,329	25,933	11,512,013	11,311,110
22,913	521	-	18,553	30,656	231,437	311,149
-	-	-	-	-	(53,158)	(110,246)
429,620	56,482	312	127,882	56,589	11,690,292	11,512,013
131,915	10,094	65	16,493	6,818	438,082	54,687
135,810	10,540	63	18,020	9,349	422,566	396,039
					(37,714)	(12,644)
267,725	20,634	128	34,513	16,167	822,934	438,082
274,792	45,867	247	92,836	19,115	-	11,073,931
161,895	35,848	184	93,369	40,422	10,867,358	-

Notes to the Financial Statements Contd.

9. RIGHT OF USE ASSETS/LEASE LIABILITY**Lease payable as lessee**

The Company leases a number of branch and office premises and the leases generally run for a period of 1-10 years.

9.1 RIGHT OF USE ASSETS

	Group		Company	
	2020 Rs. '000	2019 Rs. '000	2020 Rs. '000	2019 Rs. '000
Cost				
Balance as at 1 January	2,729,122	-	709,252	-
Adjustment on Initial Application of SLFRS 16	-	2,319,648	-	387,904
Additions	284,128	252,742	258,190	164,616
Reassessment of lease	51,979	-	-	-
Stamp duty on lease rentals	2,135	-	-	-
Disposals / write-offs during the year	(61,617)	-	-	-
Adjustment from derecognition of right-of- use assets	(612,837)	-	-	-
Adjustments for the branch relocations and termination of contracts	(63,837)	-	(63,837)	-
Right to Use Liabilities Lease Hold Liabilities	-	156,732	-	156,732
Balance as at 31 December	2,329,073	2,729,122	903,605	709,252
Amortisation				
Balance as at 1 January	361,448	-	117,200	-
Charge for the year	411,050	361,448	154,830	117,200
Adjustment from derecognition of right-of- use assets	(36,698)	-	-	-
Disposal during the year	(21,776)	-	-	-
Balance as at 31 December	714,024	361,448	272,030	117,200
Net balance as at 31 December	1,615,049	2,367,672	631,575	592,052

The Company has entered to the 99 year leases with the government of Sri Lanka and previously recognized under LKAS 17 as Lease hold Properties were reclassified as Right of Use Assets -Lease Hold with adption of SLFRS 16 -Lease, with effect from 01st January 2019.

9.2 Lease Liability

The carrying amounts of lease liability recognised and its movements during the year:

	Group		Company	
	2020 Rs. '000	2019 Rs. '000	2020 Rs. '000	2019 Rs. '000
Balance as at 1 January	2,115,377	-	588,104	-
Adjustment on Application of SLFRS 16	-	1,954,928	-	387,904
Reassessment of lease	51,979	-	-	-
Lease Liability Relating to New/Renewed Contracts during the year	291,977	429,613	268,357	334,077
Adjustments for the branch relocations and termination of contracts	(18,315)	-	(18,315)	-
Adjustment from derecognition of right-of-use assets	(713,278)	-	-	-
Lease rent paid	(537,514)	(474,639)	(187,839)	(133,877)
Exchange gain	20	(518)	-	-
Disposal during the year	(39,609)	-	-	-
Directly charged to Income Statement due to SLFRS 16	166,198	205,992	-	-
Balance as at 31st December	1,316,835	2,115,377	650,307	588,104
Adjustment on Interest In Suspense at Initial Application	123,108	122,796	123,108	122,796
Interest Recognized in Income Statements	(57,187)	(46,353)	(57,187)	(46,353)
Adjustments for the branch relocations and termination of contracts	(19,664)	-	(19,664)	-
Interest in Suspense Relating to the New Contracts recognized	75,600	46,665	75,600	46,665
Interest in suspense at the End of the Period	121,857	123,108	121,857	123,108
Balance as at 31 December	1,194,978	1,992,268	528,450	464,996

The amounts recognised in the Statement of Comprehensive Income for the year ended 31st December 2020.

9.3 For the year ended 31 December 2020

	Group		Company	
	2020 Rs. '000	2019 Rs. '000	2020 Rs. '000	2019 Rs. '000
Amortisation expenses on right-of-use assets	411,050	361,448	154,830	117,200
Interest expenses on lease liabilities	223,385	252,346	57,187	46,353
Finance Income on the net investment in the lease	585	9,345	585	9,345
Net charge to P&L	635,020	623,139	212,602	172,898

Notes to the Financial Statements Contd.

9.4 Maturity Analysis

	Group		Company	
	2020	2019	2020	2019
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Less than 3 months	77,476	77,342	156	394
3 month to 6 month	70,072	3,199	1,994	3,199
6 month to 1 year	93,729	161,007	8,611	3,753
1 to 5 year	792,676	1,048,802	362,286	363,435
More than 5 years	162,358	701,919	103,170	94,214
	1,196,311	1,992,268	476,217	464,995

In Canowin Hotels & Spas (Pvt) Ltd, the leasehold property in Welipenna has been leased from the Road Development Authority (RDA) for a period of 99 years starting from 19th August 2011. On 1st March 2014 Canowin Hotels & Spas (Pvt) Ltd acquired two leasehold plots in Welipenna from the Road Development Authority, for a period of 30 years. The properties are adjoining the main property situated at the entrance of the Southern Expressway in which the rest area and food arcade has been constructed. This property is currently being utilized by Litro Gas Lanka Ltd.

10. INVESTMENT PROPERTY

As at 31 December	Group		Company	
	2020	2019	2020	2019
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Balance as at 01 January	2,571,466	2,505,679	1,719,966	1,719,966
Additions during the year	5,010	46,062	-	-
Fair Value Gains / (Loss)	(1,896)	19,725	-	-
Balance as at 31st December	2,574,580	2,571,466	1,719,966	1,719,966

Investment property held by Sri Lanka Insurance Corporation Limited is located at No.6, Sir Baron Jayathilake Mawatha, Colombo 1. Extent of land is A0 R0 P38.88 and extent of the building is 40,000 sq. ft. Property located at No 267, Union Place, Colombo, extent of land is A0 R0 P37.62 and the extent of building is 49,646 sq. ft & the bare land located at Gorkadeniya Rd, Yatinuwara, Extent of A0 R0 P118.47.

Investment property held by Canowin Hotels & Spas (Pvt) Ltd, represents the leasehold land located at the entrance of the Southern Expressway, Welipenna and buildings (rest area and food arcade) which have been constructed in the said property. The leasehold property in Welipenna has been leased from the Road Development Authority ("RDA") for a period of 99 years starting from 19th August 2011.

No significant changes in the fair values as at 31.12.2020 were noted based on the management assessment carried out compared to the last reporting date.

10.1 Measurement of Fair Values

10.1.1 Fair Value Hierarchy

The fair value of investment property was determined by an external, independent property valuer, having appropriate recognized professional qualifications and recent experience in the location and category of the property being valued.

The fair value measurement of investment property has been categorized as a Level 3 based on the SLFRS 13 - Fair Value Measurement.

10.1.2 Valuation technique and significant unobservable inputs

Valuation Technique	Company Name	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
Investment basis of valuation which considered present value of future cash flows has been used. This is based on the actual rental income currently earned together with the service charges receivable. Other income with a deduction to cover the operational expenses has also been considered.	Canowin Hotels & Spas (Pvt) Ltd	<ol style="list-style-type: none"> 1. Future rental and other income 2. Future operational expenses 3. Discount rates 	Estimated fair value would increase (decrease) if: <ol style="list-style-type: none"> 1. Future rental and related income changes 2. Future operational expenses change 3. Discount rate changes
Alhamra Property - Valuation			
Income Approach based valuation which considered SLIC the present value of net future cash flows has been used. This is based on observable rental income & the outgoing expenses. Under the income approach it also considered the out going expense to determine the net future cash flows.	SLIC	<ol style="list-style-type: none"> 1. Future rental 2. Future operational expenses 3. Discount rates 	Estimated fair value would increase (decrease) if: <ol style="list-style-type: none"> 1. Future rental and related income changes 2. Future operational expenses change 3. Discount rate changes
Litro Property - Valuation			
Income Approach based valuation which considered the present value of net future cash flows has been used. This is based on actual rental income currently earned & outgoing expenses. Under the income approach it also considered the out going expense to determine the net future cash flows.	SLIC	<ol style="list-style-type: none"> 1. Future rental 2. Future operational expenses 3. Discount rates 	Estimated fair value would increase (decrease) if: <ol style="list-style-type: none"> 1. Future rental and related of income changes 2. Future operational expenses changes 3. Discount rate changes
Yatinuwara Bare Land			
Market Approach based valuation is used for the SLIC Ytinuwara Bare Land. Value is determined by using the direct comparison approach ,whereby the subject property is compared to the recent comparable land sales values & the necessary adjustment is made to determine the fair value of the bare land.	SLIC	<ol style="list-style-type: none"> 1. Value per perch of the land 2. Interest Rates 	Estimated fair value would increase (decrease) if: <ol style="list-style-type: none"> 1. Value per perch of Land 2. Interest Rate Fluctuations

Notes to the Financial Statements Contd.

11. INTANGIBLE ASSETS

As at 31 December	Group		Company	
	2020 Rs. '000	2019 Rs. '000	2020 Rs. '000	2019 Rs. '000
Goodwill on Acquisition (Note 11.1)	2,992,805	2,992,805	-	-
Computer Software (Note 11.2)	94,485	142,575	37,172	66,562
	3,087,290	3,135,380	37,172	66,562

11.1 Goodwill on Acquisition

As at 31 December	Group		Company	
	2020 Rs. '000	2019 Rs. '000	2020 Rs. '000	2019 Rs. '000
Cost				
Balance at 01 January	2,992,805	2,992,805	-	-
On Acquisition of Subsidiaries	-	-	-	-
Balance as at 31 December	2,992,805	2,992,805	-	-

The aggregated carrying amount of goodwill allocated to each unit is as follows:

	2020 Rs. Mn	2019 Rs. Mn	2020 Rs. Mn	2019 Rs. Mn
The Lanka Hospitals Corporation PLC	1,577	1,577	-	-
Litro Gas Lanka Ltd	842	842	-	-
Litro Gas Terminal Lanka (Pvt) Ltd	574	574	-	-
	2,993	2,993	-	-

11.2 Computer Software

There has been no permanent impairment of intangible assets that requires a provision.

As at 31 December	Group		Company	
	2020 Rs. '000	2019 Rs. '000	2020 Rs. '000	2019 Rs. '000
Cost				
Balance at 01 January	575,604	547,546	419,177	396,242
Additions	10,338	28,058	6,156	22,935
Balance as at 31 December	585,943	575,604	425,333	419,177
Amortization				
Balance as at 01 January	433,030	369,661	352,615	312,414
Amortization Charge	58,428	63,368	35,546	40,201
Balance as at 31 December	491,458	433,030	388,161	352,615
Net Balance as at 31 December	94,485	142,575	37,172	66,562

Canwill Holdings (Pvt) Ltd

The intangible assets comprises of accounting system, payroll system and communication solutions acquired and used for the purpose of group companies which have been fully depreciated to the reporting date.

Canowin Hotels & Spas (Pvt) Ltd

The cost incurred in the designing of Canowin Website, purchase of Quick Book License and the "Subway" Franchise has been recognized as Intangible Assets and amortized over 4-20 years.

12. LOANS TO POLICYHOLDERS

As at 31 December	Group		Company	
	2020 Rs. '000	2019 Rs. '000	2020 Rs. '000	2019 Rs. '000
Balance as at 01 January	1,803,439	1,639,851	1,803,439	1,639,851
Loans granted during the year	1,590,784	1,673,482	1,590,784	1,673,482
Interest Receivable on loans	449,277	399,309	449,277	399,309
Loans settled during the year	(2,108,777)	(1,909,203)	(2,108,777)	(1,909,203)
Balance as at 31 December	1,734,723	1,803,439	1,734,723	1,803,439

The surrender value of the loans granted to policyholders as at 31st December 2020 amounted to Rs.2,801 mn (2019 Rs.2,850mn)

The Company grants policy loans at the market rate and hence initial recognition is at fair value

If the total receivable of the loan including interest due and accrued exceeds the surrender value the policy terminates and becomes void. The Company has the first lien on all policies which are subject to policy loans and this mitigates the Company's credit exposure on Policy Loans.

The Board of Directors has assessed the potential impairment loss of loans where total receivable exceeds the surrender value and charged(reversed) in the financial statements as at the reporting date in respect of loans to Life policyholders.

The carrying value of the policyholders' loans approximates the fair value at the reporting date.

Notes to the Financial Statements Contd.

13. REINSURANCE RECEIVABLES

	Group		Company	
	2020	2019	2020	2019
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Reinsurance Receivables on Settled Claims	348,966	390,982	348,966	390,982
Reinsurance Receivables on outstanding Claims	1,884,179	1,341,064	1,884,179	1,341,064
Impairment on Reinsurance Receivables	(52,168)	(52,993)	(52,168)	(52,993)
	2,180,977	1,679,053	2,180,977	1,679,053

Impairment of Reinsurance Receivables

The Board of Directors has assessed the potential impairment loss on reinsurance receivables as at the reporting date and adequate provisions have been made in the financial statements.

The carrying value of reinsurance receivables approximates the fair value at the reporting date.

14. PREMIUM RECEIVABLE

As at 31 December	Group		Company	
	2020	2019	2020	2019
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Premium Receivable from Policyholders (Note 14.1)	4,128,851	2,506,298	4,128,851	2,506,298
Premium Receivable from Agents and Brokers (Note 14.2)	2,604,982	1,527,811	2,604,982	1,527,811
	6,733,833	4,034,109	6,733,833	4,034,109

14.1 Premium Receivable from Policyholders

As at 31 December	Group		Company	
	2020 Rs. '000	2019 Rs. '000	2020 Rs. '000	2019 Rs. '000
Premium Receivable from Policyholders	4,315,940	2,637,427	4,315,940	2,637,427
Impairment on Premium Receivable				
As at the Beginning of the Year	(131,129)	(113,508)	(131,129)	(113,508)
Reversal / (Charge) made during the Year	(55,960)	(17,621)	(55,960)	(17,621)
As at the End of the Year	(187,089)	(131,129)	(187,089)	(131,129)
Sub Total of Premium Receivable from Policyholders	4,128,851	2,506,298	4,128,851	2,506,298

14.2 Premium Receivable from Agents, Brokers and Intermediaries

As at 31 December	Group		Company	
	2020 Rs. '000	2019 Rs. '000	2020 Rs. '000	2019 Rs. '000
Premium Receivable from Agents and Brokers	2,740,461	1,592,397	2,740,461	1,592,397
Impairment on Premium Receivable				
As at the Beginning of the Year	(64,586)	(37,836)	(64,586)	(37,836)
Reversal / (Charge) made during the Year	(70,893)	(26,750)	(70,893)	(26,750)
As at the End of the Year	(135,479)	(64,586)	(135,479)	(64,586)
Sub Total of Premium Receivable from Agents and Brokers	2,604,982	1,527,811	2,604,982	1,527,811

The Board of Directors has assessed the potential impairment loss on premium receivables as at the reporting date and adequate provisions have been made in the financial statements.

Notes to the Financial Statements Contd.

15. DEFERRED TAX ASSETS & LIABILITIES**15.1 Recognized Deferred Tax Assets and Liabilities**

15.1.1 Movement in deferred tax balances

Deferred tax assets and liabilities are attributable to the following:

Group -2020	Net Balance as at 01 January 2020 Rs. '000	Recognized in profit or loss Rs. '000	Recognized in OCI Rs. '000	Net Balance at 31 December 2020 Rs. '000	Deferred Tax Asset Rs. '000	Deferred Tax Liability Rs. '000
Property, Plant and Equipment	7,984,758	(366,251)	46,099	7,664,606	-	7,664,606
Realization of revaluation of reserve on Land disposal	-	-	1,451	1,451	-	1,451
Intangible Assets	9,507	(2,380)	-	7,127	-	7,127
Investment Property	270,078	17,670	-	287,748	-	287,748
Employee Benefits	(353,273)	(55,835)	(67,511)	(476,619)	(476,619)	-
Carry forward tax losses	264,478	(36,067)	-	228,411	-	228,411
Available for sale financial assets	(39,215)	-	55,002	15,787	-	15,787
Provisions on inventory	(5,845)	(9,174)	-	(15,019)	(15,019)	-
Provisions on Trade Receivables	(10,409)	(37,378)	-	(47,787)	(47,787)	-
Right of use assets	(248,905)	233,650	-	(15,255)	(15,255)	-
	7,871,177	(255,768)	35,041	7,650,449	(554,680)	8,205,129
Group -2019	Net Balance as at 01 January 2019 Rs. '000	Recognized in profit or loss Rs. '000	Recognized in OCI Rs. '000	Net Balance at 31 December 2019 Rs. '000	Deferred Tax Asset Rs. '000	Deferred Tax Liability Rs. '000
Property, Plant and Equipment	6,870,800	198,959	914,998	7,984,758	-	7,984,758
Intangible Assets	9,459	48	-	9,507	-	9,507
Investment Property	114,030	156,048	-	270,078	-	270,078
Employee Benefits	(265,889)	(50,784)	(36,601)	(353,273)	(353,273)	-
Carry forward tax losses	(292,799)	557,277	-	264,478	264,478	-
Available for sale financial assets	(2,905)	-	(36,311)	(39,215)	(39,215)	-
Provisions on inventory	(2,594)	(3,251)	-	(5,845)	(5,845)	-
Provisions on Trade Receivables	(21,601)	11,193	-	(10,409)	(10,409)	-
Right of use assets	-	(248,905)	-	(248,905)	-	(248,905)
	6,408,504	620,588	842,086	7,871,177	(144,264)	8,015,438

Company -2020	Net Balance as at 01 January 2020 Rs. '000	Recognized in profit or loss Rs. '000	Recognized in OCI Rs. '000	Net Balance at 31 December 2020 Rs. '000	Deferred Tax Asset Rs. '000	Deferred Tax Liability Rs. '000
Property, Plant and Equipment	3,630,456	(65,672)	(11,585)	3,553,199	-	3,553,199
Realization of revaluation of reserve on Land disposal	-	-	1,451	1,451	-	1,451
Investment Property	29,895	-	-	29,895	-	29,895
Employee Benefits	(265,852)	(44,197)	(62,983)	(373,032)	(373,032)	-
Available for sale financial assets	(39,215)	-	55,002	15,787	-	15,787
Provisions on Trade Receivables	(10,584)	(23,354)	(33,938)	(33,938)	3,600,332	-
	3,344,700	(133,223)	(18,115)	3,193,362	(406,970)	3,600,332

Company -2019	Net Balance as at 01 January 2019 Rs. '000	Recognized in profit or loss Rs. '000	Recognized in OCI Rs. '000	Net Balance at 31 December 2019 Rs. '000	Deferred Tax Asset Rs. '000	Deferred Tax Liability Rs. '000
Property, Plant and Equipment	2,826,232	(110,774)	914,998	3,630,456	-	3,630,456
Investment Property	29,895	-	-	29,895	-	29,895
Employee Benefits	(204,265)	(34,964)	(26,622)	(265,852)	(265,852)	-
Available for sale financial assets	(2,905)	-	(36,311)	(39,215)	(39,215)	-
Provisions on Trade Receivables	(21,245)	10,662	-	(10,584)	(10,584)	-
	2,627,712	(135,076)	852,065	3,344,700	(315,651)	3,660,351

Notes to the Financial Statements Contd.

15. DEFERRED TAX ASSETS & LIABILITIES (CONTINUED)**15.1 Recognized Deferred Tax Assets and Liabilities (Continued)**

The amounts shown in the statement of financial position represent the following:

Group	2020 Rs. '000	2019 Rs. '000
Deferred Tax Assets		
Canwill Holdings (Pvt) Ltd	(1,562)	(324)
	(1,562)	(324)
Deferred Tax Liabilities		
Sri Lanka Insurance Corporation Limited- Non Life	3,193,362	3,344,700
The Lanka Hospitals Corporation PLC	1,052,709	1,101,753
Litro Gas Lanka Ltd	2,359,748	2,353,014
Litro Gas Terminal Lanka (Pvt) Ltd	973,253	1,011,716
Canowin Hotels & Spa (Pvt) Ltd	72,943	60,316
	7,652,015	7,871,499
	7,650,453	7,871,176

Non-life deferred tax assets & liabilities are originated due to temporary timing differences on the following asset and liability bases:

Non-Life	2020		2019	
	Temporary difference	Deferred tax	Temporary difference	Deferred tax
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Deferred tax asset				
Retirement benefit obligation	(1,332,255)	(373,032)	(949,469)	(265,851)
AFS negative reserve - Treasury bonds	-	-	(140,056)	(39,216)
Provision for Doubtful Debtors	(121,207)	(33,938)	(37,799)	(10,584)
	(1,453,462)	(406,970)	(1,127,324)	(315,651)
Deferred tax liability				
Property plant & equipment and revaluation reserve	1,991,277	557,558	2,225,745	623,209
AFS negative reserve - Treasury bonds	56,379	15,786	-	-
Investment property	106,767	29,895	106,767	29,895
Revaluation reserve - Land	10,703,975	2,997,113	10,740,168	3,007,247
	12,858,398	3,600,352	13,072,681	3,660,351
Net deferred tax (asset)/liability	11,404,936	3,193,382	11,945,357	3,344,700

15.2 Sinolanka Hotels and Spa (Pvt) Ltd

Deferred Tax has not been provided for temporary differences as the tax impact and reversals are expected to take place within the tax exemption period. There will be no tax implications that arise after the expiration of the tax exemption period for such assets.

Helanco Hotels and Spa (Pvt) Ltd

A deferred tax asset has not been recognised since the Company does not have any asset entitle for income tax.

15.3 Canowin Hotels and Spas (Pvt) Ltd

Deferred Income taxes are calculated on all temporary differences under the liability method using the principal tax rate of 24%.

16. OTHER ASSETS

	Note	Group		Company	
		2020 Rs. '000	2019 Rs. '000	2020 Rs. '000	2019 Rs. '000
Inventories	16.1	2,651,276	2,232,783	217,866	173,179
Other receivables		692,361	583,379	557,431	560,085
Impairment on Other Receivables		(126,665)	(116,347)	(105,620)	(110,442)
		565,696	467,032	451,811	449,643
Amount due from Distilleries Company of Sri Lanka PLC		168,763	185,859	168,763	185,859
Other financial assets		146,004	108,160	-	-
Staff Loans	16.2	1,897,739	1,684,599	1,701,294	1,684,599
Prepaid Staff Cost		685,744	644,040	538,986	644,040
Other Loans		803,745	746,381	703,485	646,121
Advance on Fixed Assets		19,073	19,073	19,073	19,073
Trade and Other Receivables	16.3	2,299,546	2,304,274	-	-
Value added tax receivable		54,472	34,864	-	-
Income tax recoverable		41,472	1,367	-	-
		9,333,530	8,428,432	3,801,278	3,802,514

16.1 Inventories

	Group		Company	
	2020 Rs. '000	2019 Rs. '000	2020 Rs. '000	2019 Rs. '000
Insurance	217,866	173,179	217,866	173,179
Healthcare	438,907	412,872	-	-
Energy	1,994,503	1,646,732	-	-
	2,651,276	2,232,783	217,866	173,179

Litro Gas Lanka Ltd

Goods in Transit

Goods in transit consist of the LPG stock shipment which was in transit as at the year end.

The cost of inventories recognised as expense and included in cost of sales amounted to Rs. 36,031 Mn (2019 - Rs. 35,114 Mn).

Notes to the Financial Statements Contd.

16.2 Loans Due from Employees

As at 31 December	Group		Company	
	2020	2019	2020	2019
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
At the Beginning of the Year	1,684,599	1,685,484	1,684,599	1,685,484
Loans Granted during the Year	605,745	373,293	409,300	373,293
Recoveries during the Year	(421,127)	(440,507)	(421,127)	(440,507)
Fair Value Adjustment on Staff Loan	28,522	66,329	28,522	66,329
At the End of the Year	1,897,739	1,684,599	1,701,294	1,684,599

16.3 Trade and Other Receivables

As at 31 December	Group		Company	
	2020	2019	2020	2019
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Trade Receivables				
Trade & Other Receivables	1,406,400	1,416,891	-	-
Provision for Doubtful Debt	(89,719)	(66,499)	-	-
Total Trade Receivables - Net	1,316,681	1,350,392	-	-
Deposit and Prepayments	317,707	281,812	-	-
Advances and Other Receivables	665,158	672,070	-	-
	2,299,546	2,304,274	-	-

Canowin Hotels & Spas (Pvt) Ltd

Management has carried out an impairment provision based on the simplified approach of ECL method. The Canowin Hotels & Spas (Pvt) Ltd does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Canowin Hotels & Spas (Pvt) Ltd has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. Management considered 100% ECL for debtors aged more than 360 days in determining the provision matrix for ECL. Further, Canowin Hotels & Spas (Pvt) Ltd has taken legal action against five of its trade debtors to recover the outstanding receivable balance of Rs. 12,521,411/-; However despite the future outcome of the legal action; such trade debtors have been considered 100% ECL for debtors.

The Canowin Hotels & Spas (Pvt) Ltd has considered the current decline in the service area income due to the impact of COVID-19 pandemic as a specific factor to the economic environment. The Management has monitored the effect of the local and global economic downturn to its tenants through frequent discussions with them. Further, Canowin Hotels & Spas (Pvt) Ltd, negotiated the payment terms and future arrangements accordingly. All above receivables are due from well established tenants and most of the dues are still within the credit period. The Canowin Hotels & Spas (Pvt) Ltd has decided to provide a 100% concession for the month of April 2020 and 25% concession from the rental for the months of November and December 2020 to its tenants. Also, Canowin Hotels & Spas (Pvt) Ltd expects to continue the 25% concession from the rental charged from its tenants for the months of January and February 2021 as well.

17. DEFERRED EXPENSES - INSURANCE CONTRACT

As at 31 December	Group		Company	
	2020 Rs. '000	2019 Rs. '000	2020 Rs. '000	2019 Rs. '000
Net Deferred Acquisition Expenses				
Balance as at 01 January	662,056	654,306	662,056	654,306
(Decrease)/Increase in Deferred Acquisition Expenses	(71,626)	7,750	(71,626)	7,750
Balance as at 31 December	590,430	662,056	590,430	662,056
Deferred Reinsurance Commission				
Balance as at 01 January	(101,034)	(110,825)	(101,034)	(110,825)
Decrease/(Increase) in Deferred Acquisition Expenses	(11,234)	9,791	(11,234)	9,791
Balance as at 31 December	(112,268)	(101,034)	(112,268)	(101,034)
Net Deferred Acquisition Expenses	478,162	561,022	478,162	561,022

18. CASH AND CASH EQUIVALENTS

As at 31 December	Group		Company	
	2020 Rs. '000	2019 Rs. '000	2020 Rs. '000	2019 Rs. '000
Cash in Hand and at Bank	2,073,167	8,559,748	1,699,351	1,182,029
Short-Term Investments	29,473,236	14,409,963	14,450,605	2,062,637
Total Cash and Cash Equivalents	31,546,403	22,969,711	16,149,956	3,244,666
Bank Overdraft used for Cash Management Purposes	(709,571)	(808,290)	(453,997)	(546,174)
Cash and Cash Equivalents in the Statement of Cash Flow	30,836,832	22,161,421	15,695,959	2,698,492

18.1 The reported bank Overdraft balance as at the reporting date is used for the cash management purpose and there is no physical overdraft in the bank statement. The Company has a bank overdraft facility of Rs. 9.3 mn.

18.2 Litro Gas Lanka Ltd

Fixed deposits, repo and savings accounts:

Investments in fixed deposits and repo's with a maturity period of less than 3 months have been classified as cash and cash equivalents. The weighted average effective interest rate on short term deposits was 6.41% (2019 - 7.89%).

Litro Gas Terminal Lanka (Pvt) Ltd

Fixed deposits, Treasury bills and savings accounts:

- Investments in fixed deposits and treasury bills with a maturity period of less than 3 months have been classified as cash and cash equivalents.
- The weighted average effective interest rate on short term deposits was 6.8% and (2019 - 9.2%).

Notes to the Financial Statements Contd.

19. STATED CAPITAL

As at 31 December	Group		Company	
	2020	2019	2020	2019
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Issued and Fully Paid				
Ordinary Shares (599,743,200 shares)	6,000,000	6,000,000	6,000,000	6,000,000
	6,000,000	6,000,000	6,000,000	6,000,000

19.1 Right of Ordinary Shareholders

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

20. REVALUATION RESERVE

As at 31 December		Group		Company	
		2020	2019	2020	2019
		Rs. '000	Rs. '000	Rs. '000	Rs. '000
Revaluation Reserve	20.1	13,112,599	13,058,735	7,359,125	7,354,173
		13,112,599	13,058,735	7,359,125	7,354,173

20.1 Revaluation Reserve

As at 31 December	Group		Company	
	2020	2019	2020	2019
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Balance as at 01 January	13,058,735	11,109,100	7,354,173	8,348,502
Surplus on Revaluation of Land and Building	110,388	2,978,875	-	-
Depreciation transfer on surplus on revaluation of building	(25,391)	(25,392)	-	-
Realization of Revaluation Surplus on Disposal	(5,182)	-	(5,182)	-
Deferred Tax on Revaluation (Surplus)/Deficit	(18,030)	(914,998)	11,585	(871,715)
Deferred tax effects on realization of revaluation of reserve on Land disposal	(1,451)	-	(1,451)	-
Deferred Tax on Revaluation Surplus - Land	-	-	-	(43,283)
Transfer of revaluation reserve on disposal/Write off of property, plant and equipment	(6,470)	(88,850)	-	(79,331)
Balance as at 31 December	13,112,599	13,058,735	7,359,125	7,354,173

21. AVAILABLE FOR SALE RESERVE

As at 31 December	Group		Company	
	2020 Rs. '000	2019 Rs. '000	2020 Rs. '000	2019 Rs. '000
Balance as at 01 January	9,472,362	12,267,185	9,472,362	12,267,185
Other Comprehensive Income For the Year	(2,703,169)	(3,437,318)	(2,703,169)	(3,437,318)
Deferred tax effect on fair value of available for sale reserve	(55,002)	36,311	(55,002)	36,311
Transferred AFS Reserves - Life Fund	(1,009,539)	606,185	(1,009,539)	606,185
Balance as at 31 December	5,704,652	9,472,362	5,704,652	9,472,362

Available for sale reserves comprise of the impact arising from the changes in market values of financial assets classified under Available For Sale (AFS). AFS Reserves belonging to Life Policyholders are shown under the Insurance Provision Life.

22. REVENUE RESERVE

As at 31 December	Note	Group		Company	
		2020 Rs. '000	2019 Rs. '000	2020 Rs. '000	2019 Rs. '000
General Reserve		643,442	643,442	643,442	643,442
Surplus from Life Insurance	22.1	12,936,488	10,791,219	12,936,488	10,791,219
Retained Earnings	22.2	45,268,378	41,810,610	29,913,401	27,447,385
Transferred to One off Surplus-Un restricted Reserve	22.3	466,179	466,179	466,179	466,179
		59,314,487	53,711,450	43,959,510	39,348,225

22.1 Surplus from Life Insurance

As at 31 December	Group		Company	
	2020 Rs. '000	2019 Rs. '000	2020 Rs. '000	2019 Rs. '000
Balance as at 01 January	10,791,219	8,419,845	10,791,219	8,419,845
Surplus Attributable to Shareholders from Life Insurance	2,145,269	2,371,374	2,145,269	2,371,374
Balance as at 31 December	12,936,488	10,791,219	12,936,488	10,791,219

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22.2 Retained Earnings

As at 31 December	Group		Company	
	2020 Rs. '000	2019 Rs. '000	2020 Rs. '000	2019 Rs. '000
Balance as at 01 January	41,810,610	41,084,041	27,447,385	24,840,496
Profit for the year	6,792,682	5,077,985	5,788,533	7,028,955
Other comprehensive income	(412,411)	(207,906)	(368,153)	(155,611)
Prior year adjustment on depreciation	(182)	-	(182)	-
Depreciation transfer of surplus on revaluation of building	25,391	25,392	-	-
Surplus Attributable to Shareholders from Life Insurance	(2,145,269)	(2,371,374)	(2,145,269)	(2,371,374)
Current year Profit allocated to Shareholders in the form of AFS	-	118,402	-	118,402
Reverse of Shareholder Asset Transfer	(118,402)	(372,094)	(118,402)	(372,094)
Dividend Declared and Paid	(695,693)	(1,720,720)	(695,693)	(1,720,720)
Realization of Revaluation Surplus on disposal	6,470	9,519	-	-
Realization of Revaluation Reserve on Land Disposal	5,182	-	5,182	-
Loss on Asset Disposal	-	79,331	-	79,331
Effect of change in percentage holding in subsidiaries	-	88,034	-	-
Balance as at 31 December	45,268,378	41,810,610	29,913,401	27,447,385

22.3 Transferred to One off Surplus-Un restricted Reserve

As at 31 December	Group		Company	
	2020 Rs. '000	2019 Rs. '000	2020 Rs. '000	2019 Rs. '000
Balance as at 01 January	466,179	466,179	466,179	466,179
Transferred to One off Surplus-Un restricted Reserve	-	-	-	-
Balance as at 31 December	466,179	466,179	466,179	466,179

23. INSURANCE CONTRACT LIABILITIES - LIFE

As at 31 December	Group		Company	
	2020 Rs. '000	2019 Rs. '000	2020 Rs. '000	2019 Rs. '000
Life insurance fund as at 01 January	112,914,376	101,000,840	112,914,376	101,000,840
Total profit transfer to life fund	18,263,974	14,031,218	18,263,974	14,031,218
Current year Profit allocated to Shareholders in the form of AFS	-	(118,402)	-	(118,402)
Reverse of Shareholder Asset Transfer	118,402	372,094	118,402	372,094
Surplus distributed to Shareholders	(2,145,269)	(2,371,374)	(2,145,269)	(2,371,374)
Life Insurance Fund as at 31 December excluding one-off surplus	129,151,483	112,914,376	129,151,483	112,914,376
AFS Reserves				
Balance as at 01 January	3,852,520	4,458,705	3,852,520	4,458,705
Net change in the AFS reserve	1,009,539	(606,185)	1,009,539	(606,185)
Balance as at 31 December	4,862,059	3,852,520	4,862,059	3,852,520
Life Insurance Funds as at 31st December including AFS Reserves	134,013,542	116,766,896	134,013,542	116,766,896
Policyholders' Outstanding Claims	3,115,494	2,400,968	3,115,494	2,400,968
	137,129,036	119,167,865	137,129,036	119,167,865

Long duration contract liabilities included in the Life Insurance Fund, result primarily from traditional participating & non-participating life insurance products. The insurance provision has been established based upon the following:

- * Investment return: Risk Free Rate structure proposed by IRCSL as at 31.12.2020
- * Mortality: Factored A67/70 for non-annuity business to allow best estimate experience rate and weighted average of a (90)m and a (90)f with one year age setback to allow approximated 1% mortality improvement of annuitants

The amount of the policyholder's reversionary bonus to be paid is determined annually by the Company. The bonus includes life policyholders share of net income that is required to be allocated by the insurance contract or, by insurance regulations.

From 01.01.2016 onwards SLIC fully implemented the Risk Based Capital (RBC) solvency framework as such adopted the "Gross Premium Valuation" basis (GPV) which is required under RBC regime for liability valuation purpose. SLIC has adopted a more prudent valuation basis for its surplus computation with compared to minimum regulatory basis (RBC). SLIC followed the "Net Premium Valuation" basis (NPV) for the valuation of liabilities as at 31.12.2015. This change in valuation basis has resulted an one-off surplus in life insurance policy liabilities as at 01.01.2016.

IRCSL submitted the guideline to compute One-off surplus and transferring mechanism to Shareholder fund from Life-Non Participating Fund under the direction called "Identification and Treatment of One-Off Surplus: Direction # 16 - Section 964 of the Regulation of Insurance Industry Act No, 43 of 2000" dated 20.03.2018 where minimum One-off Surplus computation is recommended. Accordingly, SLIC has quantified the one-off surplus as at 01.01.2016, and it stands out that the amounts are Rs: 6,281 million and Rs: 98 million with in Participating Fund and Non-Participating Fund respectively. The One-off surplus pertaining to Participating Fund will remain in the Life Fund under "Surplus created due to change in valuation method from NPV to GPV (Participating)". As per the directions given by IRCSL, SLIC transferred the one-off surplus arising from Non-Participating Fund to Shareholder Fund and accounted in the statement of financial position as at 31.12.2017, under new line item called "Restricted Regulatory Reserve". The "Restricted Regulatory Reserve" is a part of Shareholder Equity, but distribution of the same

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to Shareholders as dividend is subject to meeting Governance requirements stipulated by the IRCSL and can only be released upon receiving approval from the IRCSL. SLIC maintains the same amounts in one-off surplus in Participating fund and Restricted Regulatory Reserve in Shareholders fund as at 31.12.2020. The One-off Surplus in the Shareholder Fund will remain invest in fixed deposit at Commercial Bank PLC (Fitch Ratings AA-) as per the direction of the IRCSL."

	Rs: million
Long Term Insurance Fund excluding one-off surplus	127,733
Surplus created due to change in valuation method from NPV to GPV	6,281
Long Term Insurance Fund as at 31.12.2020	134,014
<hr/>	
Restricted Regulatory Reserve (One-off surplus Non Participating Fund)	98

The valuation of the Insurance Provision - Life Insurance Business, as at 31.12.2020 was made by Kunj Behari Maheshwari, Fellow of the Institute and Faculty of Actuaries UK, of Willis Towers Watson, for and on behalf of Sri Lanka Insurance Corporation Limited. In accordance with the consultants actuary's report, the sum of provision, Rs: 2,673 million (In 2019 Rs: 1,900 million), is included as the liability in respect of policyholders' Bonus. In the opinion of the consultant actuary, the admissible assets of the life insurance fund as at 31st December 2020 is adequate to cover the liabilities of the fund and the solvency margin requirement prescribed under sec 26 of the regulation of Insurance Industry Act no. 43 of 2000. The life fund also carried forward surplus for future growth and safeguard against the adverse deviation of the assumptions set out in the valuation.

The Life Insurance Fund assets inclusive of Shareholders' Transfer as at 31.12.2020 is Rs: 136,159 million (2020 - Rs: 119,138 million). The Board of Directors decided to transfer Rs: 2,145 million (2019: Rs: 2,371 million) to the Shareholders' Fund in the statement of financial position in life insurance. Subsequent to this transfer, the life insurance fund stands Rs: 134,014 million (2019 - Rs: 116,767 million).

Liability Adequacy Test (LAT)

A Liability Adequacy Test ("LAT") for life insurance contract liability was carried out by Kunj Behari Maheshwari, Fellow of the Institute and Faculty of Actuaries UK, of Willis Towers Watson, as at 31st December 2020 as required by SLFRS 4 - Insurance Contracts. When performing the LAT, the Company has compared the provisions held as per audited accounts with the actuarial liability. For this purpose, the value of the actuarial liability is computed following the principles laid out within Risk Based Capital framework as prescribed by the IRCSL, whereby liabilities are valued using a discounted cash-flow approach covering the full lifetime of all cash in- and out-flows required to settle the obligations related to existing in-force life insurance contracts. The projections are based on in-force policies and riders as at 31st December 2020.

According to the actuary's report, assets are sufficiently adequate as compared to the discounted cash flow reserves and in contrast to the reserves as at 31st December 2020. No additional provision is required against the LAT as at 31st December 2020.

24. INSURANCE CONTRACT LIABILITIES - NON-LIFE

The Non - Life Insurance Reserves as shown in the Statement of Financial Position represent the following:

As at 31 December	Note	Group		Company	
		2020 Rs. '000	2019 Rs. '000	2020 Rs. '000	2019 Rs. '000
Reserves for Net Unearned Premium	24.1	10,490,971	8,722,618	10,490,971	8,722,618
Reserves for Title Insurance and Unexpired Risk Reserve	24.2	513,745	614,565	513,745	614,565
Reserves for Gross Outstanding Claims	24.3	7,861,686	7,310,845	7,861,686	7,310,845
		18,866,402	16,648,028	18,866,402	16,648,028

24.1 Reserve for Net Unearned Premium

As at 31 December	Group		Company	
	2020 Rs. '000	2019 Rs. '000	2020 Rs. '000	2019 Rs. '000
Reserve for Unearned Premium				
Balance as at 01 January	9,920,478	9,607,064	9,920,478	9,607,064
Transfer during the Year	1,648,923	313,414	1,648,923	313,414
Balance as at 31 December	11,569,401	9,920,478	11,569,401	9,920,478
Reserve for Unearned Reinsurance Premium				
Balance as at 01 January	(1,197,860)	(1,104,379)	(1,197,860)	(1,104,379)
Transfer during the Year	119,430	(93,481)	119,430	(93,481)
Balance as at 31 December	(1,078,430)	(1,197,860)	(1,078,430)	(1,197,860)
Total Reserve for Net Unearned Premium	10,490,971	8,722,618	10,490,971	8,722,618

24.2 Reserve for Title Insurance and Unexpired Risk Reserve

As at 31 December	Group		Company	
	2020 Rs. '000	2019 Rs. '000	2020 Rs. '000	2019 Rs. '000
Reserve for Title Insurance				
Balance as at 01 January	614,565	527,705	614,565	527,705
Transfer during the year	(100,820)	86,860	(100,820)	86,860
Balance as at 31 December	513,745	614,565	513,745	614,565
Total Reserve for Title Insurance and Unexpired Risk Reserve	513,745	614,565	513,745	614,565

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24. INSURANCE CONTRACT LIABILITIES - NON-LIFE (CONTINUED)**24.3 Reserves for Gross Outstanding Claims**

As at 31 December	Group		Company	
	2020	2019	2020	2019
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Balance as at 01 January	5,344,276	6,331,448	5,344,276	6,331,448
Claims Incurred during the year	8,150,447	9,870,521	8,150,447	9,870,521
Claims paid during the year	(7,864,528)	(10,857,693)	(7,864,528)	(10,857,693)
Balance as at 31 December	5,630,195	5,344,276	5,630,195	5,344,276
IBNR/IBNER balance as at 01 January	1,966,569	2,444,592	1,966,569	2,444,592
Increase/decrease in IBNR/IBNER	264,922	(478,023)	264,922	(478,023)
IBNR/IBNER balance as at 31 December	2,231,491	1,966,569	2,231,491	1,966,569
Total Reserves for Gross Outstanding Claims	7,861,686	7,310,845	7,861,686	7,310,845

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 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.

As at 31 December	Group		Company	
	2020	2019	2020	2019
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Reconciliation between Insurance Contract Liabilities Non - Life and Technical Reserves				
Insurance Contract Liabilities Non - Life	18,866,402	16,648,028	18,866,402	16,648,028
Reserve for Net Deferred Acquisition Expenses	(478,162)	(561,023)	(478,162)	(561,023)
Reinsurance on Claims Reserves	(1,395,321)	(1,060,735)	(1,395,321)	(1,060,735)
Technical Reserves	16,992,919	15,026,270	16,992,919	15,026,270

24.4 Claims Development Information

Table below presents changes in the historical non-life reserves, net of reinsurance. The top line of the table shows the estimated gross reserves for unpaid losses and loss adjustment expenses as of each balance sheet date, which represents the estimated amount of future payments for losses incurred in that year and in prior years. The cumulative paid portion of the table presents the cumulative amounts paid through each subsequent year in respect of the reserves established at each year end. Similarly, the cumulative reported losses section details the sum of the cumulative paid amounts shown in the triangle above and the net outstanding position at the end of the financial year.

Amounts in Rs '000						
As at 31 December	2015	2016	2017	2018	2019	2020
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Gross reserves for losses and loss adjustment expenses	7,893,502	8,663,903	8,548,958	8,776,040	7,310,845	7,861,686
Reinsurance recoverable	(976,138)	(1,434,140)	(1,451,271)	(1,589,981)	(1,060,735)	(1,395,321)
Net reserves for losses and loss adjustment expenses	6,917,364	7,229,762	7,097,687	7,186,059	6,250,110	6,466,366
Cumulative paid						
One year later	4,981,269	6,637,140	6,848,916	7,589,783	7,723,147	5,370,767
Two years later	6,989,106	8,392,494	9,003,830	9,631,805	9,451,250	-
Three years later	7,099,020	8,538,717	9,185,266	9,772,476	-	-
Four years later	7,159,602	8,722,102	9,241,762	-	-	-
Five years later	7,223,152	8,801,250	-	-	-	-
Six years later	7,301,347	-	-	-	-	-
Cumulative Reported						
One year later	6,325,676	7,912,768	8,296,549	9,466,947	9,152,921	6,492,661
Two years later	7,290,857	8,530,543	9,183,846	9,907,086	9,907,086	-
Three years later	7,376,031	8,716,667	9,414,493	10,288,268	-	-
Four years later	7,397,879	8,882,884	9,526,153	-	-	-
Five years later	7,416,866	8,943,295	-	-	-	-
Six years later	7,468,663	-	-	-	-	-

25. CURRENT TAX LIABILITIES

As at 31 December	Group		Company	
	2020	2019	2020	2019
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Balance as at 01 January	1,350,734	1,728,770	916,466	1,551,819
Income tax charge for the Year	2,826,693	2,836,435	2,316,472	1,311,128
Income tax settlements made during the Year	(1,901,487)	(2,933,994)	(1,199,885)	(1,946,481)
Under/(over) provision in respect of previous year	(10,419)	-	-	-
Tax recoverable	-	(280,478)	-	-
Transfer from income tax receivable	40,105	-	-	-
Balance as at 31 December	2,305,626	1,350,734	2,033,053	916,466

Notes to the Financial Statements Contd.

26. EMPLOYEE BENEFITS

As at 31 December	Group		Company	
	2020 Rs. '000	2019 Rs. '000	2020 Rs. '000	2019 Rs. '000
Balance as at 01 January	2,344,273	1,777,986	1,819,815	1,398,244
Recognized in the statement of profit or loss				
Current Service Cost	217,475	169,453	154,310	115,192
Interest cost	255,094	212,374	200,180	167,789
Recognized in the statement of other comprehensive income				
Actuarial (Gain)/ Loss	480,974	251,470	431,136	182,233
	3,297,816	2,411,283	2,605,441	1,863,458
Benefit paid by the plan	(80,871)	(67,010)	(51,951)	(43,643)
Balance as at 31 December	3,216,945	2,344,273	2,553,490	1,819,815

26.1 Description of the valuation method used and the information about the valuer

LKAS 19 "Employee Benefits" require the use of actuarial techniques to make a reliable estimate of the amount of retirement benefits that the employees have earned in return for their service in the current and prior periods and discount that benefit using the Projected Unit Credit Method in order to determine the present value of the retirement benefit obligations and the current service cost. This requires an entity to determine how much benefit is attributable to the current and prior periods and to make estimates about demographic and financial variables that will influence the cost of the benefit.

As at 31st December 2020 the Gratuity Liability was actuarially valued under the Projected Unit Credit (PUC) method by M/S Actuarial & Management Consultants (Pvt) Ltd, 1st Floor, 434, R.A.De Mel Mawatha, Colombo 3 for Rs.2,553.48 mn. The actuarial valuation is performed annually. Principal actuarial assumptions used:

Litro Gas Lanka Ltd

The provision for retirement benefits obligations for the year is based on the actuarial valuation carried out by professionally qualified actuaries, Messrs. Actuarial & Management Consultants (Private) Limited, as at 31 December 2020. The present value of the retirement benefits as at 31 December 2020 amounted to Rs. 172,970,549. The liability is not externally funded.

Litro Gas Terminal Lanka (Pvt) Ltd

The provision for retirement benefits obligations for the year is based on the actuarial valuation carried out by professionally qualified actuaries, Messrs. Actuarial & Management Consultants (Private) Limited, as at 31st December 2020. The actuarial present value of the promised retirement benefits as at 31st December 2020 amounted to Rs. 14,889,515.

Canwill Holdings (Pvt) Ltd

The provision for retirement benefits obligations for the year is based on the actuarial valuation carried out by professionally qualified actuaries, Messrs. Actuarial & Management Consultants (Pvt) Ltd., as at 31st December 2020. The actuarial present value of the promised retirement benefits as at 31st December 2020 amounted to Rs. 4,225,956/- The liability is not externally funded.

26.2 Principal Actuarial Assumptions used

	2020	2019
Discount Rate	6% - 8.5%	10% - 12 %
Salary Increment Rate	1% - 10%	10% - 12 %
Staff turnover Factor	0%-28%	3% - 14%
Retirement age; Female	60 years	60 years
Retirement age; Male	60 years	60 years
Retirement age; Minor Staff	57 years	57 years

The Group's Gratuity Liability is not externally funded.

26.3 Sensitivity Analysis

Reasonable possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined obligation by the amounts shown below.

	2020		2019	
	Increase Rs. '000	Decrease Rs. '000	Increase Rs. '000	Decrease Rs. '000
Group				
Discount rate 1%	2,428,165	3,079,077	1,761,476	2,216,652
Future salary growth 1%	3,088,415	2,380,102	2,219,793	1,754,870

	2020		2019	
	Increase Rs. '000	Decrease Rs. '000	Increase Rs. '000	Decrease Rs. '000
Company				
Discount rate 1%	2,289,629	2,837,118	1,629,177	2,023,933
Future salary growth 1%	2,865,870	2,261,586	2,025,357	1,624,565

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27. OTHER LIABILITIES

As at 31 December	Group		Company	
	2020 Rs. '000	2019 Rs. '000	2020 Rs. '000	2019 Rs. '000
Policyholder Advance Payments	768,498	457,243	768,498	457,243
Agency Commission Payable	965,187	916,321	965,187	916,321
Economic Services Charge Tax	-	57,272	-	-
Others Including Accrued Expenses	8,193,087	7,566,704	4,342,071	3,817,479
Trade Payable	2,956,548	2,835,451	-	-
VAT Payable	13,560	841	-	-
Provision for assessment on VAT Liability	-	13,012	-	-
Other Payables	416,453	522,362	-	-
Advance Received	82,951	66,462	-	-
Customer Deposit Payable	8,797,254	8,149,551	-	-
Professional fees payable	448	295	-	-
Total Other Liabilities	22,193,986	20,585,514	6,075,756	5,191,044

28. FINANCIAL LIABILITIES

As at 31 December	Group		Company	
	2020 Rs. '000	2019 Rs. '000	2020 Rs. '000	2019 Rs. '000
Bank Overdraft	709,571	808,290	453,997	546,174
USD Bridging Loan Facility - Peoples Bank	1,557,812	1,573,614	-	-
Total Financial Liabilities	2,267,383	2,381,904	453,997	546,174

The above overdraft of the Company mainly includes unrepresented cheques and it is only a book balance.

Canwill Holdings (Pvt) Ltd - Group

Sinolanka Hotels & Spa (Pvt) Ltd, the owner of Grand Hyatt Colombo project, is continuously experiencing a short-fall in liquidity from January 2018. This is mainly attributed to the delay in the proposed loan programme and the execution of the project divestiture programme approved by the Cabinet of Ministers in August 2017.

Accordingly, a short term funding arrangement of Rs. 400 million was made by Helanco Hotels & Spa (Pvt) Ltd in January 2018 to Sinolanka Hotels & Spa (Pvt) Ltd. This was allocated from idling funds within the Company at an interest rate of 8.79% per annum. The interest charged for the year end 31st December 2020 at a rate of 4.75% per annum.

Further to the above, a short term loan facility of USD 12 million was approved to part finance the Construction of Grand Hyatt Colombo Project that was subject to the Pending Divestiture and out of which USD 8.25 Million has been disbursed in the year 2019. The interest rate applicable for this loan facility was 6 months LIBOR+5%. The initial tenure of the facility was one year from the first draw down and it was due on 18th April 2020. However, since the Company was not in a position to settle the loan on or before the due date, extension of the tenure of the facility was done for further period up to 18th April 2021. The interest rate applicable for the extended tenure of the facility is 3 months LIBOR+6%.

As a security for the said loan facility, a Demand Guarantee has been given by Sri Lanka Insurance Corporation for the full amount of the facility and a counter guarantee has been issued by the Government of Sri Lanka through the General Treasury.

29. REVENUE

As at 31 December	Note	Group		Company	
		2020 Rs. '000	2019 Rs. '000	2020 Rs. '000	2019 Rs. '000
Gross Written Premium	31	39,266,270	33,631,572	39,421,293	33,794,348
Net Change in Reserve for Unearned Premium	30.1	(1,548,103)	(400,274)	(1,548,103)	(400,274)
Gross Earned Premium		37,718,167	33,231,298	37,873,190	33,394,074
Premium Ceded to Reinsurers	30.2	(3,547,302)	(3,715,493)	(3,547,302)	(3,715,493)
Net Change in Reserve for Unearned Reinsurance Premium	30.3	(119,430)	93,481	(119,430)	93,481
Net Earned Premium	30.4	34,051,435	29,609,286	34,206,458	29,772,062
Income from Investments	32	17,754,928	16,954,587	16,511,316	17,671,505
Other Income	33-35	1,537,720	1,530,125	1,896,720	1,165,006
Hospital Revenue	31.1	5,249,334	6,127,447	-	-
Laboratory revenue	31.1	1,554,342	1,421,265	-	-
Room Rental and Services Charges	31.1	(12,730)	108,413	-	-
Revenue from Liquid Petroleum Gas (LPG) Activities	31.1	39,714,783	43,028,044	-	-
		99,849,812	98,779,167	52,614,494	48,608,572

Litro Gas Lanka Ltd

Litro Gas is the largest importer and supplier of LP Gas in Sri Lanka. The principal activity of the Company is to import, process, store, distribute and sell Liquid Petroleum Gas (LPG) and provide other incidental services.

(a) Despite the increase in volume, the revenue of the Litro Gas Lanka Ltd for the year ended 31 December 2020 represents a reduction against the previous year. The reduction in revenue is primarily due to non-revision of the selling prices in the domestic segment which is highly regulated by the government, and accounts for 85% of the total revenue of the Litro Gas Lanka Ltd, to compensate for the steep rise in purchase cost of Liquid Petroleum Gas (LPG) coupled with the impact arising on depreciation of the Sri Lanka Rupee (Rs.) against United States Dollar (USD) which caused further increase in the purchase cost of LPG in the Litro Gas Lanka's functional currency. Accordingly, the Litro Gas Lanka Ltd has transferred an economic benefit of Rs. 4.5 billion to its consumers due to non-revision of the selling prices according to the current pricing formula with Consumer Affairs Authority for the domestic segment which stipulates the price revision.

(b) Entry and handling fees of the Company consist of the fees collected at the time of issuing new cylinders.

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*Litro Gas Terminal Lanka (Pvt) Ltd***Throughput fee:**

- (a) Revenue consists of throughput fee invoiced to Litro Gas Lanka Ltd, a related company. From January to September 2019, US \$ 51 was charged per metric ton at a fixed exchange rate of Rs. 148.00 per USD and rebate a discount of Rs. 1.00 per 1 kg of local sales of C2, C5 & C12 products have been offered as per the MOU signed with Litro Gas Lanka Ltd. From 04th October 2019 to the year end, US \$ 31 was charged per metric ton for domestic segment and US \$ 51 is charged per metric ton for bulk segment at the Weighted Average Exchange Rate of Central Bank of Sri Lanka.
- (b) For the year 2020, US \$ 25 is charged per metric ton for both domestic and bulk segment at the Monthly Average Spot Exchange Rate of Central Bank of Sri Lanka. Litro Gas Lanka Ltd and Litro Gas Terminal Lanka (Pvt) Ltd are controlled by the same ultimate parent, Sri Lanka Insurance Corporation Limited.

Canowin Hotels & Spas (Pvt) Ltd

Main revenue of the Company is the ground rent income from the tenants of the Southern Expressway Service Area Arcade. During the year Company has granted a concession on the ground rent as a COVID-19 relief for its tenants. 100% of the rent and service charge amounting to Rs. 7,363,544/- has been waived off for the month of April 2020 and a 25% waiver has been granted during the months of November and December amounting to Rs.5,370,186/-. With other special concessions due to the prevailing situation in the country the total concessions granted during the year amounts to Rs. 13,443,271/-.

Canwill Holdings (Pvt) Ltd

The Company is the parent entity of Sinolanka Hotels & Spa (Pvt) Ltd and Helanco Hotels & Spa (Pvt) Ltd. Sinolanka Hotels & Spa (Pvt) Ltd is in the process of constructing the Grand Hyatt Hotel in Colombo and there were no commercial operations during the year.

30. NET EARNED PREMIUM**30.1 Net Change in Reserve for Unearned Premium**

For the year ended 31 December	Note	Group		Company	
		2020 Rs. '000	2019 Rs. '000	2020 Rs. '000	2019 Rs. '000
Non-Life Insurance					
Change in Reserve for Unearned Premium	24.1	(1,648,923)	(313,414)	(1,648,923)	(313,414)
Transfer to Title Insurance Reserve	24.2	100,820	(86,860)	100,820	(86,860)
		(1,548,103)	(400,274)	(1,548,103)	(400,274)

30.2 Premium Ceded to Reinsurers

For the year ended 31 December	Group		Company	
	2020	2019	2020	2019
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Life Insurance	413,574	356,967	413,574	356,967
	413,574	356,967	413,574	356,967
Non- Life Insurance				
Fire & Engineering	1,711,756	1,459,721	1,711,756	1,459,721
Motor	331,121	362,866	331,121	362,866
Marine	315,875	353,132	315,875	353,132
Miscellaneous	774,976	1,182,807	774,976	1,182,807
	3,133,728	3,358,526	3,133,728	3,358,526
Total Premium Ceded to Reinsurers	3,547,302	3,715,493	3,547,302	3,715,493

30.3 Net Change in Reserve for Unearned Reinsurance Premium

For the year ended 31 December	Note	Group		Company	
		2020	2019	2020	2019
		Rs. '000	Rs. '000	Rs. '000	Rs. '000
Non-life Insurance					
Change in Reserve for Unearned Premium	24.1	(119,430)	93,481	(119,430)	93,481
		(119,430)	93,481	(119,430)	93,481

30.4 Net Earned Premium

Company	2020			2019		
	Non-Life	Life	Total	Non-Life	Life	Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Gross Written Premium	20,163,296	19,257,997	39,421,293	18,974,323	14,820,025	33,794,348
Change in Reserve for Unearned Premium	(1,548,103)	-	(1,548,103)	(313,414)	-	(313,414)
Gross Earned Premium	18,615,193	19,257,997	37,873,190	18,660,909	14,820,025	33,480,934
Premium Ceded to Reinsurers	(3,133,728)	(413,574)	(3,547,302)	(3,358,525)	(356,967)	(3,715,493)
Change in Reserve for Unearned Reinsurance Premium	(119,430)	-	(119,430)	93,481	-	93,481
Gross Reinsurance Premium	(3,253,158)	(413,574)	(3,666,732)	(3,265,044)	(356,967)	(3,622,012)
Transfer to Title Insurance Reserve	-	-	-	(86,860)	-	(86,860)
	(3,253,158)	(413,574)	(3,666,732)	(3,351,904)	(356,967)	(3,708,871)
Net Earned Premium	15,362,035	18,844,423	34,206,458	15,309,005	14,463,057	29,772,062

Notes to the Financial Statements Contd.

31. GROSS WRITTEN PREMIUM

	Group		Company	
	2020	2019	2020	2019
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Life Insurance				
Group and Non Group	14,238,933	13,625,576	14,393,956	13,788,352
Group Term Life Assurance	4,864,041	1,031,673	4,864,041	1,031,673
Gross Written Premium - Life Insurance	19,102,974	14,657,249	19,257,997	14,820,025
Non- Life Insurance				
Fire & Engineering Risk	1,930,600	1,542,121	1,930,600	1,542,121
Motor	11,805,511	12,907,733	11,805,511	12,907,733
Marine	422,332	492,183	422,332	492,183
General Accident	6,004,853	4,032,286	6,004,853	4,032,286
Gross Written Premium - Non-Life Insurance	20,163,296	18,974,323	20,163,296	18,974,323
Total Gross Written Premium	39,266,270	33,631,572	39,421,293	33,794,348

31.1 Revenue from other operations

	Group		Company	
	2020	2019	2020	2019
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Hospital Revenue	5,249,334	6,127,447	-	-
Laboratory revenue	1,554,342	1,421,265	-	-
Room Rental and Services Charges	(12,730)	108,413	-	-
Revenue from Liquid Petroleum Gas (LPG) Activities	39,714,783	43,028,044	-	-
Total Revenue from other operations	46,505,729	50,685,169		

32. INVESTMENT INCOME

For the year ended 31 December	Note	Group		Company	
		2020	2019	2020	2019
		Rs. '000	Rs. '000	Rs. '000	Rs. '000
Interest Income	32.1	15,393,609	15,082,977	13,949,997	13,190,990
Dividend Income	32.2	867,609	821,537	1,067,609	3,387,570
Capital gains/ (losses)	32.3	1,493,710	1,050,073	1,493,710	1,092,945
		17,754,928	16,954,587	16,511,316	17,671,505

32.1 Interest Income

For the year ended 31 December	Group		Company	
	2020	2019	2020	2019
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Financial Investment at Held To Maturity (HTM)				
Treasury Bonds	5,517,904	5,704,602	5,517,904	5,704,602
Financial Investments at Loans & Receivables (LGR)				
Development Bonds	617,212	630,013	617,212	630,013
Unlisted Debentures	1,189,723	187,479	1,189,723	187,479
Term Deposits	2,936,476	3,820,463	2,215,705	2,867,415
Commercial Paper	-	9,693	-	9,693
Financial Investments at Available For Sale (AFS)				
Treasury Bonds	122,341	192,343	122,341	192,343
Listed Debentures	3,791,838	3,277,613	3,791,838	3,277,613
Cash & Cash Equivalents				
Reverse Repurchase Agreements	1,148,870	1,181,030	466,674	295,266
Call & Savings Accounts	54,212	58,859	20,132	12,148
Short Term deposits-Interest income	6,565	6,464	-	-
Other Fee based Income				
Commission on Investments	8,468	14,418	8,468	14,418
Total Interest Income	15,393,609	15,082,977	13,949,997	13,190,990

Notes to the Financial Statements Contd.

32.2 Dividend Income

	Group		Company	
	2020 Rs. '000	2019 Rs. '000	2020 Rs. '000	2019 Rs. '000
Financial Investments at Cost				
Listed Subsidiaries	-	-	-	206,676
Unlisted Subsidiaries	-	-	200,000	2,359,357
Financial Investments at NAV				
Associates	-	5,700	-	5,700
Financial Investments at Available For Sale (AFS)				
Listed Shares	625,431	661,081	625,431	661,081
Unlisted Shares	-	121	-	121
WHT Adjustments	-	-	(14,003)	-
Financial Investments at Fair Value Through Profit or Loss (FVTPL)				
Listed Shares	319,511	154,635	319,511	154,635
WHT Adjustments	(63,330)	-	(63,330)	-
Total Dividend Income	867,609	821,537	1,067,609	3,387,570

32.3 Capital Gains/(Losses)

For the year ended 31 December	Note	Group		Company	
		2020 Rs. '000	2019 Rs. '000	2020 Rs. '000	2019 Rs. '000
Financial Investments at Available For Sale (AFS)					
Listed Shares		25,908	-	25,908	-
Unlisted Shares		-	-	-	-
Subsidiaries		-	-	-	143,514
Unit Trusts		-	762,313	-	762,313
Treasury Bonds		-	10,852	-	10,852
Financial Investments at Fair Value Through Profit or Loss (FVTPL)					
Listed Shares		1,370,029	506,755	1,370,029	506,755
Unit Trust		104,852	-	104,852	-
Impairment					
Impairment Listed Debentures(AFS) NP		-	(101,913)	-	(101,913)
Impairment-Unlisted Stocks		(7,079)	(20,562)	(7,079)	(20,562)
Impairment-Listed Stocks		-	(107,372)	-	(107,372)
Impairment-Canwill Holdings		-	-	-	(100,642)
Total Capital Gains/(Losses)		1,493,710	1,050,073	1,493,710	1,092,945

33. FEES AND COMMISSION INCOME

For the year ended 31 December	Group		Company	
	2020	2019	2020	2019
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Reinsurance Commission	67,886	89,310	67,886	89,310
	67,886	89,310	67,886	89,310

34. NET REALIZED GAINS / (LOSSES)

	Group		Company	
	2020	2019	2020	2019
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Foreign Currency Gains/(Losses)	(70,982)	(394,722)	359,760	(56,456)
	(70,982)	(394,722)	359,760	(56,456)

35. OTHER INCOME

	Group		Company	
	2020	2019	2020	2019
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Rent Income	158,560	186,134	141,489	167,371
Interest on Policyholders and Other Loans	897,732	856,585	897,732	856,585
Sundry Income	306,925	61,776	429,853	108,194
Non refundable deposit income (note 35.1)	8	702,184	-	-
Net gain from change in fair value of investment property	(1,896)	19,725	-	-
Gain / (Loss) on disposal of property, plant and equipment	43,735	9,133	-	-
Gain/(loss) on disposal of ROU assets (Note 35.2)	135,752	-	-	-
	1,540,816	1,835,537	1,469,074	1,132,150

35.1 Non refundable deposit income

Litro Gas Lanka Ltd

LP Gas cylinders are issued to customers on payment of a cylinder deposit, which consists of two elements, part refundable and part non-refundable. The refundable deposit component is recognised as a liability while the non-refundable deposit component is recognised as income.

35.2 Gain/(loss) on disposal of ROU assets

Litro Gas Terminal Lanka (Pvt) Ltd

During the year, Litro Gas Terminal Lanka (Pvt) Ltd purchased leasehold land which was previously recognised under right-of-use asset amounting Rs. 576 Mn which resulted in a gain of Rs. 137 Mn from derecognition of right-of-use asset.

Notes to the Financial Statements Contd.

36. NET BENEFIT AND CLAIMS

For the year ended 31 December	Group		Company	
	2020	2019	2020	2019
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
(a) Gross benefits and claims paid				
Non-Life Insurance				
Fire & Engineering	(671,251)	(267,924)	(671,251)	(267,924)
Motor	(5,116,535)	(7,189,946)	(5,116,535)	(7,189,946)
Marine	(63,828)	(91,942)	(63,828)	(91,942)
Miscellaneous	(2,298,833)	(2,320,709)	(2,298,833)	(2,320,709)
Total	(8,150,447)	(9,870,521)	(8,150,447)	(9,870,521)
Life Insurance				
Death Claims	(772,988)	(738,200)	(772,988)	(738,200)
Policy Maturities	(5,688,384)	(5,595,172)	(5,688,384)	(5,595,172)
Surrenders	(871,219)	(567,858)	(871,219)	(567,858)
Disability, Ex-gratia, Annuities, Hospitalization & Mortgage Protection	(835,715)	(554,093)	(835,715)	(554,093)
Total	(8,168,306)	(7,455,323)	(8,168,306)	(7,455,323)
Total Gross Benefits and Claims Paid	(16,318,753)	(17,325,844)	(16,318,753)	(17,325,844)
(b) Claims Ceded to Reinsurers				
Claims Recovered from Reinsurers	476,793	753,369	476,793	753,369
Total Claims Ceded to Reinsurers	476,793	753,369	476,793	753,369
(c) Gross Change in Contract Liabilities				
Change in Non-Life Insurance Contract Outstanding Claims Provision	(264,922)	478,023	(264,922)	478,023
Total Gross Change in Contract Liabilities	(264,922)	478,023	(264,922)	478,023
(d) Change in Contract Liabilities Ceded to Reinsurers				
Change in Non-Life Insurance Contract Outstanding Claims Provision	334,586	(529,246)	334,586	(529,247)
Total Change in Contract Liabilities Ceded to Reinsurers	334,586	(529,246)	334,586	(529,246)
Total Net Benefits and Claims	(15,772,296)	(16,623,697)	(15,772,296)	(16,623,697)

37. UNDERWRITING AND NET ACQUISITION COSTS (INCLUDING REINSURANCE)

For the year ended 31 December	Group		Company	
	2020	2019	2020	2019
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Acquisition Cost	3,268,373	3,316,136	3,268,373	3,316,136
Net Change in Reserve for Deferred Acquisition Cost (DAC)	71,626	(7,750)	71,626	(7,750)
	3,339,999	3,308,386	3,339,999	3,308,386
Reinsurance Commission Received	354,440	312,406	354,440	312,406
Net Change in Reserve for Unearned Commission (UCR)	(11,234)	9,791	(11,234)	9,791
	343,206	322,197	343,206	322,197
	2,996,793	2,986,186	2,996,793	2,986,186

38. OTHER OPERATING AND ADMINISTRATION EXPENSES

For the year ended 31 December	Group		Company	
	2020	2019	2020	2019
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Auditor Remuneration				
Fees for the assigned Auditors	4,871	5,500	4,871	5,500
Other Services	-	1,380	-	1,380
Fees for Non Audit Services	-	13,390	-	13,390
Fees for Auditor General	6,018	4,970	731	891
Depreciation	2,072,424	2,723,404	422,566	396,040
Amortization of Intangible Assets	58,428	63,368	35,546	40,201
Amortization of ROU	411,050	361,448	154,830	117,200
Amortization of Leasehold Land	11,931	1,523	11,931	1,523
Impairment loss of trade receivables	22,950	4,987	-	-
Impairment loss of inventories	33,414	-	-	-
Legal expenses	11,524	23,813	-	-
Staff Benefits	9,621,431	8,194,235	5,710,785	5,149,105
Marketing & Business Promotion Expenses	618,136	785,803	444,120	504,905

Litro Gas Terminal Lanka (Pvt) Ltd

Common Cost Sharing.

In the year 2017, Board signed a MOU with Litro Gas Lanka Ltd to share common costs incurred by each Company to show fair view of it's financial performances. Administrative cost of 2019 and 2020 including the common costs transferred from Litro Gas Lanka Ltd under MOU is amounted to Rs. 76.08 Mn & Rs. 68.9 Mn respectively.

Notes to the Financial Statements Contd.

39. INCOME TAX EXPENSE**39.1 Amounts recognized in profit or loss**

For the year ended 31 December	Group		Company	
	2020	2019	2020	2019
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Current Tax Expenses				
Current Tax Year	2,850,052	3,215,698	2,316,472	1,640,244
(Over)/under Provision in Previous Year	(33,777)	(379,263)	-	(329,116)
10% Withholding tax on interCompany dividends	-	391,969	-	-
	2,816,275	3,228,404	2,316,472	1,311,128
Deferred Tax Expenses				
Origination/(Reversal) of Temporary Differences	(255,765)	620,585	(133,223)	(135,076)
Income Tax Expenses Reported in the Income Statement	2,560,510	3,848,989	2,183,249	1,176,052

39.2 Amounts recognized in OCI

	Group		Company	
	2020	2019	2020	2019
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Remeasurement of defined benefit liability	67,511	36,601	62,983	26,622
Revaluation of Property, Plant & Equipment	(47,550)	(914,998)	10,134	(914,998)
Fair value changes in available for sale financial assets	(55,002)	36,311	(55,002)	36,311
	(35,041)	(842,086)	18,115	(852,065)

39.3 Tax loss Analysis

	Group		Company	
	2020	2019	2020	2019
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Balance as at 01 January	1,066,846	682,470	-	-
Tax loss incurred during the year	351,042	428,198	-	-
Tax loss claimed during the year	(31,551)	(43,822)	-	-
Balance as at 31 December	1,386,337	1,066,846	-	-

The Company is liable to income tax of 28 % in terms of Inland Revenue Act No. 24 of 2017 and amendments thereto. The current year's tax charge consists of income tax charge on General Insurance and investment income in Life Insurance.

Litro Gas Terminal Lanka (Pvt) Ltd

The business profits of Litro Gas Terminal Lanka (Pvt) Ltd were exempted from income tax for a period of 15 years according to the agreement entered into by the Company with Board of Investment of Sri Lanka. The said exemption period commenced in 2000 and expired in 2015. As per the Inland Revenue Act No. 10 of 2006 and subsequent amendments to, profits arising from operating and maintenance of storage facilities in accordance with item number 31 of the 5th schedule of the Inland Revenue Act were taxed at a concessionary rate of 10% up to March 2018. Litro Gas Terminal Lanka (Pvt) Ltd is liable to income tax at 24% on the business income and 24% on non-business income for the year of assessment 2020/21.

The Lanka Hospitals Corporation PLC

With the implementation of the new Inland Revenue Act No.24 of 2017, effective from 1st April 2018, the corporate tax applicable to The Lanka Hospitals Corporation PLC is 28%.

In accordance with and subject to the power conferred on the Board of Investments of Sri Lanka, under section 17 of the BOI Law No 4 of 1978, the operating profits and income accruing to Lanka Hospitals Diagnostics (Pvt) Ltd is exempt from tax for a period of 6 years commencing from the year in which the enterprise commences to make profits or any year of assessment not later than two years reckoned from the date of commencement of commercial operations whichever comes first. The Company commenced its commercial operations in July 2014 and the tax exemption period expires in 2020.

Deferred tax assets and liabilities have been measured at the tax rate that is expected to apply to the period when the asset is realised or liability is settled.

SinoLanka Hotels & Spa (Pvt) Ltd

Under the Strategic Development Projects Act, No 14 of 2008, the provisions of the Inland Revenue Act relating to income tax shall not apply to the profits from business of the Company for a period of 10 years. The tax exemption period will commence from the first year in which the Company makes taxable profits or 3 years after commencement of commercial operations, whichever comes first.

On the expiry of tax exemption period, profits and income of the Company shall be charged at the rate of 6% or at 50% of the prevailing tax rate for the hotel industry, whichever is lower. These tax rates will be effective for a period of 15 years immediately succeeding the exemption period.

After the expiration of the aforesaid period, profits and income of the Company shall be taxed in terms of provisions in the Inland Revenue Act in force at that time.

Canwill Holdings (Pvt) Ltd and Helanco Hotels and Spa (Pvt) Ltd

The Company and the Helanco Hotels and Spa (Pvt) Ltd have been calculated on their adjusted profits at 24% in terms of the Inland Revenue Act No. 24 of 2017 and amendments thereto.

Litro Gas Lanka Ltd

Provision for income tax for the year ended 31 December 2020 in respect of Litro Gas Lanka Ltd has been made in the financial statements, in terms of the provisions of the Inland Revenue Act No. 24 of 2017, as amended. The Company is liable for income tax at a rate of 24% (2019 - 28%). However, the Company is not liable for tax for the year ended 31 December 2020 in view of a tax loss of Rs. 116,935,792.

Notes to the Financial Statements Contd.

40. BASIC / DILUTED EARNING PER SHARE

Basic earnings per share is calculated by dividing the net profit for the year attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year. There were no potential dilutive shares on standing at any time during the year. Therefore, the diluted earnings per share are equal to the basic earnings per share.

	Group		Company	
	2020	2019	2020	2019
Amounts Used as the Numerators				
Net Profit Attributable to Ordinary Shareholders (Rs. '000)	6,792,682	5,077,984	5,788,533	7,028,955
Number of Ordinary Shares Used as Denominators				
Weighted Average Number of Ordinary Shares in Issue (000')	599,743	599,743	599,743	599,743
Basic Earnings per share (Rs.)	11.33	8.46	9.65	11.72

41. DIVIDEND PAID AND PROPOSED

	Group		Company	
	2020	2019	2020	2019
Dividend Paid/Proposed (Rs. '000)	899,615	1,949,165	899,615	1,949,165
Weighted Average Number of Ordinary Shares in Issue (000')	599,743	599,743	599,743	599,743
Dividend per Share (Rs.)	1.50	3.25	1.50	3.25

42. FINANCIAL ASSETS AND LIABILITIES

42.1 Accounting Classifications and Fair Values

The following table shows the carrying amounts and fair values of financial assets and financial liabilities. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

As at 31 December	Group	Note	2020				
			Fair Value Through Profit or Loss Rs. '000	Available for Sale Rs. '000	Held to Maturity Rs. '000	Loans & Receivables Rs. '000	Carrying Value Rs. '000
Financial assets measured at fair value							
Listed Shares	5	12,454,354	19,215,501	-	-	31,669,855	31,669,855
Unlisted shares	5	-	11,267	-	-	11,267	11,267
Unit Trusts	5	2,892,326	1,590,984	-	-	4,483,310	4,483,310
Listed Debentures	5	-	33,376,199	-	-	33,376,199	33,376,199
Treasury Bonds	5	-	1,226,488	-	-	1,226,488	1,226,488
Financial assets not measured at fair value							
Treasury Bills & Bonds	5	-	-	51,885,786	-	51,885,786	61,606,054
Unlisted Debentures	5	-	-	-	22,310,237	22,310,237	22,310,237
Term Deposits	5	-	-	-	17,293,583	17,293,583	17,293,583
Development Bonds	5	-	-	-	11,257,602	11,257,602	11,257,602
Loans to Life Policyholders	12	-	-	-	1,734,723	1,734,723	1,734,723
Reinsurance Receivable	13	-	-	-	2,180,977	2,180,977	2,180,977
Premium Receivable	15	-	-	-	6,733,833	6,733,833	6,733,833
Other Receivables	16	-	-	-	5,977,437	5,977,437	5,977,437
Cash and Cash Equivalents	18	-	-	-	31,546,403	31,546,403	31,546,403
Total Financial Assets		15,346,680	55,420,439	51,885,786	99,034,795	221,687,700	231,407,968
Financial Liabilities not measured at fair value							
Reinsurance Payable		-	-	-	1,675,280	1,675,280	1,675,280
Bank Overdraft		-	-	-	709,571	709,571	709,571
Total Financial Liabilities		-	-	-	2,384,851	2,384,851	2,384,851

Notes to the Financial Statements Contd.

42. FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

42.1 Accounting Classifications and Fair Values (Continued)

As at 31 December	Group	Note	2019					Fair Value Rs. '000
			Fair Value Through Profit or Loss Rs. '000	Available for Sale Rs. '000	Held to Maturity Rs. '000	Loans & Receivables Rs. '000	Carrying Value Rs. '000	
Financial assets measured at fair value								
Listed Shares	5	5,643,021	23,765,733	-	-	29,408,754	29,408,754	
Unlisted shares	5	-	24,411	-	-	24,411	24,411	
Unit Trusts	5	-	2,029,106	-	-	2,029,106	2,029,106	
Listed Debentures	5	-	32,360,622	-	-	32,360,622	32,360,622	
Treasury Bonds	5	-	1,776,535	-	-	1,776,535	1,776,535	
Financial assets not measured at fair value								
Treasury Bills & Bonds	5	-	-	53,113,519	-	53,113,519	55,174,232	
Unlisted Debentures	5	-	-	-	5,623,014	5,623,014	5,623,014	
Term Deposits	5	-	-	-	29,647,015	29,647,015	29,647,015	
Development Bonds	5	-	-	-	10,749,452	10,749,452	10,749,452	
Loans to Life Policyholders	12	-	-	-	1,803,439	1,803,439	1,803,439	
Reinsurance Receivable	13	-	-	-	1,679,053	1,679,053	1,679,053	
Premium Receivable	15	-	-	-	4,034,109	4,034,109	4,034,109	
Other Receivables	16	-	-	-	5,532,535	5,532,535	2,966,222	
Cash and Cash Equivalents	18	-	-	-	22,969,711	22,969,711	3,244,666	
Total Financial Assets		5,643,021	59,956,407	53,113,519	82,038,328	200,751,275	180,520,630	
Financial Liabilities not measured at fair value								
Reinsurance Payable		-	-	-	1,327,660	1,327,660	1,327,660	
Trade Payable		-	-	-	2,835,451	2,835,451	2,835,451	
Bank Overdraft		-	-	-	808,290	808,290	808,290	
Total Financial Liabilities		-	-	-	4,971,401	4,971,401	4,971,401	

As at 31 December		2020					
		Fair Value Through Profit or Loss	Available for Sale	Held to Maturity	Loans & Receivables	Carrying Value	Fair Value
Company	Note	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Financial assets measured at fair value							
Listed Shares	5	12,454,354	19,215,501	-	-	31,669,855	31,669,855
Unlisted shares	5	-	11,267	-	-	11,267	11,267
Unit Trusts	5	2,892,326	1,590,984	-	-	4,483,310	4,483,310
Listed Debentures	5	-	33,376,199	-	-	33,376,199	33,376,199
Treasury Bonds	5	-	1,226,488	-	-	1,226,488	1,226,488
Financial assets not measured at fair value							
Treasury Bills & Bonds	5	-	-	51,885,786	-	51,885,786	61,606,054
Unlisted Debentures	5	-	-	-	22,310,237	22,310,237	22,310,237
Term Deposits	5	-	-	-	14,086,589	14,086,589	14,086,589
Development Bonds	5	-	-	-	11,257,602	11,257,602	11,257,602
Loans to Life Policyholders	12	-	-	-	1,734,723	1,734,723	1,734,723
Reinsurance Receivable	13	-	-	-	2,180,977	2,180,977	2,180,977
Premium Receivable	14	-	-	-	6,733,833	6,733,833	6,733,833
Other Receivables	16	-	-	-	3,025,353	3,025,353	3,025,353
Cash and Cash Equivalents	18	-	-	-	16,149,956	16,149,956	16,149,956
Total Financial Assets		15,346,680	55,420,439	51,885,786	77,479,270	200,132,175	209,852,443
Financial Liabilities not measured at fair value							
Reinsurance Payable	-	-	-	-	1,675,280	1,675,280	1,675,280
Bank Overdraft	28	-	-	-	453,997	453,997	453,997
Total Financial Liabilities		-	-	-	2,129,277	2,129,277	2,129,277

Notes to the Financial Statements Contd.

42. FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

42.1 Accounting Classifications and Fair Values (Continued)

As at 31 December	Company	Note	2019					Fair Value Rs. '000
			Fair Value Through Profit or Loss Rs. '000	Available for Sale Rs. '000	Held to Maturity Rs. '000	Loans & Receivables Rs. '000	Carrying Value Rs. '000	
Financial assets measured at fair value								
Listed Shares		5	5,643,021	23,765,733	-	-	29,408,754	29,408,754
Unlisted shares		5	-	24,411	-	-	24,411	24,411
Unit Trusts		5	-	2,029,106	-	-	2,029,106	2,029,106
Listed Debentures		5	-	32,360,622	-	-	32,360,622	32,360,622
Treasury Bonds		5	-	1,776,535	-	-	1,776,535	1,776,535
Financial assets not measured at fair value								
Treasury Bills & Bonds		5	-	-	53,113,519	-	53,113,519	55,174,232
Unlisted Debentures		5	-	-	-	5,623,014	5,623,014	5,623,014
Term Deposits		5	-	-	-	27,064,616	27,064,616	27,064,616
Development Bonds		5	-	-	-	10,749,452	10,749,452	10,749,452
Loans to Life Policyholders			-	-	-	1,803,439	1,803,439	1,803,439
Reinsurance Receivable		13	-	-	-	1,679,053	1,679,053	1,679,053
Premium Receivable		14	-	-	-	4,034,109	4,034,109	4,034,109
Other Receivables		16	-	-	-	2,966,222	2,966,222	2,966,222
Cash and Cash Equivalents		18	-	-	-	3,244,666	3,244,666	3,244,666
Total Financial Assets			5,643,021	59,956,407	53,113,519	57,421,033	176,133,980	177,938,231
Financial liabilities not measured at fair value **								
Reinsurance Payable			-	-	-	1,327,660	1,327,660	1,327,660
Trade Payable		27	-	-	-	2,835,451	2,835,451	2,835,451
Bank Overdraft		28	-	-	-	546,174	546,174	546,174
Total Financial Liabilities			-	-	-	4,709,285	4,709,285	4,709,285

42.2 Fair value hierarchy for assets carried at fair value

The Group uses the fair value hierarchy in determining and disclosing the fair value of financial instruments. The following note shows an analysis of financial investments recorded at fair value by level of the fair value hierarchy.

Level	Fair Value Measurement Method							
Level 1	Quoted (unadjusted) prices in active markets for identical assets or liabilities							
Level 2	Techniques for which, all inputs that have a significant effect on the recorded fair value, are observable, either directly or indirectly							
Level 3	Techniques, which use inputs that have a significant effect on the recorded fair value, are not based on observable market data							

	Group				Company			
	Level 1	Level 2	Level 3	Total Fair Value	Level 1	Level 2	Level 3	Total Fair Value
As at 31 December 2020	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Available-For-Sale (AFS)								
Financial Assets								
Listed Shares	19,215,501	-	-	19,215,501	19,215,501	-	-	19,215,501
Unlisted Shares	-	-	11,267	11,267	-	-	11,267	11,267
Unit Trusts	1,590,984	-	-	1,590,984	1,590,984	-	-	1,590,984
Listed Debentures	13,949,718	19,426,481	-	33,376,199	13,949,718	19,426,481	-	33,376,199
Treasury Bonds	1,226,488	-	-	1,226,488	1,226,488	-	-	1,226,488
Total	35,982,691	19,426,481	11,267	55,420,439	35,982,691	19,426,481	11,267	55,420,439
Fair-Value-Through-Profit-or-Loss (FVTPL) Financial Assets								
Listed Shares	12,454,354	-	-	12,454,354	12,454,354	-	-	12,454,354
Unit Trusts	2,892,326	-	-	2,892,326	2,892,326	-	-	2,892,326
Total	15,346,680	-	-	15,346,680	15,346,680	-	-	15,346,680
Held-To-Maturity (HTM) Financial Assets								
Treasury Bonds	61,606,054	-	-	61,606,054	61,606,054	-	-	61,606,054
Total	61,606,054	-	-	61,606,054	61,606,054	-	-	61,606,054
Loans & Receivables (LGR) Financial Assets								
Unlisted Debentures	-	22,310,237	-	22,310,237	-	22,310,237	-	22,310,237
Term deposits	-	17,293,583	-	17,293,583	-	14,086,589	-	14,086,589
Development Bonds	-	11,257,602	-	11,257,602	-	11,257,602	-	11,257,602
Total	-	50,861,422	-	50,861,422	-	47,654,428	-	47,654,428
Total Financial Assets	112,935,425	70,287,903	11,267	183,234,595	112,935,425	67,080,909	11,267	180,027,601

Notes to the Financial Statements Contd.

42. FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

42.2 Fair value hierarchy for assets carried at fair value (Continued)

As at 31 December 2019	Group				Company			
	Level 1 Rs. '000	Level 2 Rs. '000	Level 3 Rs. '000	Total Fair Value Rs. '000	Level 1 Rs. '000	Level 2 Rs. '000	Level 3 Rs. '000	Total Fair Value Rs. '000
Available-For-Sale (AFS)								
Financial Assets								
Listed Shares	23,765,733	-	-	23,765,733	23,765,733	-	-	23,765,733
Unlisted Shares	-	-	24,411	24,411	-	-	24,411	24,411
Unit Trust	2,029,106	-	-	2,029,106	2,029,106	-	-	2,029,106
Listed Debentures	22,209,070	10,151,552	-	32,360,622	22,209,070	10,151,552	-	32,360,622
Treasury Bonds	1,776,535	-	-	1,776,535	1,776,535	-	-	1,776,535
Total	49,780,444	10,151,552	24,411	59,956,407	49,780,444	10,151,552	24,411	59,956,407
Fair-Value-Through-Profit-or-Loss (FVTPL) Financial Assets								
Listed Shares	5,643,021	-	-	5,643,021	5,643,021	-	-	5,643,021
Total	5,643,021	-	-	5,643,021	5,643,021	-	-	5,643,021
Held-To-Maturity (HTM)								
Financial Assets								
Treasury Bonds	55,174,232	-	-	55,174,232	55,174,232	-	-	55,174,232
Total	55,174,232	-	-	55,174,232	55,174,232	-	-	55,174,232
Loans & Receivables (LGR) Financial Assets								
Unlisted Debentures	-	5,623,014	-	5,623,014	-	5,623,014	-	5,623,014
Term deposits	-	29,647,015	-	29,647,015	-	27,064,616	-	27,064,616
Development Bonds	-	10,749,452	-	10,749,452	-	10,749,452	-	10,749,452
Total	-	46,019,481	-	46,019,481	-	43,437,082	-	43,437,082
Total Financial Assets	110,597,697	56,171,033	24,411	166,793,141	110,597,697	53,588,634	24,411	164,210,742

42.3 Valuation Techniques used in determining fair values

1. The fair values of Listed Stocks, Treasury Bills and Treasury Bonds are based on their market prices as they are traded in active markets.
2. The fair values of Unlisted Floating Rate Debentures and Development Bonds are estimated to be equal to their amortized cost.
3. The fair values of Fixed Deposits are estimated to be equal to their amortized cost as maturities do not exceed one year.
4. The fair values of Unlisted Fixed Rate Debentures are arrived at discounting the future cash flows at market yields of comparable newly issued Corporate Debt instruments carrying similar maturities and credit ratings.
5. The fair values of Listed Debentures, which are traded in active markets, are based on their market prices.
6. The fair values Listed Debentures, which are not traded in active markets, are arrived at discounting the future cash flows at market yields of comparable newly issued Corporate Debt instruments carrying similar maturities and credit ratings.
7. The fair values of Unit Trusts are based on their bid prices as quoted by the Unit Trust management companies.
8. The fair values of Unlisted Shares, where the Company pays regular Dividends, are derived using the Discounted Cash Flow method. Otherwise, the fair value will be based on the Net Asset Value.

42.4 Reconciliation of movements in Level 3 financial instruments measured at fair value

	As at 31/12/2019 Rs. '000	Total Gains/ (Losses) in Income Statement Rs. '000	Total Gains/ (Losses) in OCI Rs. '000	Purchases Rs. '000	Sales Rs. '000	Transfers from Level 1 & 2 Rs. '000	As at 31/12/2020 Rs. '000	Total Gains/ (Losses) for the period included in profit or loss for assets held at 31/12/2020 Rs. '000
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Available-For-Sale (AFS)

Financial Assets

Unlisted Stocks	24,411	(7,079)	(13,144)	-	-	-	11,267	(20,223)
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	As at 31/12/2018 Rs. '000	Total Gains/ (Losses) in Income Statement Rs. '000	Total Gains/ (Losses) in OCI Rs. '000	Purchases Rs. '000	Sales Rs. '000	Transfers from Level 1 & 2 Rs. '000	As at 31/12/2019 Rs. '000	Total Gains/ (Losses) for the period included in profit or loss for assets held at 31/12/2019 Rs. '000
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Available-For-Sale (AFS)

Financial Assets

Unlisted Stocks	35,495	(20,441)	(11,084)	-	-	-	24,411	(31,524)
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Notes to the Financial Statements Contd.

42. FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

All outstanding balances with Government related entities which are significant for the users of this annual report are listed below.

Outstanding Balances as at 31 December 2020

Nature of the Transaction/ Name of the Company/ Entity	Bank of Ceylon Rs. '000	People's Bank Rs. '000	National Savings Bank Rs. '000	Regional Development Bank Rs. '000	People's Leasing & Finance PLC Rs. '000
Reverse Repos	70,775	-	4,667,800	-	-
Listed Debentures	77,772	-	-	-	1,307,609
Unlisted Debentures	4,030,575	9,947,211	2,568,644	-	-
Fixed Deposits	-	2,154,250	5,535,626	15,482	5,043,576
Unlisted Shares	-	-	-	-	-
Listed Shares	-	-	-	-	93,960
	4,179,122	12,101,461	12,772,070	15,482	6,445,146

Outstanding Balances as at 31 December 2019

Nature of the Transaction/ Name of the Company/ Entity	Bank of Ceylon Rs. '000	People's Bank Rs. '000	National Savings Bank Rs. '000	Regional Development Bank Rs. '000	People's Leasing & Finance PLC Rs. '000
Reverse Repo	68,225	-	1,498,952	-	-
Listed Debentures	319,157	-	-	-	1,258,335
Unlisted Debentures	-	3,054,370	2,568,644	-	-
Fixed Deposits	2,499,043	3,702,787	8,151,901	14,225	4,610,270
Unlisted Shares	-	-	-	-	-
Listed Shares	-	-	-	-	129,518
	2,886,425	6,757,157	12,219,497	14,225	5,998,123

The direct holding of 99.97% of the voting rights of the SLIC is owned by Secretary to the Treasury and the rest is owned by the employees and ex-employees of the Company. Therefore, the Secretary to Treasury has controlling power over the financial and operating policies of the Company.

The Company has considered the Secretary to the Treasury and other entities which are controlled, jointly controlled or significantly influenced by the Government of Sri Lanka (Government related entities) as Related Parties according to LKAS 24 - "Related Party Disclosures".

In accordance with the LKAS 24 - "Related Party Disclosures", transactions in relation to insurance premium and claims are not being disclosing due to the impracticability of capturing and disclosure of the same.

People's Merchant Finance PLC Rs. '000	Sri Lanka Telecom PLC Rs. '000	HDFC Bank Rs. '000	Associated Newspapers of Ceylon Ltd Rs. '000
-	-	-	-
-	2,497,099	151,891	-
-	-	-	-
-	-	-	-
-	-	-	6,892
13	665,753	-	-
13	3,162,852	151,891	6,892

People's Merchant Finance PLC Rs. '000	Sri Lanka Telecom PLC Rs. '000	HDFC Bank Rs. '000	Associated Newspapers of Ceylon Ltd Rs. '000
-	-	-	-
-	2,215,099	152,065	-
-	-	-	-
-	-	-	-
-	-	-	10,472
16	632,168	-	-
16	2,847,267	152,065	10,472

Notes to the Financial Statements Contd.

43. RELATED PARTY DISCLOSURES**43.1 Transactions with Key Management Personnel**

According to Sri Lanka Accounting Standard 24 (LKAS) - "Related Party Disclosures", key management personnel are those having authority and responsibility for planning, directing and controlling the activities of the entity.

Following directors are also directors of the related entities.

Director	Directorship in other related entities
Mr.Jagath Wellawatta	Management Services Rakshana (Pvt) Ltd, The Lanka Hospitals Corporation PLC
Mr. K A Vimalenthirarajah	People's Bank and Management Service Rakshana (Pvt) Ltd
Mr. Anil Meegahagedera	Canwill Holdings (Pvt) Ltd
Ms. J Surekha Alles	None
Mr.Anil Koswatta	Lakarcade, Litro Gas Lanka Ltd, Litro Gas Terminal Lanka (Pvt) Ltd
Mr.Nishantha Dayananda	Canowin Hotels and Spa (Pvt) Ltd

The Lanka Hospitals Corporation PLC

Key Management Personnel includes the members of the Board of Directors of the Company. The compensation of Key Management Personnel of the Lanka Hospitals Corporation PLC for the year ended 31st December 2020 amounted to Rs.10,460,975/- (2019 - Rs. 23,089,000/-).

Canowin Hotels & Spa (Pvt) Ltd

Key Management Personnel includes the members of the Board of Directors of the Company. The compensation of Key Management Personnel for the year ended 31st December 2020 amounted to Rs 2,958,163/- (2019 - Rs.10,841,062/-).

43.1.1 Directors compensation

Directors compensation comprised of the following:

For the year ended 31 December	Group		Company	
	2020 Rs. '000	2019 Rs. '000	2020 Rs. '000	2019 Rs. '000
Salaries and Short Term Employee Benefits	42,973	71,270	10,178	5,450
Consultation Fee	-	8,414	-	-
Attendance Fees	1,250	1,050	-	-

Post employment benefits accrued are not included in the above as it cannot be identified separately due to the actuarial valuation.

43.2 Transactions with subsidiary Companies and sub subsidiary Companies and Associates

Name of the Company	Nature of transactions	Transactions with SLIC		Transactions with Group Companies	
		2020 Rs.'000	2019 Rs.'000	2020 Rs.'000	2019 Rs.'000
Management Services Rakshana (Pvt) Ltd	Loan granted **	16,146	29,900	16,146	29,900
	Payment of Emoluments ***	700,922	583,542	700,922	583,542
The Lanka Hospital Corporation PLC	Insurance Premium	28,412	28,408	28,412	28,408
	Amount paid	(35,161)	(28,408)	(35,161)	(28,408)
	Dividend received	-	206,674	-	206,674
	Services	(127,908)	132,635	(127,908)	132,635
	Amount received from services	133,957	(128,392)	133,957	(128,392)
	Vehicle hiring charges paid	(14,114)	(18,507)	(14,114)	(18,507)
	Vehicle hiring charges	16,358	17,540	16,358	17,540
	Sale of Shares	-	450,787	-	450,787
Litro Gas Lanka Ltd	Rent charged	107,309	91,320	107,309	91,320
	Insurance Premium	50,385	62,662	50,385	62,662
	Impairment	-	-	-	(7,390)
	Cash settlement	(155,705)	(159,713)	(155,705)	2,230,265
	Throughput fee	-	-	1,628,843	(2,406,192)
	Reimbursement of expenses	-	-	29,785	64,676
	Repayment for the services	-	-	(37,221)	(26,428)
	Dividend received	-	999,357	-	999,357
	Fuel & Rent	-	-	-	-
	Sales of Goods/ Services	-	-	5,361	-
	Cash Receipts	-	-	(4,986)	-
	Settlements of due to related parties	-	-	(3,660)	-
	Cost transfers	-	-	(6,892,215)	-
	Payment received	-	-	5,235,524	-
	Assets Transferred	-	-	2,222	-
	Adjustment for Dividend	-	-	4,300	-
	Utility	-	-	-	-

Notes to the Financial Statements Contd.

Name of the Company	Nature of transactions	Transactions with SLIC		Transactions with Group Companies	
		2020 Rs.'000	2019 Rs.'000	2020 Rs.'000	2019 Rs.'000
Litro Gas Terminal Lanka (Pvt) Ltd	Insurance Premium	23,034	29,876	23,034	29,876
	Throughput fee	-	-	(1,628,843)	2,406,192
	Reimbursement of expenses	-	-	(29,785)	26,428
	Repayment for the services	-	-	1,693,912	(64,676)
	Payments	(3,765)	(28,872)	(3,765)	(2,418,850)
	Dividend payment	200,000	1,360,000	200,000	1,360,000
Canwill Holdings (Pvt) Ltd	Insurance Premium	3,603	21,831	2,271	21,831
	Security charges	-	2,244	-	2,244
	Receipts	743	3,103	743	3,103
	Foreign Currency transactions	-	6	-	6
	Fund Transfer	-	-	-	-
	Staff salaries & allowances	(697)	1,484	(55,733)	1,709
	Consultancy Services	-	-	-	-
	Cash Settlement	(1,364)	22,814	(1,364)	22,814
	Reimbursement of expenses	-	-	-	-
	Dividend payable	(7,310)	7,310	(7,310)	7,310
	Expenses paid	-	-	(918)	-
	Allocation of Staff Cost	-	-	(494)	-
	Settlement	-	-	9,145	-
Others Expenses	-	-	(14,516)	-	
Canowin Hotels & Spas (Pvt) Ltd	Dividends Received	-	-	-	-
	Insurance Premium	2,550	-	2,550	-
	Claim Paid	(2,285)	-	(2,285)	-
	Purchase of Goods / Services	-	-	-	(2,317)
	Sales of Goods/ Services	-	-	-	5,901
	Cash Receipts	-	-	-	(6,548)
	Cash settlement	-	-	-	2,317
	Settlements of due from related parties	-	-	-	500
	Settlements of due to related parties	-	-	-	(3,660)
	Utility expenses	-	-	(1,593)	-
	Supply of fuel	-	-	1,007	-
	Rent of fuel station	-	-	(3,767)	-
	Payment received	-	-	(1,041)	-
	Payments	-	-	5,316	-

Name of the Company	Nature of transactions	Transactions with SLIC		Transactions with Group Companies	
		2020 Rs.'000	2019 Rs.'000	2020 Rs.'000	2019 Rs.'000
Sinolanka Hotels & Spa (Pvt) Ltd	Insurance Premium	50,921	19,998	50,921	19,998
	Foreign Currency transactions	23	6	23	6
	Fund Transfer/Cash settlement	(53,110)	21,096	(53,110)	21,096
	Staff related cost	-	-	55,036	66,632
	Insurance service cost	-	-	1,332	1,494
	Other Expenses	-	-	14,516	1,301
	Expenses paid	-	-	(9)	2
	Short term loan	-	-	-	-
	Interest Receivable	-	-	19,000	-
	Interest on short term loan	-	-	-	35,160
	Cash settlement	-	-	-	(28,000)
Security Charges	800	2,244	800	2,244	
Helanco Hotels & Spas (Pvt) Ltd	Expenses paid	-	-	927	(703)
	Income tax paid	-	-	-	(5,892)
	Allocation of staff cost	-	-	494	556
	Settlement	-	-	(9,145)	-
	Interest payable	-	-	(19,000)	-
	Interest receivable	-	-	-	35,160
Lanka Hospitals Diagnostics (Pvt) Ltd	Reimbursement of expenses / rent income received	-	-	106,689	70,944
	Amounts Received	-	-	(228,000)	-
	Laboratory Services provided	(5,119)	(7,624)	(613,943)	(755,171)
	Amounts Paid	6,430	7,271	659,376	707,271
Ceybank Asset Management Ltd	Investment in Unit trusts	-	-	-	-
	Insurance Premium Received	2,693	2,772	2,693	2,772
	Claim paid	(1,500)	1,674	(1,500)	1,674
Ceylon Asset Management Company Ltd	Sale of Unit Trust	-	363,557	-	363,557
	Purchase of Unit Trust	396,900	522,580	396,900	522,580

Notes to the Financial Statements Contd.

43 RELATED PARTY DISCLOSURES (CONTINUED)**43.3 Transactions with Other Related Companies**

Name of the Company	Nature of transactions	Transactions with SLIC		Transactions with Group Companies	
		2020 Rs.'000	2019 Rs.'000	2020 Rs.'000	2019 Rs.'000
Super Religare Laboratories Limited	Technical services provided to Lanka Hospital Diagnostics (Pvt) Ltd	-	-	-	(6,867)
	Amounts Paid	-	-	(1,592)	6,867
Peoples's Bank	Settlements	-	-	-	3,660
	Services	-	-	-	(4,098)
	Sales of Goods/ Services	-	-	-	1,998
	Cash Payment	-	-	93	-

43.4 Amount due from subsidiaries

Amount due from related parties	Balances with SLIC		Balances with Group Companies	
	2020 Rs.'000	2019 Rs.'000	2020 Rs.'000	2019 Rs.'000
Management Services Rakshana (Pvt) Ltd**	-	-	-	-
The Lanka Hospital Corporation PLC	-	-	-	-
Lanka Hospitals Diagnostics (Pvt) Ltd	4,769	4,769	4,769	4,769
Litro Gas Lanka Ltd	22,529	4,802	39,943	26,516
Litro Gas Terminal Lanka (Pvt) Ltd	3,103	3,765	143,686	179,632
Canwill Holdings (Pvt) Ltd	2,526	-	365,430	299,753
Canowin Hotels & Spas (Pvt) Ltd	788	-	1,580	-
Sinolanka Hotels & Spa (Pvt) Ltd	1,023	2,074	1,095	2,136
Helanco Hotels & Spas (Pvt) Ltd	-	-	488,076	469,076
	34,738	15,410	1,044,579	981,883
Amount due from other related companies				
Sri Lanka Investment Holdings	-	-	100,260	100,260
	-	-	100,260	100,260

43.5 Amount from related parties

Balances with SLIC Balances with Group Companies

	Balances with SLIC		Balances with Group Companies	
	2020	2019	2020	2019
Amount due from related parties	Rs.'000	Rs.'000	Rs.'000	Rs.'000
The Lanka Hospital Corporation PLC*	3,745	5,989	3,745	5,989
Litro Gas Lanka Ltd	-	-	15,969	13,747
Litro Gas Terminal Lanka (Pvt) Ltd	-	-	140,583	175,867
Canwill Holdings (Pvt) Ltd	314	360	363,729	300,625
Canowin Hotels & Spas (Pvt) Ltd *	-	-	1,335	961
Sinolanka Hotels & Spa (Pvt) Ltd *	-	-	78	68
Helanco Hotels & Spas (Pvt) Ltd	-	-	488,076	469,076
	4,059	6,349	1,013,515	966,333
Amount due from other related companies				
Super Religre Laboratories Limited	-	-	-	1,591,598
	-	-	-	1,591,598

* Insurance claims paid during the year and claims outstanding as at the reporting date arising in the normal course of business have not been eliminated in consolidated financial statements due to differences arising from reinsurance components attributable to claims and the claims outstanding estimates which are assessed from the individual company's point of view and need not be the same as provision determined by the insurer.

44. INSURANCE AND FINANCIAL RISK MANAGEMENT

Overview

The Group has exposure to the following risks arising from insurance business and from financial instruments:

- ◆ Insurance risk
- ◆ Market risk
- ◆ Credit risk
- ◆ Liquidity risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risks as required by the SLFRS 4 and SLFRS 7 together with the quantitative disclosures relating to the same.

Risk Management Framework

The Group's Board of directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group activities.

Notes to the Financial Statements Contd.

44.1 Insurance Risk

Insurance risk is the likelihood that an insured event will occur, requiring the insurer to pay a claim. This risk is transferred to the Company through the underwriting process. The principal risk the Company faces under insurance contracts 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.

44.1.1 Life Insurance Contracts

The following paragraph describes the concentration of life insurance based on the nature of the contract;

Concentration of Insurance Risk

Concentration risk is defined as the risk of exposure to increased losses associated with inadequately diversified portfolios of assets or obligations. Concentration risk for a life insurer may arise with respect to investments in a geographical area, economic sector, or individual issuers, or due to a concentration of business written within a geographical area, of a policy type, or of underlying risks covered.

1. From a market risk perspective, although we have invested significantly in the financial sector, our portfolio is diversified and contains huge margins.
2. From an insurance risk perspective, the main factors that would affect concentration risk include mortality risk, morbidity risk, longevity risk, policyholder behavior risk (lapse, anti-selection) and expense risk. There is diversification across geographical regions, lines of business and even across the different insurance risk factors such that SLIC is not exposed to significant concentrations of insurance risk.

The risks associated with life insurance include:

- ◆ Mortality risk is the risk that actual policyholder death experience on life insurance policies is higher than expected.
- ◆ Longevity risk is the risk that annuitants live longer than expected.
- ◆ Morbidity risk is the risk that policyholder health-related claims are higher than expected.
- ◆ Policyholder behavior risk is the risk that policyholders' behavior in discontinuing and reducing contributions or withdrawing benefits prior to the maturity of the contract is worse than expected. Poor persistency rates may lead to fewer policies remaining on the books to defray future fixed expenses and reduce the future positive cash flows from the business written, potentially impacting its ability to recover deferred acquisition expenses.
- ◆ Expense risk is the risk that expenses incurred in acquiring and administering policies are higher than expected.
- ◆ Market risk is the risk associated with the Company's balance sheet positions where the value or cash flow depends on financial markets, which is analyzed in the "Market Risk" section in the Risk Review.
- ◆ Credit risk is the risk associated with a loss or potential loss from counterparties failing to fulfill their financial obligations, which is analyzed in the "Credit Risk" section in the Risk Review.

The Group has established procedures and processes to evaluate the above risks which if not properly controlled and managed can impact its operations. The procedures are in place to cover all critical stages from product development to benefit administration. In addition to all, all life financial streams are modelled and profit testing is produced by the Actuary thus mitigating product design and pricing risk. Also the Group uses matching instruments to back liabilities (ALM), if available.

Under the Risk Based Capital (RBC) framework, SLIC has adopted "Gross Premium Valuation" mechanism (GPV). This is required for liability valuation purpose where liability is calculated in market consistent manner for the solvency requirements. SLIC has adopted a more prudent valuation basis for its surplus computation with compared to minimum regulatory basis (RBC).

Sensitivities analysis for life insurance risk

The main assumptions used in determining life insurance contract liability are below tabulated

Assumption	Description
Mortality	<ul style="list-style-type: none"> ◆ Factored A67/70 for non-annuity business to allow best estimate experience rate ◆ Weighted average of a(90)m and a(90)f with one year age setback to allow approximated 1% mortality improvement of annuitants approximated 1% mortality improvement of annuitants
Investment return	Risk Free Rate structure proposed by IRCSL as at 31.12.2020

SLIC maintained steady and strong solvency ratio over the year 2020 for its Life Insurance business and as at 31.12.2020 the Risk-based Capital Adequacy Ratio, CAR, stands at 459% and it was 436% as at 31.12.2019. This is well above the regulatory minimum requirement which is 120%.

Assumption	Change in Assumption	Impact on Liability
Mortality	10%	724 million
	-10%	(725) million
Investment return	Up shock scenario under RBC	(14,964) million
	Down shock scenario under RBC	19,582 million

Life

In accordance with the RBC Rules, negative policy liability for long term insurance contracts are deemed acceptable and value of the liabilities with respect to individual contracts with negative policy liability have not been floored at zero. However for the purpose of distribution basis (i.e. for SLFRS purpose) liabilities, SLIC has adopted a more prudent approach and the negative liabilities have been floored to zero at policy level.

Non Life

In accordance with the RBC Rules, discounted policy liability can be hold however for the purpose of SLFRS reporting, SLIC has adopted a more prudent approach where un-discounted liabilities are hold where un-discounted liabilities are higher than the discounted liabilities. "

Segregation of Policy Liability based on Product Category

31 December	2020			2019		
	Insurance Liabilities (with profits) Rs. '000	Insurance Liabilities (without profits) Rs. '000	Total Gross Insurance Liabilities Rs. '000	Insurance Liabilities (with profits) Rs. '000	Insurance Liabilities (without profits) Rs. '000	Total Gross Insurance Liabilities Rs. '000
Whole Life	22,137	4,394	26,531	16,944	4,162	21,106
Endowment Assurance	74,745,760	3,161,913	77,907,673	51,326,497	2,262,014	53,588,511
Term Assurance	-	3,858,121	3,858,121	-	1,683,399	1,683,399
Annuity	14,687,439	3,390,629	18,078,068	9,819,087	1,902,857	11,721,944
Rider Benefits	1,983	3,141,906	3,143,889	2,086	2,362,961	2,365,048
Total	89,457,319	13,556,963	103,014,282	61,164,614	8,215,393	69,380,008

Notes to the Financial Statements Contd.

44.1 Insurance Risk (Continued)**44.1.1 Life Insurance Contracts (Continued)**

The following table shows the participating and non-participating fund position of the Company:

Participating Fund vs Non-Participating Fund	Participating	Non-Participating	Total
	Rs. '000	Rs. '000	Rs. '000
2020	120,363,450	13,650,092	134,013,542
Percentage	89.81%	10.19%	
2019	108,500,670	8,266,226	116,766,896
Percentage	92.92%	7.08%	

44.1.2 Non - Life Insurance Contracts**General Insurance Risk**

General insurance risk includes the reasonable possibility of significant loss due to uncertainty in the frequency of occurrence of insured events as well as in the severity of the resulting claims.

The following provides an overview of the Group's main lines of business:

- ◆ Motor includes automobile physical damage, loss of the insured vehicle and automobile third party liability insurance.
- ◆ Property includes fire risks (for example fire, explosion and business interruption), natural perils (for example earthquake, windstorm and flood), engineering lines (for example boiler explosion, machinery breakdown and construction) and marine (cargo and hull).
- ◆ Liability includes general/public and product liability, excess and umbrella liability, professional liability including medical malpractice, and errors and omissions liability.
- ◆ Special lines include directors and officers, credit and surety, crime and fidelity, accident and health, and crop.
- ◆ Worker injury includes workers compensation and employers liability.

The Group's underwriting strategy is to take advantage of the diversification of general insurance risks across industries and geographic regions in which the Group operates. The Group seeks to optimize shareholder value by achieving its mid-term return on equity goals. Doing so necessitates a prudent, stable underwriting philosophy that aims to take advantage of its competitive strengths while avoiding risks with disruptive volatility. At the core of the Group's underwriting is a robust governance process.

In addition to the specific risks insured, each line of business could expose the Group to losses that could arise from natural and man-made catastrophes. The main concentrations of risks arising from such potential catastrophes are regularly reported to senior management.

The table below shows the Group's concentration of risk within the general insurance business by line of business based on direct written premium before reinsurance and after reinsurance.

2020 Class	GWP Rs. '000	Reinsurance Rs. '000	NWP Rs. '000	%
Motor	11,805,511	331,121	11,474,390	67.38%
Fire & Engineering	1,930,600	1,711,756	218,844	1.29%
Marine	422,332	315,875	106,456	0.63%
Other	6,004,853	774,976	5,229,877	30.71%
	20,163,296	3,133,728	17,029,568	100.00%

2019 Class	GWP Rs. '000	Reinsurance Rs. '000	NWP Rs. '000	%
Motor	12,907,733	362,866	12,544,867	80.33%
Fire & Engineering	1,542,121	1,459,721	82,400	0.53%
Marine	492,183	353,132	139,051	0.89%
Other	4,032,286	1,182,806	2,849,486	18.25%
	18,974,323	3,358,525	15,615,798	100.00%

Reinsurance Risk

The Group purchases reinsurance as a part of its risk mitigation programme. It protects against significantly large claims or disasters, allowing the insurance Company to cover more individuals without fear of bankruptcy should a disaster occur, resulting in multiple policyholders filing claims all at one time.

Reinsurance ceded is placed on both proportional and non-proportional basis. Proportional reinsurance arrangement includes both Quota Share and Surplus Treaty and Facultative programmes which are taken out to reduce the overall exposure of the Group to certain classes of business. Non-proportional reinsurance programmes, which are primarily excess-of-loss reinsurance arrangements, are designed to mitigate the Group net exposure to large single and catastrophic losses. Retention limits on the excess-of-loss reinsurance programmes vary by product line.

Notes to the Financial Statements Contd.

The following table shows the credit ratings of the reinsurance Companies with whom the Group has arrangements.

Name of the Company	Credit Rating	Financial strength Rating	Name of the Rating Agency
Abu Dhabi National Insurance Company	A-	A-	S & P
AEGIS Managing Agency Limited	a+	A	A.M.Best
AIG Asia Pacific Insurance Pte Ltd	a	A	A.M.Best
AIG MEA Limited	a	A	A.M.Best
Aioi Nissay Dowa Insurance Company	A+	A+	S & P
Allianz Global Corporate & Specialty SE	aa	A+	A.M.Best
American International Group UK Ltd	a	A	A.M.Best
Antares Managing Agency Limited	a+	A	A.M.Best
Apollo Syndicate Management Limited	a+	A	A.M.Best
Arch Managing Agency Ltd	A	a+	A.M.Best
Argenta Syndicate Management Ltd	a+	A	A.M.Best
Argo Managing Agency Limited	a+	A	A.M.Best
Ark Syndicate Management Limited	a+	A	A.M.Best
Ascot Underwriting Limited	a+	A	A.M.Best
Asian Reinsurance Corporation	B+	bbb-	A.M.Best
Assicurazioni Generali S.p.A	a+	A	A.M.Best
Atrium Underwriters Limited	A	a+	A.M.Best
AXA Corporate Solutions	AA-	AA-	S & P
AXA Insurance U.K. PLC	AA-	AA-	S & P
Axis Managing Agency Ltd	a+	A	A.M.Best
AXIS Specialty Limited	A	a+	A.M.Best
Beazley Furlonge Limited	a+	A	A.M.Best
Beazley Pte Ltd, Singapore	a+	A	A.M.Best
Berkley Insurance Company, Singapore	aa-	A+	A.M.Best
Berkshire Hathaway Specialty Insurance Company	A++	aaa	A.M.Best
Best Meridian International Insurance Company SPC	a-	A-	A.M.Best
BRIT Glogal Specialty Singapore Pte Ltd	a	A	A.M.Best
Brit Syndicates Limited	a+	A	A.M.Best
British Marine PGI Club	a+	A	A.M.Best
Canopus Asia Pte Ltd,	a-	A-	A.M.Best
Canopus Managing Agents Limited	a+	A	A.M.Best
Catlin Underwriting Agencies Limited	a+	A	A.M.Best
Chaucer Syndicates Limited	a+	A	A.M.Best
China Reinsurance (Group) Corporation	a	A	A.M.Best
China Taiping Insurance (UK) Co Ltd	A	A	S & P
Chubb European Group SE	aa+	A++	A.M.Best
Chubb Underwriting Agencies Ltd	A	a+	A.M.Best
Convex Insurance UK Ltd, London, England	a-	A-	A.M.Best
Convex Insurance UK Ltd, London, England	A-	a-	A.M.Best
Falcon Insurance Co (HK) Ltd	A-	A-	S & P

Name of the Company	Credit Rating	Financial strength Rating	Name of the Rating Agency
Fidelis Underwriting Ltd	a	A	A.M.Best
General Insurance Corporation of India	bbb+	B++	A.M.Best
Generali Assicurazioni General S.p.A UK Branch	a+	A	A.M.Best
Hamilton Managing Agency Limited	a+	A	A.M.Best
Hannover Ruck SE	aa	A+	A.M.Best
Hardy (Underwriting Agencies) Limited	a+	A	A.M.Best
HCC international Insurance Co	A+	A+	S & P
HDI Global Specialty SE	a+	A	A.M.Best
Helvetia Assurance S.A.	A	A	S & P
Hiscox Syndicates Limited	A	a+	A.M.Best
Huatai Property and Casualty Insurance Co.Ltd	-	-	
India International Insurance Pte Ltd	A-	A-	S & P
International General Insurance Company	a	A	A.M.Best
IRB- Brasil Resseguros- Brasil	a-	A-	A.M.Best
Kuwait Reinsurance Company	a-	A-	A.M.Best
Liberty Specialty Markets Singapore Pte Ltd	a	A	A.M.Best
MAPFRE RE, Compañía de Reaseguros, S.A.	a+	A	A.M.Best
Market Syndicate Management Limited	a+	A	A.M.Best
MENA RE Underwriters Ltd	A-	A-	S & P
MISR -Egypt	B++	bbb	A.M.Best
MS Amlin Asia Pacific Pte Ltd	A	A	S & P
Ms Amlin Underwriting Limited	a+	A	A.M.Best
MS First Capatial Insurance Ltd	a	A	A.M.Best
Munchener Ruckversicherungs	aa	A+	A.M.Best
Munich Re Syndicate Ltd	a+	A	A.M.Best
Navigators Underwriting Agency Ltd.	a+	A	A.M.Best
Newbridge Risk Partners	a+	A	A.M.Best
Nexus Underwriting Ltd, London	a+	A	A.M.Best
Ocean International Reinsurance Company Ltd	a-	A-	A.M.Best
Oman Insurance Company	a	A	A.M.Best
Partner Reinsurance Europe SE	aa-	A+	A.M.Best
PICC Property and Casualty Company Ltd.	a1	A1	Moody's
Ping An Property & Casualty Insurance Company of China	A-	A-	S & P
QBE Insurance (Europe) Limited	A+	A+	S & P
QBE Insurance (Singapore) Pte Ltd	a+	A	A.M.Best
QBE UK Limited	A+	A+	S & P
QBE Underwriting Limited	a+	A	A.M.Best
Royal & Sun Alliance Limited	A	A	S & P
Samsung Reinsurance Company	a	A	A.M.Best
Score Reinsurance Asia Pacific Pte Ltd	aa-	A+	A.M.Best
Sirius International Ins. Corp. - Zurich Branch	a-	A-	A.M.Best
Sirius International Ins. Corporation	a-	A-	A.M.Best
Starr International (Europe) Ltd	a	A	A.M.Best

Notes to the Financial Statements Contd.

Name of the Company	Credit Rating	Financial strength Rating	Name of the Rating Agency
Starr International Insurance (Singapore) Pte Ltd	a	A	A.M.Best
Starstone 1301	a+	A	A.M.Best
Steamship Mutual Underwriting Association Limited.	A	A	S & P
Swiss Re International SE	aa	A+	A.M.Best
Talbot Underwriting Ltd	a+	A	A.M.Best
The Shipowners' Mutual Protection & Indemnity Association	A	A	S & P
Tokio Marine Kiln Singapore Pte Ltd	A+	A+	S & P
Tokio Marine & Nichido Fire Insurance Co- Limited	aa+	A++	A.M.Best
Tokio Marine Kiln Syndicates Ltd	a+	A	A.M.Best
Travelers Syndicate Management Limited	a+	A	A.M.Best
VIENNA INSURANCE GROUP AG Wiener Versicherung Gruppe	A+	A+	S & P
Wiener Stadtische Versicherung AG Vienna Insurance Group	A+	A+	S & P
XL Catlin Insurance Company UK Ltd	aa-	A+	A.M.Best
XL Insurance Company SE	aa-	A+	A. M. Best
Zurich Insurance Company	aa-	A+	A. M. Best

Financial Risks

The investment activities of the Group are exposed to financial risks which include credit risks, liquidity risks and market risks. The Investment Committee is responsible for mitigating those risks and optimizing the investment returns.

Investment risk management is of paramount importance in current turbulent markets characterized by high volatility of asset returns, reduced diversification benefits due to high correlations, and wider dispersion in market sentiments and views.

The aim of investment risk management is to promptly identify, measure, manage, report and monitor risks that affect the achievement of investment objectives. This includes taking, avoiding, mitigating and adjusting the risk profile to maintain the appropriate balance among asset growth as well as income to meet the obligations of the Fund, based on prudent risk management principles within the context of applicable (IRCSL) insurance regulations.

44.2 Market Risk

Market risk is the risk of changes in market prices such as foreign exchange rates and interest rates, which will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

The Group maintains the maximum exposure limit for the equity in managing the investment portfolio. Further, the Group has diversified the investment portfolio into different sectors to mitigate unsystematic risks.

Equity Market Sensitivity

Company	Rise of market		Fall of market	
	Impact on Profit	Impact on OCI	Impact on Profit	Impact on OCI
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
As at 31 December 2020				
Shock Level:				
5%	622,514	960,775	(622,718)	(960,775)
10%	1,245,028	1,921,550	(1,245,435)	(1,921,550)
	1,867,542	2,882,325	(1,867,542)	(2,882,325)
As at 31 December 2019				
Shock Level:				
5%	282,355	1,188,287	(282,355)	(1,188,287)
10%	564,709	2,376,573	(564,709)	(2,376,573)
	847,064	3,564,860	(847,064)	(3,564,860)

44.2.1 Interest Rate Risk

Interest rate risk is the risk of loss resulting from changes in interest rates, including the changes in the shape of the yield curve while credit spread risk describes the sensitivity of the values of assets and liabilities due to changes in the level or the volatility of credit spreads over the risk-free interest rate yield curve.

Interest rate risk is managed over each major maturity bucket with adherence to the aggregated positions with risk limits. The Investment Committee proactively managed the fixed income portfolio by strategically shifting from low-yielding investments to relatively high-yielding ones, mitigating the pressure on interest income while closely monitoring the duration of mismatches.

Further the Group has adopted the following policies to mitigate the interest rate risk:

- 1 A considerable portion of the investments is made in risk free investments of government securities with adherence to the rules and regulations issued by the IRCSL in maintaining risk free investments.
- 2 The major part of the investment portfolio is made in rated financial institutions or in rated instruments.
- 3 The Investment Committee makes the investment decisions and approval from the Board of Directors is sought wherever necessary.

Notes to the Financial Statements Contd.

Exposure to Interest Rate Risk

The interest rate profile of the Group's interest bearing financial instruments as reported to the management of the Group is as follows.

31 December	2020	2019
Company	Rs. '000	Rs. '000
Fixed Rate Instruments		
Held To Maturity (HTM)		
Treasury Bonds	51,885,786	53,113,519
Loans and Receivable (LGR)		
Unlisted Debentures	15,434,096	5,623,014
Term Deposits	14,086,589	27,064,616
Development Bonds	7,241,625	-
Available For Sale (AFS)		
Listed Debentures	33,376,199	32,111,716
Treasury Bond	1,226,488	1,776,535
	123,250,782	119,689,401
Floating Rate Instruments		
Loans and Receivables (LGR)		
Development Bonds	4,015,977	10,749,452
Unlisted Debentures	6,876,142	-
Available-For-Sale (AFS)		
Listed Debentures	-	248,906
	10,892,120	10,998,358
	134,142,902	130,687,759

Sensitivity Analysis

A reasonably possible change of 100 basis points in interest rates at the reporting date would have increased (decreased) equity and interest income by the amounts shown below.

31 December 2020 Company	100bps Upward Parallel Shift of Yield Curve		100bps Downward Parallel Shift of Yield Curve	
	Impact on Interest Income Rs. '000	Impact on Equity Rs. '000	Impact on Interest Income Rs. '000	Impact on Equity Rs. '000
Financial Investments				
Loans and Receivable (LGR)	718,524	-	(718,524)	-
Available For Sale (AFS)	-	33,814,222	-	35,884,582
	718,524	33,814,222	(718,524)	35,884,582

31 December 2019 Company	100bps Upward Parallel Shift of Yield Curve		100bps Downward Parallel Shift of Yield Curve	
	Impact on Interest Income Rs. '000	Impact on Equity Rs. '000	Impact on Interest Income Rs. '000	Impact on Equity Rs. '000
Financial Investments				
Loans and Receivable (LGR)	45,040	-	(45,040)	-
Available For Sale (AFS)	2,500	306,052	(2,500)	39,859
	47,540	306,052	(47,540)	39,859

* In case of a shift in yield curve, there is:

No impact to the interest income or to the equity for the fixed rate debt instruments classified under HTM and LGR

An impact to the interest income but no impact to the equity for the floating rate debt instruments classified under HTM and LGR

No impact to the interest income but there is an impact to the equity for the fixed rate debt instruments classified under AFS

An impact to the interest income but no impact to the equity for the floating rate debt instruments classified under AFS

Notes to the Financial Statements Contd.

44.2.2 Foreign Currency Risk

The Group is exposed to currency risk on investments in financial assets that are denominated in a currency other than Sri Lankan Rupees (LKR). The foreign currencies in which these transactions are primarily denominated are United States Dollars (USD), Euros (EUR), Australian Dollar (AUD) and Sterling Pound. (GBP).

Exposure to currency risk

The Group's exposure to foreign currency risk was as follows based on notional amounts;

Company	Carrying Value	
	2020 Rs. '000	2019 Rs. '000
Development Bonds:		
USD	11,257,602	10,749,452
Fixed Deposits:		
USD	51,987	49,777
	11,309,589	10,799,229

The following significant exchange rates were applicable during the year;

	Average Rate		Reporting date spot rate	
	2020 Rs.	2019 Rs.	2020 Rs.	2019 Rs.
USD	181.93	180.33	184.50	179.35
GBP	241.37	229.84	250.53	232.20
AUD	131.35	124.79	140.66	122.03
EUR	211.49	200.53	225.33	197.64

Sensitivity Analysis

A strengthening of the LKR, as indicated below, against the USD,GBP,EURO,AUD at 31st December 2020 would have increased/ (decreased) the forex gain/loss and interest income by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant.

As at 31 December 2020 Company	Exchange Rate Shock Level		
	1.0% Rs. '000	1.5% Rs. '000	2.0% Rs. '000
Impact on Forex Gain/Loss			
<u>Floating Rate Instruments</u>			
USD	112,576	168,864	225,152
<u>Fixed Rate Instruments</u>			
USD	520	780	1,040
	113,096	169,644	226,192

As at 31 December 2020	Exchange Rate Shock Level		
	1.0%	1.5%	2.0%
	Rs. '000	Rs. '000	Rs. '000
Impact on Interest Income			
<u>Floating Rate Instruments</u>			
USD	6,172	9,258	12,344
<u>Fixed Rate Instruments</u>			
USD	-	-	-
	6,172	9,258	12,344
As at 31 December 2019	Exchange Rate Shock Level		
	1.0%	1.5%	2.0%
	Rs. '000	Rs. '000	Rs. '000
Impact on Forex Gain/Loss			
<u>Floating Rate Instruments</u>			
USD	107,495	161,242	214,989
<u>Fixed Rate Instruments</u>			
USD	498	747	996
	107,993	161,989	215,985
As at 31 December 2019	Exchange Rate Shock Level		
	1.0%	1.5%	2.0%
	Rs. '000	Rs. '000	Rs. '000
Impact on Interest Income			
<u>Floating Rate Instruments</u>			
USD	6,300	9,450	12,600
<u>Fixed Rate Instruments</u>			
USD	1	1	1
	6,301	9,451	12,601

Notes to the Financial Statements Contd.

44.2.3 Market Rate Risk

The Group maintains the maximum exposure limit for the equity in managing the investment portfolio. Further, the Group has diversified the investment portfolio into different sectors to mitigate the unsystematic risks.

Portfolio Diversification of Equity Risks

Sri Lanka Insurance Corporation Limited - Life Insurance Business

Sector	Industry Group	2020		2019	
		Market Value Rs. '000	%	Market Value Rs. '000	%
Financials	Banks	14,723,680	68.10%	14,966,754	77.78%
Financials		14,723,680	68.10%	14,966,754	77.78%
	Consumer Services	1,203,724	5.57%	1,195,319	6.21%
Consumer Discretionary	Consumer Durables & Apparel	131,645	0.61%	178,648	0.93%
	Retailing	31,366	0.15%	31,013	0.16%
	Automobiles & Components	15,625	0.07%	9,030	0.05%
Consumer Discretionary		1,382,359	6.39%	1,414,010	7.35%
Industrials	Capital Goods	3,210,133	14.85%	1,437,195	7.47%
*Health Care	Health Care Equipment & Services	232,793	1.08%	-	0.00%
Telecommunication Services	Telecommunication Services	596,954	2.76%	566,840	2.95%
Materials	Materials	459,811	2.13%	414,877	2.16%
Consumer Staples	Food & Staples Retailing	124,759	0.58%	345,609	1.80%
	Food, Beverage & Tobacco	400,381	1.85%	22,057	0.11%
Real Estate	Real Estate	66,949	0.31%	75,317	0.39%
Energy	Energy	160,824	0.74%	87	0.00%
Information Technology	Technology Hardware & Equipment	263,044	1.22%	-	0.00%
Total		21,621,687	100%	19,242,746	100%

* Including the Lanka Hospitals Corporation PLC which is a subsidiary of SLIC

Sri Lanka Insurance Corporation Limited - General Insurance Business

Sector	Industry Group	2020		2019	
		Market Value Rs. '000	%	Market Value Rs. '000	%
Financials	Banks	8,305,690	82.66%	9,270,449	91.15%
	Diversified Financials	93,974	0.94%	129,534	1.27%
Financials		8,399,664	83.59%	9,399,983	92.43%
Consumer Discretionary	Consumer Durables & Apparel	7,186	0.07%	8,213	0.08%
Consumer Discretionary		7,186	0.07%	8,213	0.08%
Consumer Staples	Food, Beverage & Tobacco	14,040	0.14%	-	0.00%
*Health Care	Health Care Equipment & Services	32,621	0.32%	-	0.00%
Industrials	Capital Goods	757,729	7.54%	256,465	2.52%
Materials	Materials	2,850	0.03%	-	0.00%
Utilities	Utilities	717,050	7.14%	380,000	3.74%
Real Estate	Real Estate	18,607	0.19%	60,000	0.59%
Telecommunication Services	Telecommunication Services	68,800	0.68%	65,329	0.64%
Energy	Energy	29,620	0.29%	88	0.00%
Total		10,048,167	100%	10,170,078	100%

*Including Lanka Hospitals Corporation PLC which is a subsidiary of SLIC

44.3 Credit Risk

Credit risk is the risk of financial loss to the Group if investee companies, reinsurers and any other counter party to a financial instrument fail to meet their contractual obligations, and if arises principally from the Group's receivables from customers and investments in debt securities.

The Group has established its own limits on concentration of investments by single issuers and certain asset classes and also limits investments in illiquid instruments.

No investment has been made in term deposits other than in Licensed Commercial Banks and Licensed Specialized Banks.

Investment grade credit rating for both the entity and the instrument by a recognized credit rating agency is expected for all investments in corporate debentures and commercial papers.

No debt investment has been made in any of the related companies.

A comprehensive credit analysis is carried out internally prior to making any investment in a debt security.

Notes to the Financial Statements Contd.

The Maximum Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was as follows;

As at 31 December	Note	Group		Company	
		2020 Rs. '000	2019 Rs. '000	2020 Rs. '000	2019 Rs. '000
Held To Maturity (HTM)	5	51,885,786	53,113,519	51,885,786	53,113,519
Loans and Receivable (LGR)	5	33,567,839	16,372,466	33,567,839	16,372,466
Available For Sale (AFS)	5	34,602,687	34,137,157	34,602,687	34,137,157
Loans to policyholders	12	1,734,723	1,803,439	1,734,723	1,803,439
Reinsurance receivable	13	2,180,977	1,679,053	2,180,977	1,679,053
Premium receivable	14	6,733,833	4,034,109	6,733,833	4,034,109
Other assets	16	6,682,254	6,195,648	6,682,254	6,195,648
Cash and cash equivalents	18	31,546,403	22,969,711	16,149,956	3,244,666
		168,934,502	140,305,102	153,538,055	120,580,057

Government Securities

Government securities consist of investments in treasury bills, treasury bonds, B615 development bonds and reverse repurchase agreements which are referred to as risk free instruments by nature.

Corporate Debt Securities

The corporate debt securities consist of corporate debentures which are listed in the Colombo Stock Exchange and are guaranteed by local and foreign credit rating agencies. An analysis of credit ratings of the issuers of debt securities are given in this note.

Loans to policyholders

Credit risk related to the policyholder loans is the financial losses which could arise due to non - settlement of loans by policyholders.

The Group has issued loans to policyholders considering the surrender value of the policy as collateral. As at the reporting date, the carrying value of the policy loans granted amounted to Rs.1,591 mn (2019 -1,673 mn) and the related surrender value is Rs.2,801 mn (2019 - 2,850mn).

Reinsurance receivable

This is the risk of reinsurers failing to fulfil their financial obligations towards the Group.

Management assesses the creditworthiness of reinsurers on a regular basis and ascertains the suitable allowance for impairment of reinsurance assets.

The Board of Directors has assessed the potential impairment loss of reinsurance receivables of the financial statements as at the reporting date in respect to the reinsurance receivable.

Premium receivable

This consists of premium receivables from policyholders and intermediaries that create the risk of financial losses due to non settlement of dues or taking substantial time to settle dues.

In life insurance, credit risk is minimal since premium is collected before the policy is issued. In General Insurance Business, the premium warranty clause which states that a claim is not payable if the premium is not settled within 60 days, has reduced the credit risk to a greater extent.

The Board of Directors has assessed the potential impairment loss on premium receivables as at the reporting date and adequate provisions have been made in the financial statements.

Other Receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables.

Cash and cash equivalents

This consists of short term investments, cash at bank and cash in hand as at reporting date. Short term deposits include fixed deposits and call deposits placed in both banks and financial institutions. Further, the cash at bank mainly consists of favourable balances in saving and current accounts of private and government commercial banks.

The Group has selected its bankers by considering the credit ratings of the rating agencies and the efficiency of transaction processing by them. The Group held cash and cash equivalents of Rs.31,545 mn as at 31st December 2020 (Rs.22,970 mn as at 31st December 2019) which represent its maximum credit exposure on these assets.

Credit Risk Exposure - Life Insurance Business

As at 31 December	2020 Rs. '000	% of Allocation	2019 Rs. '000	% of Allocation
Financial Investments				
Debt Securities - Loans & Receivables	29,178,899	49%	25,757,932	47%
Debt Securities - Available For Sale	30,096,138	51%	29,397,116	53%
	59,275,036	100%	55,155,048	100%

Credit Risk Exposure - General Insurance Business

As at 31 December	2020 Rs. '000	% of Allocation	2019 Rs. '000	% of Allocation
Financial Investments				
Debt Securities - Loans & Receivables	7,217,928	47%	6,929,698	70%
Debt Securities - Available For Sale	8,083,372	53%	2,963,505	30%
	15,301,299	100%	9,893,203	100%

Notes to the Financial Statements Contd.

44.3 Credit Risk (Continued)

Debt Securities Allocation according to Credit Ratings

Life Insurance Business

As at 31 December Rating	2020		2019	
	Rs. million	% of Total	Rs. million	% of Total
AAA	3,825	10%	8,308	16%
AA+	2,058	5%	4,664	9%
AA	83	0%	114	0%
AA-	10,693	27%	12,648	25%
A+	8,291	21%	8,583	17%
A	5,855	15%	6,708	13%
A-	4,499	12%	5,935	12%
BBB+	1,986	5%	1,917	4%
BBB	152	0%	152	0%
BBB-	-	0%	-	0%
BB+	-	0%	-	0%
BB-	-	0%	117	0%
Unrated	1,515	4%	1,288	3%
Total	38,958	100%	50,434	100%

*Credit Risk on Fixed Deposits is based on Credit risk of the Bank.

General Insurance Business

As at 31 December Rating	2020		2019	
	Rs. million	% of Total	Rs. million	% of Total
AAA	4,207	49%	2,059	23%
AA+	52	1%	2,542	29%
AA	22	0%	21	0%
AA-	1,758	21%	1,762	20%
A+	599	7%	565	6%
A	7	0%	7	0%
A-	1,725	20%	1,775	20%
BBB+	134	2%	129	1%
BBB-	-	0%	-	0%
Total	8,505	100%	8,860	100%

*Credit Risk on Fixed Deposits is based on Credit risk of the Bank.

44.4 Liquidity Risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

Maturity Analysis

The table below summaries the maturity profiles of non derivative financial assets and financial liabilities based on the remaining undiscounted contractual obligations, including interest payable and receivable.

As at 31 December 2020 Company	Carrying Value Rs. '000	No fixed tenure Rs. '000	Up to 1 Year Rs. '000	1 to 2 Years Rs. '000	2 to 5 Years Rs. '000	5 to 10 Years Rs. '000	Over 10 Years Rs. '000	Total Rs. '000
Financial Assets								
Held-To-Maturity (HTM)	51,885,786	-	3,651,700	1,150,000	10,270,000	16,457,717	17,500,000	49,029,417
Loans and Receivables (LGR)	47,654,430	-	11,227,033	7,773,255	23,612,575	3,000,000	-	45,612,863
Available-For-Sale (AFS)	55,420,438	20,817,752	2,944,969	2,529,000	14,215,652	11,234,630	-	51,742,003
Fair Value Through Profit or Loss (FVTPL)	15,346,680	15,346,680	-	-	-	-	-	15,346,680
Loans to policyholders	1,734,722	-	1,734,722	-	-	-	-	1,734,722
Reinsurance receivable	2,180,978	-	1,896,152	168,993	55,037	60,009	787	2,180,978
Premium receivable	6,733,832	-	6,733,832	-	-	-	-	6,733,832
Other assets	3,801,275	-	3,801,275	-	-	-	-	3,801,275
Cash and cash equivalents	16,149,955	-	16,149,955	-	-	-	-	16,149,955
	200,908,097	36,164,432	48,139,639	11,621,248	48,153,264	30,752,356	17,500,787	192,331,726
Financial Liabilities								
Reinsurance payable	1,675,280	-	1,486,078	139,055	32,497	8,868	8,782	1,675,280
Current tax liabilities	2,033,052	-	2,033,052	-	-	-	-	2,033,052
Other liabilities	6,075,756	-	6,075,756	-	-	-	-	6,075,756
Financial liabilities	453,997	-	453,997	-	-	-	-	453,997
	10,238,085	-	10,048,883	139,055	32,497	8,868	8,782	10,238,085

Notes to the Financial Statements Contd.

44.4 Liquidity Risk (Continued)**Maturity Analysis (Continued)**

As at 31 December 2019 Company	Carrying Value Rs. '000	No fixed tenure Rs. '000	Up to 1 Year Rs. '000	1 to 2 Years Rs. '000	2 to 5 Years Rs. '000	5 to 10 Years Rs. '000	Over 10 Years Rs. '000	Total Rs. '000
Financial Investments								
Held-To-Maturity (HTM)	53,113,519	-	950,000	3,600,000	7,600,000	14,307,717	22,400,000	48,857,717
Loans and Receivables								
(L&R)	46,019,481	-	22,826,127	5,341,401	13,417,924	-	-	41,585,452
Available-For-Sale (AFS)	59,956,406	25,819,249	3,854,458	3,246,669	14,944,652	12,284,630	-	60,149,658
Fair Value Through Profit or Loss (FVTPL)	5,643,021	5,643,025	-	-	-	-	-	5,643,021
Loans to policyholders	1,803,439	-	1,803,439	-	-	-	-	1,803,439
Reinsurance receivable	1,679,053	-	1,559,909	67,847	46,920	4,347	31	1,679,053
Premium receivable	4,034,110	-	4,034,110	-	-	-	-	4,034,110
Other assets	3,802,513	-	3,802,513	-	-	-	-	3,802,513
Cash and cash equivalents	3,244,666	-	3,244,666	-	-	-	-	3,244,666
	179,296,208	31,462,274	42,075,222	12,255,917	36,009,496	26,596,694	22,400,031	170,799,629
Liabilities								
Reinsurance payable	1,327,660	-	1,255,403	23,341	35,954	4,181	8,782	1,327,660
Current tax liabilities	916,466	-	916,466	-	-	-	-	916,466
Other liabilities	5,191,049	-	5,191,049	-	-	-	-	5,191,049
Financial liabilities	546,174	-	546,174	-	-	-	-	546,174
	7,981,349	-	7,909,092	23,341	35,954	4,181	8,782	7,981,348

45. COMMITMENTS, CONTINGENCIES AND GUARANTEES**45.1 Commitments**

The Group does not have significant capital commitments as at the reporting date other than that which is described below:

The Lanka Hospitals Corporation PLC

Capital commitments of Lanka Hospitals Corporation PLC in respect of the on going projects but not incurred as at the financial year end amounted to Rs.56 Mn.

Litro Gas Terminal Lanka (Pvt) Ltd

The capital expenditure approved by the Board but not contracted for as at 31st December 2020 is amounted to Rs. 18,374,473 (2019 - Rs. Nil).

Litro Gas Lanka Ltd

The capital expenditure approved by the Board but not contracted for as at 31 December 2020 is amounted to Rs. 361 Mn (2019 - Rs. 1,874 Mn).

Sino Lanka Hotels & Spa (Pvt) Ltd & Helanco Hotels & Spa (Pvt) Ltd

The total establishment cost for the construction of Grand Hyatt Colombo is Rs. 50.7 Bn.

The following commitments for capital expenditure approved by the Directors as at 31st December 2020 have not been provided in the financial statements of Sinolanka Hotels & Spa (Pvt) Ltd and Helanco Hotels & Spa (Pvt) Ltd.

	2020 Rs. '000	2019 Rs. '000
Approximate amount contracted for but not incurred	10,856,270	24,188,051

45.2 Contingent Liabilities & Guarantees

There were no significant Contingent Liabilities & Guarantees for which no provision has been made in the accounts or approved by the Board but not contracted as at the reporting date that would require adjustments to or disclosure in the Financial Statements, other than which is described below.

Sri Lanka Insurance Corporation Ltd.

Value Added Tax and Nation Building Tax Assessments issued by the Commissioner General of Inland Revenue

The Inland Revenue Department has taken a view that Reinsurance claims received from foreign re-insurer for the General insurance is liable for the Value Added Tax. Accordingly Company received a Value Added Tax (VAT) Assessment on the Reinsurance Claims outstanding to Rs. 318,099,913/- and Rs.26,903,739 years of assessments 2004/2005 and 2005/2006, respectively.

This is a common assessment issued by the department of Inland Revenue to most insurance companies in the General Insurance business. However as a General Insurance Industry view of that, they are not liable for the VAT on Reinsurance Claim.

The Company has filed valid appeals against these assessments with the consultation of tax consultants. The Board of Review by letter dated 21st July 2010 determined that the assessments are valid. The Company is making an appeal to the Court of Appeal contesting the determination made by the Board of Review. The Company has provided the Liability of Rs. 345Mn pending the decision of the Court of Appeal.

The Company has received an official communication from Inland Revenue Department stating that the Company is liable for Value Added Tax and Nation Building Tax on the Financial Service based on the section 25C of the VAT Act, No 14 of 2002 . Accordingly Company received assessment on the VAT on Financial Service and NBT on the Financial Service for the period ending 31st December 2010,2011,2012,2013,2014,2015,2016 and 2017 amounting to Rs2,364 million, Rs.374 million, Rs.192 million, Rs. 232 million, Rs. 208 million, Rs. 247 million, Rs. 834 million and Rs. 464 million respectively

The Company has duly appealed against these assessments with the consultation of Company tax consultants. The Tax Appeal Commission has determined that the assessment issued for VAT on Financial Services for the period 2010, 2011 and 2012 are valid from their letter dated 01st July 2019, and 26th June 2019 and 27th August 2020 respectively. Company has appeal against the said decisions in the Court of Appeal and further Company has Applied for a Writ order to cease the decision of Tax Appeal Commission to encashment of Bank guarantee in the Court of Appeal. Decisions of the said Writ applications are also pending. States of each Case and assessments are as follows.

Notes to the Financial Statements Contd.

Year of Assessment	Status of Assessment	Nature of Contingent Liability	Measurement of contingent impact to the company
2010/2011	Pending decision from Court of Appeal	VAT on financial Services	An additional Tax Liability of Rs 2,364 Mn
2011/2012	Pending decision from Court of Appeal	VAT on financial Services	An additional Tax Liability of Rs 374 Mn
2012/2013	Pending decision from Court of Appeal	VAT on financial Services	An additional Tax Liability of Rs.192Mn
2013/2014	Pending decision from Tax Appeal Commission	VAT on financial Services	An additional Tax Liability of Rs.232Mn
2014/2015	Pending decision from Tax Appeal Commission	VAT on financial Services	An additional Tax Liability of Rs.208Mn
2015/2016	Pending decision from Tax Appeal Commission	VAT and NBT on financial Services	An additional Tax Liability of Rs 247 Mn
2016/2017	Pending decision from Tax Appeal Commission	VAT and NBT on financial Services	An additional Tax Liability of Rs 834 Mn
2017/2018	Pending decision from Commissioner General	VAT and NBT on financial Services	An additional Tax Liability of Rs 464 Mn

However the Insurance Companies in the industry and the company's Tax Consultants are of the view that the Insurance companies are not liable for VAT and NBT on Financial Services since the Company do not engage in the business of Financial Services. Hence no additional provision has been made in the financial statements.

Income Tax

The Company received Income Tax Assessment for the year of assessment from 2011/2012 to 2017/2018 with respect to taxation of Life Insurance and assessment amounts of the said periods are shown in the table below. This assessment was issued by the Inland Revenue Department in contrary to the Section 92 of Inland Revenue Act, No 10 of 2016. Further this is a common Income Tax assessment that has been issued by the Inland Revenue Department for the Life Insurance companies in the insurance Industry. The view of the industry, Company and the company's tax consultants are those assessment will not materialize. Therefore, no additional provision has been made in the financial statements.

The Company has duly appealed against these assessments with the consultation of Company tax consultants and Tax Appeal Commission has determined that the assessment issued for Income Tax for the period 2012/2013 is valid from their letter dated 18th August 2020. Company has appeal against the said decision in the Court of Appeal and further Company has Applied for a Writ order to cease the decision of Tax Appeal Commission to encashment of Bank guarantee in the Court of Appeal. Decisions of the said Writ application is also pending and the status of each assessment are provided in table below.

Year of Assessment	Status of Assessment	Nature of Contingent Liability	Measurement of contingent impact to the company
2011/2012	Pending decision from Tax Appeal Commission	Income Tax	An additional Tax Liability of Rs 524 Mn
2012/2013	Pending decision from Court of Appeal	Income Tax	An additional Tax Liability of Rs 296 Mn
2013/2014	Pending decision from Tax Appeal Commission	Income Tax	An additional Tax Liability of Rs 768 Mn
2014/2015	Pending decision from Tax Appeal Commission	Income Tax	An additional Tax Liability of Rs 1,149 Mn
2015/2016	Pending decision from Tax Appeal Commission	Income Tax	An additional Tax Liability of Rs 1,374 Mn
2016/2017	Pending decision from Tax Appeal Commission	Income Tax	An additional Tax Liability of Rs 1,823 Mn
2017/2018	Pending decision from Commissioner General	Income Tax	An additional Tax Liability of Rs 2,170 Mn

45.2 Contingent Liabilities & Guarantees

The Lanka Hospitals Corporation PLC

Pending litigations against The Lanka Hospitals Corporation PLC with a maximum liability of Rs. 96 Mn exist as at the reporting date. Based on the information currently available, the Company has been advised by its legal council that it is not probable the ultimate resolution of such legal procedures would most likely have a material adverse effect on the result of the operations, financial position or liquidity of the company. Accordingly, no provision for any liability has been made in these financial statements in this respect.

There were no material contingent liabilities as at the reporting date which require adjustments to or disclosure in the financial statements, other than mentioned above.

Canwill Holdings (Pvt) Ltd

There were no significant contingent liabilities other than what is disclosed below, which require adjustments to or disclosure in the financial statements.

Mr. D R P Abeyasinghe, who was the Managing Director of Canwill Holdings (Pvt) Ltd, ceased to hold this post on 23rd July 2019 as per the decision of the Board of Directors subject to the concurrence given by the Ministry of Finance. Further, he was also removed from the office of Director of Canwill Holdings (Pvt) Ltd in accordance with section 206 of the companies Act No. 7 of 2007, read with Article 25 (4) of the Articles of association of the Company at the Extra ordinary General Meeting held on 06th August 2019.

Accordingly, Mr. Abeyasinghe has filed a case at the Labour Tribunal (case No LT2/907/2019) against the Company on the grounds that his termination was unlawful. Furthermore, other complaints have also been made to the Department of Labour and to the Employees Trust Fund Board. The aforesaid case No LT2/907/2019 had the verdict in favor of the applicant as per the decision of the Hon. President of the Labour Tribunal dated 20th January 2021 and the Company was ordered to deposit Rs. 1,600,000/- by the Assistant Commissioner of Labor, Colombo East enabling the aforesaid applicant to be compensated. Subsequently, having legal counsel with regard to the case, the management appealed to the Provincial High Court of the Western Province, Colombo dated 19th February 2021.

Sinolanka Hotels & Spa (Pvt) Ltd

After a tender exercise and a period of negotiations, Interna Contract Spa (now herein referred to as Interna) was awarded by Sinolanka Hotels & Spa (Pvt) Ltd (now herein referred to as Sinolanka) the contract to provide Interior Fit Out and Furnishing Works for the Grand Hyatt Colombo Project. Subsequently, Sinolanka has terminated the contract of Interna on several grounds. Accordingly, Interna referred the disputes with Sinolanka to the International Chamber of Commerce ("ICC") for arbitration.

Sinolanka applied to the Singapore High Court under section 10 of the International Arbitration Act for a ruling on the jurisdiction of an arbitral tribunal, and alternatively under Article 34 of the UNCITRAL Model Law for an order setting aside the final award on the basis that it lacked jurisdiction to hear the dispute. The High Court dismissed the application made by Sinolanka. Subsequently, Interna has filed a case before the Commercial High Court of Sri Lanka to enforce the arbitration award made in Singapore. The Commercial High Court judgment was in favor of Interna.

However, Sinolanka has applied for leave to appeal at the Supreme Court of Sri Lanka on 18th February 2020 against the judgment of the High Court of Sri Lanka and the case is ongoing as at the reporting date. Provision of Rs. 1,848,102,857/- has been recognized in the financial year end 31st December 2019 and no expenditure has been recognized in the financial year end 31st December 2020 since the matter has been open up to negotiate for an amicable settlement which is in favor to the Company as at the reporting date.

Notes to the Financial Statements Contd.

The Greenery Company (Pvt) Ltd, who was the Landscape (Softscape) works and maintenance contractor of the Grand Hyatt Project has breached their contractual obligations in execution of the said contract. Accordingly, SHSL intended to demand for the full value of the performance bond Rs. 3,629,274/74 that they have submitted. However, The Greenery Company (Pvt) Ltd has instituted a case to obtain an Enjoining Order and Interim Injunction against SHSL to prevent encashing the Performance Bond. Initially the court had granted the enjoining order prayed by the Greenery Company (Pvt) Ltd. The Learned Counsel for Defendant raised objection to the said enjoining order since the validity of the said bond was about to expire on 19.07.2019. Hence, the Greenery Company agreed to extend the period by executing a similar Performance Bond for a period of 3 months from 22.07.2019. After tendering written submissions by both parties, the Court made an order refusing the interim injunction prayed by the Greenery Company (Pvt) Ltd and this case has been fixed for trial which is ongoing as at the reporting date.

46. Events after the Reporting Date

There were no significant events after the reporting date other than what is disclosed below, which require adjustments to or disclosure in the Financial Statements.

46.1 Sri Lanka Insurance Corporation Ltd.

Proposed changes to income tax from government tax proposals

As per the Notice (PN/IT/2020-03) to tax payers and withholding agents on "Implementation of Proposed Changes to the Inland Revenue Act No. 24 of 2017" dated February 18, 2020 (revised on April 08, 2020) issued by the Department of Inland Revenue, Income Tax rate of Corporates has been revised to 24% from 28% subject to pending formal amendments to be made to the Inland Revenue Act and to be implemented with effect from 01st January 2020.

However, the proposed amendments have not been gazetted by the Government as at 31 December 2020. A guideline has been published by the CA Sri Lanka on 23rd April 2021 with regards to the application of tax rate in measurement of current and deferred tax, based on that, Current tax and Deferred tax shall be measured based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, 'Substantively enacted' means the Bill introducing the change being taken up at the Parliament for the First Reading. The Bill was placed on the Order Paper of the Parliament for the First Reading on 26th March 2021. Accordingly, Financial Statements having a period end after 26th March 2021, should use such proposed tax rules and rates.

Accordingly Proposed Changes to the Inland Revenue Act No. 24 of 2017 dated February 18, 2020 have not been incorporated into the financial statement for the year ended 31 December 2020 and applied tax rate is 28% (2019 – 28%)

Quantification to the above proposed tax change would have been reduction of current and deferred tax amount in to Rs. 303.5 Million for the year ended 31 December 2020 if it had been adjusted.

Amendment to the Inland Revenue Act has been gazetted on 13th May 2021 which was subsequently to the Reporting Date.

46.2 COVID-19 IMPACT TO THE COMPANY'S FINANCIAL POSITION AND PERFORMANCE

Impact of COVID-19 on investments

COVID-19, led to unprecedented volatility and risks in financial markets during 2020. Central banks across the world including the Central Bank of Sri Lanka and the Federal Reserve introduced aggressive stimulus packages to keep their respective economies afloat.

The steep drop in equity markets pre-covid provided opportunities for value investors to collect shares at multi year low prices. Low interest rates, import restrictions, surplus liquidity in the market and stagnant fixed income markets also enticed even new investors to invest aggressively in equity markets.

The Sri Lankan equity market remained resilient to the strong headwinds that were posed by the COVID-19 pandemic. Timely intervention prevented the economy from entering into a tail spin. Steep cuts in benchmark interest rates & Statutory Reserve requirements of banks, money printing, import controls and restrictions on declaring dividends debt moratoriums are some of the prudent measures introduced in order to prevent the economy from de-railing. Furthermore, these measures are expected to lead to an economic recovery in the country once COVID fears ease off.

Downgrades to the sovereign rating of the country also posted significant challenges during 2020, as many foreign investors had to exit their investments in both fixed income and equity markets. This fire sales of shares however gave local investors and institutional investors plenty of opportunities to collect shares at low multiples.

Sri Lankan equity markets experienced a steep V shaped recovery during 2020, as both indices were seen striking record highs particularly during the latter half of the year and during early January 2021. Although low interest rates had a negative impact on reinvestment rates, as reinvesting cash flows had to be done at significantly lower interest rates. Nevertheless, active trading and swift & timely decision making yielded opportunities to capitalize on the equity bull run during 2020. Locking in attractive returns that were on offer on corporate debt and other fixed income instruments also helped secure attractive returns for Life and General Funds.

We continue to remain upbeat on equity markets during 2021, as interest rates remain low and corporate earnings of some of the leading counters continue to outperform analyst expectations, providing opportunities to cushion the impact of low reinvestment returns.

Effect of the COVID 19 Pandemic -2020

Month of March, April and October 2020 effected from the COVID 19 pandemic on both Life and General Business.

Month	Category	GWP ACH %
March 2020	Life	52%
April 2020	Life	62%
October 2020	Life	147%
March 2020	General	57%
April 2020	General	89%
October 2020	General	79%

Accordingly, there was a considerable impact on Life Business as Average Life Active Man Power reduced to 550 from 1,600.

Corrective measures taken to minimize the impact

- ◆ Continuous monitoring and review of 140 Branches and 21 Regions through monthly/ weekly /daily reviews.
- ◆ Dedicated person was allocated to increase the Agents recruitments at Branch Network and special attention was given on new Agents recruitment and Active Man Power of Personal Lines.
- ◆ Focus on Life Group Business of Head Office Channels as it shows a massive growth in the market due to loan releasing with low interest percentage.

Notes to the Financial Statements Contd.

End Result

- ◆ Month of May onwards again we were able to turn the business both life and general and by end of December Life GWP achievement is over 115% with 30% growth and General Achievement is 95% with 7% growth.

Month	Category	GWP ACH %	GROWTH
December 2020	Life	115%	30%
December 2020	General	95%	7%

Risk Management Perspective of COVID-19

Insurance is a highly complicated business which encompasses many processes including issuing new policies, administering the existing policies, renewing existing policies, processing claims, pricing of products, dealing with intermediaries like agents and reinsurance etc. Therefore, prevalent COVID pandemic situation has been posing many challenges for insurers to maintain their normalcy due to sever disruptions.

Business Continuity Steering Committee (BCSC) consisting of the senior management and headed by the Chief Executive Officer ensures the business continuity, thereby protecting the business while safeguarding the employees and the stakeholders and navigates through this crisis. BCSC has identified appropriate workplace measures to adopt so that both arrangements, i.e. working from home and physically reporting to work, while adhering to COVID guidelines have been adopted. Each department has identified their own business continuity arrangements and ultimately organizational wide holistic approach has been adopted. We have identified alternative locations for the major operations to continue in the event of a total closure of such divisions.

SLIC adheres to all the Government COVID 19 prevention guidelines to mitigate the risk and continuously being monitored. We are striving to adhere with the guidelines given by the Insurance Regulatory Commission of Sri Lanka (IRCSL) on fair treatment of customers and handling customer complaints efficiently. Board appointed Risk Management Sub-Committee meets quarterly and the identified risks are being attended in various facets like strategic risk, operational risk and regulatory risk etc.

COVID risk framework encompasses all island branch network and the Risk Department has conducted a risk assessment of the branches along with the head office and relevant corrective and preventive actions have been taken to mitigate the COVID risk. In addition, SLIC has established a COVID-19 Task force with the consultation of outside experts and prompt decisions are being taken timely to mitigate the COVID-19 risk. The COVID Task Force is in constant dialogue with the MOH and area PHI and we always work on their guidance. Random PCRs have also been conducted as part of the COVID risk framework. All positive cases are duly reported to MOH immediately and upon the recognition of the second and third level contacts we are directing them for quarantine as per the Government regulations.

Impact on Risk Based Capital and Solvency

In the interests of all our stakeholders, we are in the view that SLIC's business activities can be maintained without any major hindrance throughout the island. Although the exact implications due to COVID-19 pandemic cannot yet be predicted, there is no doubt about the stability of SLIC and its financial strength. This is clearly demonstrated by SLIC having maintained its RBC solvency ratio at end of March 2021 in commendable manner. It is 430% in life insurance business and 223% in general insurance. However recent increase of COVID-19 cases in Sri Lanka may have a short term impact on solvency but since the Company is maintaining a solvency rate significantly higher than minimum required by IRCSL (120%), SLIC is confident that it can maintain the solvency well above the minimum required by the regulation despite the pandemic.

Impact on mortality and morbidity related assumptions

It is noted that recent COVID-19 wave has increased the number of corona virus infected patients in Sri Lanka significantly, the Company may experience a short term deterioration of its mortality and morbidity experience. But the government initiative to COVID-19 vaccination programme will reduce the volume significantly in near future and therefore there is no necessity to concern about the mortality and morbidity related assumptions that we have set as part of the liability computation. It is well noted that SLIC is methodically following a more prudence basis in providing liability for life policyholder benefits for the SLFRS purpose. Liabilities are set with prudence margin on the best estimate assumptions having allowed margin for adverse deviation. Since the impact from corona virus on the mortality and morbidity may deteriorate the experience only for a short time period, there are no concerns about the assumptions already set hence the adequacy of the liabilities.

Impact on Ratings

Rating agencies all over the world downgraded world economies and financial sector outlook including insurance. Accordingly, Fitch ratings downgraded Sri Lanka's sovereign rating to 'CCC' from 'B-'. Simultaneously Fitch ratings downgraded SLIC's Insurer Financial Strength (IFS) Rating to 'CCC+' from 'B' in December 2020, which is SLIC's international rating (SLIC is placed one notch above the country's sovereign rating). This is expected given that SLIC's exposure to sovereign because most of the SLIC asset portfolio is consists of Government Securities. Accordingly, Fitch ratings has recalibrated the National Insurer Financial Strength rating to 'AA(Ika)' from 'AAA(Ika)' in February 2021 with Stable outlook. SLIC remains the highest rated insurance Company in Sri Lanka, by Fitch Ratings, despite this recalibration.

Impact to the Group companies.

Litro Gas Lanka Ltd

Litro Gas is the largest importer and supplier of LP Gas in Sri Lanka. As the energy partner of domestic cooking of Sri Lankans, LPG has become an essential product of the majority of the Sri Lankan's lifestyle.

For the first quarter of 2020, LPG sales volume has reported a 2.3% growth (86,801 metric ton in 2020 and 84,822 metric tons in 2019) against the last year and 4.9% growth against the first quarter budget of 2020 (82,564 metric tons).

However cumulative LPG volume of Jan - May 2020 shows a DE growth of 2.6% when compared with the same of 2019 and 3.5% DE growth against the cumulative budget LPG volume of Jan – May 2020.

Main reason has been identified for the drop of LPG demand in bulk and commercial segments by 50% during the months of April & May 2020 due to the closure of hotels, takeaways and factories.

Meanwhile there is a 2.4% cumulative LPG volume growth in the domestic segment for Jan - May 2020 when compared with the same of 2019. Litro Gas is optimistic that towards the end of the year the Company will be able recover from the LPG Volume DE growth level if the process of normalization from COVID-19 improves and hotels and factories reopen soon.

Notes to the Financial Statements Contd.

Litro Gas Terminal Lanka (Pvt) Ltd

The COVID 19 outbreak is likely to affect every sector business sales and investment through most of 2020. Same as Litro Gas Terminal Lanka (Pvt) Ltd is also experiencing some bad signs of the pandemic by limiting to low growth, though it provides direct support service to an essential product and as a devoted storage provider to the Litro Gas Lanka Ltd.

In the first quarter of 2020, throughput volume has recorded a 4.8% growth against the last year and 5.5% growth against the first quarter budget of 2020. However cumulative throughout volume of Jan - May 2020 shows a DE growth of 1.09% when compared with the same period of 2019 and 5.81% DE growth against the cumulative budgeted volume of Jan-May 2020 due to the excessive volume drop-in the month of April and May.

The Litro Gas Terminal Lanka (Pvt) Ltd is keeping faith that towards the end of the year the Company will be able to regain the envisage throughout Volume with normalization of country and its economy.

Canowin Hotels and Spas (Pvt) Ltd.

The pandemic has impacted directly on sanitary service income in March, April & May 2020. For the first quarter of 2020, companys' total Income shows a growth of 14% against last year actuals. However, first quarter total income was decreased by 3% according to the expected budget 2020. This reduction was mainly due to reduced number of passengers for sanitary services.

Further Total expenditure for the first quarter was increased due to unexpected expenditure of Rs.1, 091,220.00 to purchase sanitary items. It was not budgeted for the year 2020.

Canwill Holdings (Pvt) Ltd.

The Canwill Holidngs (Pvt) Ltd is engaging in operations while complying with the public health related regulations imposed by the relevant authorities with regard to the COVID 19 outbreak. Accordingly, in the current situation, COVID-19-related implications would not result in adjustments to the financial statements for the year end 31st December 2020 and the said crisis will not cause significant changes to assets or liabilities and will not, or may not, have a significant effect on its future operations.

*The Lanka Hospitals Corporation PLC***The Impact of COVID19 pandemic on the business operations**

The COVID-19 pandemic presented challenges from several fronts to hospital operations. Inpatients and outpatient numbers decreased significantly as potential patients postponed elective surgeries, fear of possible infection prevented hospital visits and travel restrictions effectively brought medical tourism to a stop.

Expansion of COVID-19 PCR testing in the 2nd quarter to the private healthcare sector resulted in increased revenues that made up for the subdued performance during the early part of the year as collection centres were affected due to lockdowns and travel restrictions.

Supply shortages of a few key fast-moving products and changes in buying patterns of consumers and patients both during the lockdown periods and after, affected the performance of the pharmacy operations.

Hospital's response to the impact of the COVID 19 pandemic:

We look forward to a year of recovery from the effects wrought upon the Hospital by the COVID-19 pandemic. In January 2021 we set up two intermediate care centres for COVID-19 positive patients in partnership with star class hotels, Best Western and Pearl Grand Hotels, and have treated 1,101 patients in the months of January to March. With the COVID-19 vaccination programme carried out in the Western Province from February 2021 onwards, footfall to the Hospital was seen to increase, a positive development with respect to patient numbers. We are also in communication with the Tourist Board to facilitate medical tourism in a safe environment. In line with our strategic priorities of offering services with quality, excellence and value the Hospital will continue investing in expanding/updating its infrastructure and investing in medical equipment/systems with the latest technology.

We expect the demand for laboratory services to pick up in the ensuing months as travel restrictions ease and fear of COVID-19 infection among the general population becomes less with the COVID-19 vaccination drive. Expansion of regional laboratories that will reduce dependency on the main laboratory in Colombo will be a priority in the wake of COVID-19, as travel restrictions hampered collection centre operations.

We are confident of performance growth in 2021 as we re-align our strategies to focus on changes brought by the COVID-19 pandemic and plan on opening several new outlets within the Keells supermarket chain & corporate locations in the coming year.

Sinolanka Hotels & Spa (Pvt) Ltd

The construction activities of the Grand Hyatt Colombo project was recommenced during the financial year while complying with the public health related regulations imposed by the relevant authorities with regard to the COVID 19 outbreak. Accordingly, in the current situation, COVID-19-related implications would not result in adjustments to the financial statements for the year end 31st December 2020 and the said crisis will not cause significant changes to assets or liabilities and will not, or may not, have a significant effect on its future operations.

46.3 Funding Arrangement in Canwill Holdings (Pvt) Ltd

As per the Cabinet Memorandum dated on 1st July 2020 bearing reference no: MFE/ERD/38/CM/2020/140, Sri Lanka Insurance Corporation Limited is required to make a funding arrangement of Rs.6Bn on Grand Hyatt project of Canwill Holdings (Pvt) Ltd. Accordingly, SLIC has released Rs.2Bn on 12th May 2021 and the balance amount of Rs.4Bn will be invested in future

47. RECLASSIFICATION OF COMPARATIVE FIGURES FOR INCOME STATEMENT, PROFIT AND OTHER COMPREHENSIVE INCOME AND THE STATEMENTS OF EQUITY CHANGES FOR THE YEAR

Certain comparative figures have been restated to confirm to the classifications and presentations as at 31st December 2020

The Lanka Hospitals Corporation PLC

For the better presentation, the management has decided to reclassify the Technichian staff cost under administrative expenses which was previously classified in cost of services . The amounts reclassified for 2019 Rs.127,411,119

Notes to the Financial Statements Contd.

48. THE SEGREGATION OF THE LIFE AND GENERAL INSURANCE BUSINESS

As stipulated in the Amendment to the Insurance Act, No. 03 of 2011, composite insurance companies are required to segregate the long-term insurance business and the general insurance business carried on by it, into two separately established companies and the said compliance was to be effective by 11.02.2015. The Company is currently discussing with the relevant ministries to agree a methodology to satisfy the legal framework. Since the Company has not been able to segregate the composite business due to the aforementioned facts, the disclosure requirements of the "Guidelines on the presentation and disclosure of the long-term and general business under Section 53 of the Regulation of Insurance Industry (Amendment) Act No. 3 of 2011 issued by the Institute of Chartered Accountants of Sri Lanka" are not applicable.

49. USE OF TERMINAL FACILITY*Litro Gas Lanka Ltd*

The Company obtains bulk storage facilities for LPG from Litro Gas Terminal Lanka (Pvt) Ltd. In obtaining this services, the Company uses the latter's own storage tanks, pipelines and pumping stations and pays a 'throughput fee' to Litro Gas Terminal Lanka (Pvt) Ltd for the facilities obtained. This throughput arrangement contains a lease arrangement identified under IFRIC 4 and, thus, constitutes a finance lease arrangement as per the terms of the contract. However, in view of the storage facility of the terminal being available for other importers as well and as it is the management's intention to enter into contracts with other importers to store the LPG, the said storage facilities have not been recognised in the books of account of the company. However, during the year under review Litro Gas Terminal Lanka (Pvt) Ltd had not entered into any agreement to lease out the facilities in absence of any favourable proposal from prospective importers.

Litro Gas Terminal Lanka (Pvt) Ltd

The Company provides bulk storage facilities for LPG and distribution of the same to Litro Gas Lanka Ltd. In performing this function, the Company uses its own storage tanks, pipelines and pumping stations and receives a 'throughput fee' from Litro Gas Lanka Ltd for the facilities provided. This throughput arrangement contains a lease arrangement identified under IFRIC 4 and, constitutes a finance lease arrangement as per the terms of the contract. However, in view of the storage facility of the terminal being available for other importers as well and as the management's intention is to enter into contracts with other importers to store LPG, the said storage facilities have not been derecognised in the books of account of the company. However, during the year under review no agreement was entered into lease out the facilities in the absence of any favourable proposal from prospective importers.

50. GOING CONCERN

The Directors have made an assessment of the Group's ability to continue as a going concern, and being satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, Directors are not aware of any material uncertainties that may cast significant doubt upon the Group's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

Helanco Hotels and Spa (Pvt) Ltd

The Board of Directors of Helanco Hotels & Spa (Pvt) Ltd have resolved to discontinue the project to construct the Hotel in Hambantota in the year 2015. As a consequence, the hotel construction activities of the project has come to an end. Further, the Ministry of Public Enterprise Development has given their instructions to transfer the company's stake in proportion of shareholding in Canwill Holdings (Pvt) Ltd (Parent Company), in accordance with the Cabinet Decision No. 17/1613/733/029 dated 01st August 2017. This programme has not been executed as of reporting date. The Company has not resolved to liquidate the Company in the foreseeable future and the management of the Company seeks necessary directives from the line Ministry on way forward. Therefore, the Financial Statements of Helanco Hotel & Spa (Pvt) Limited continue to be prepared on the Going Concern basis.

Sinolanka Hotel and Spa (Pvt) Ltd

The management of Sinolanka Hotels & Spa (Pvt) Ltd has made an assessment on the Company's ability to continue as a going concern and satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern. In addition, Cabinet of Ministers have granted their approval to recommence the construction activities of the Grand Hyatt Colombo Project at the Cabinet of Ministers meeting dated 08th July 2020. Accordingly, construction works of the project were recommenced during the year 2020 and successfully ongoing as at the reporting date.

Canwill Holdings (Pvt) Ltd

The management of Canwill Holdings (Pvt) Ltd has made an assessment on the Company and its subsidiaries' ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern. Therefore, the Financial Statements continue to be prepared on the going concern basis.

Even though, the external auditors of Canwill Holdings were issued Emphasis of Matter paragraph in their Audit opinion for the Financial year ended 31st December 2020, this will not affect to the going concern of the SLIC since the Company has classified this under investment in unlisted shares and impaired the investment of Canwill Holdings to the Net Book value as at 31st December 2019 in SLIC financial statements.

51. APPOINTMENT OF AUDITOR FOR LITRO GAS LANKA LTD AND LITRO GAS TERMINAL LANKA (PVT) LTD FOR THE YEAR 2020

The Auditor General conducted the audits of Litro Gas Lanka Ltd (LGLL) and Litro Gas Terminal Lanka (Pvt) Ltd (LGTL) for the years 2018 and 2019 in terms of Article 154(1) of the Constitution (as amended by the 19th Amendment) and the provisions in the National Audit Act No. 19 of 2018.

However, at the Annual General Meeting of LGLL and LGTL, held on 07th December 2020 a private Auditor was appointed as the Auditor for LGLL and LGTL for the year 2020 based on a legal opinion obtained from a private legal firm on the basis that Article 154(1) of the Constitution (as amended by 20th Amendment) does not sanction Auditor General to conduct audits of companies registered under the Companies Act No. 7 of 2007 in which a Government owned Company holds fifty per centum or more of the shares of that company. Further, the LGLL and LGTL was of the view that the provisions in Section 55 of the National Audit Act does not grant the power to the Auditor General to carryout audits other than the entities identified therein.

On the request of the Auditor General, the Attorney General by his opinion dated 22nd January 2021 has opined that 20th amendment does not preclude the powers of the Auditor General to conduct audits of Companies in which the Majority shareholder is another Company owned by the Government.

The Auditor General has communicated the Attorney General's view on appointment of auditors to the Chairman of SLIC. In response, the Chairman of SLIC by his letter dated 07th January 2021 has requested the Chairman and the Members of the Board of Directors of LGLL and LGTL to follow the correct procedures in accordance with the law when appointing Auditors of the said Companies.

Again by letter dated 05th February 2021, the Chairman of SLIC has advised the Board of LGLL and LGTL to follow the correct legal procedure set out in the National Audit Act No.19 of 2018 and the Companies Act No. 07 of 2007 when appointing Auditors to their companies.

The Chairman of Litro Gas Lanka Ltd and Litro Gas Terminal Lanka (Pvt) Ltd has by his letter dated 16th February 2021 informed the Chairman of SLIC the law on which they relied when appointing an external Auditor.

Notes to the Financial Statements Contd.

Subsequently, this matter was discussed at the Committee on Public Enterprises (COPE) held on 23rd February 2021 and the COPE Chairman directed the Secretary to the Treasury (Chief Accounting Officer) to obtain an opinion from the Attorney General by referring to the two contrary opinions, one from the Attorney General and the other from the private legal firm. He also directed the Secretary to the Treasury and to inform the relevant parties to adhere to the Attorney General's opinion once it is received.

The audit of the LGLL and LGTLL for the year 2020 was completed by the appointed private Auditor and the consolidated financial statements were prepared by SLIC based on the aforesaid audited financial statements.

In a meantime, LGLL and LGTLL have re-appointed the same private Auditor for the year 2021 since the directions of the Secretary to the Treasury did not arrive until the AGM date 28th April 2021 of LGLL and LGTLL. Hence, SLIC (majority shareholder) casted the vote to re-appoint the same external Auditor of the aforesaid 02 companies.

As per the matters referred to in the letter from Attorney General to the Secretary to the Treasury on the 12th of May 2021 (Ref E /345/2020) copying the Chairman of COPE and Auditor General, LGLL and LGTLL are considered as companies which have benefited from and/or operating with investments made by the Government using public funds as per the provisions of the National Audit Act No 19 of 2018 and the constitution of the Democratic Socialist Republic of Sri Lanka. Further, the Attorney general is of the opinion that the Auditor General is statutorily enabled to conduct audits of LGLL and LGTLL according to stated laws and the powers of COPE as set out by law could be exercised regarding the subsidiary companies.

The Auditor General's letter dated 20th May 2021, informed to the Secretary to the Treasury with copies to Chairman COPE, Board of Directors SLIC and Board of Directors of LGLL and LGTLL will exercise his power to audit of said companies by engaging his own staff .

Based on the above fact, Secretary to the Treasury requested the Chairman and Board of Directors of LGLL and LGTLL by his letter dated 25th May 2021 to extend their fullest corporation to the Officer of the National Audit Office to conduct and conclude the audit of the LGLL and LGTLL at their earliest.

Thereafter, per the Special Board Meeting of SLIC Board of Directors held on 01st June 2021, it was decided to instruct the Board of Directors of LGLL and LGTLL to follow the instructions set out by the Attorney General when appointing their external Auditor.

SUPPLEMENTARY INFORMATION

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- 267 – Notes to the Financial Statements - Life Insurance Fund
- 272 – Ten Year Summary Statement of Profit & Loss-Company
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“Being an entrepreneur is not an easy task. I’m glad that SLIC is in my corner.”



Statement of Financial Position of the Life Insurance

	Notes	2020 Rs.'000	2019 Rs.'000
Assets			
Financial Investments	A	138,614,218	131,116,035
Investments in Subsidiaries	B	1,296,543	1,296,543
Property, Plant and Equipment	E	86,004	88,364
Right of Use Asset		458,820	435,320
Loans to Policyholders	C	1,734,723	1,803,439
Reinsurance Receivable		488,859	280,330
Premium Receivable from Policyholders		531,495	526,576
Other Assets	D	3,877,779	3,710,573
Cash and Cash Equivalents		12,963,071	1,624,328
Total Assets		160,051,512	140,881,508
Equity			
Available-for-Sale Reserve	F	2,884,888	4,860,777
Revenue Reserves	G	12,987,262	11,166,589
Restricted Regulatory Reserves		98,237	98,237
Revaluation Reserve		57,378	57,378
Total Equity Attributable to Equity Holders of The Company		16,027,765	16,182,981
Liabilities			
Insurance Contract Liabilities (Provision) - Life	H	137,129,036	119,167,865
Right of Use Liabilities		510,975	464,996
Reinsurance Creditors		615,341	245,482
Tax Liability		1,113,679	631,798
Provision for Retirement Benefits		1,221,234	870,346
Other Liabilities	I	3,260,971	3,072,010
Financial Liabilities (Bank overdraft)*		172,510	246,030
Total Liabilities		144,023,746	124,698,527
Total Equity and Liabilities		160,051,512	140,881,508

*The above overdraft of the Company mainly includes unrepresented cheques and it is only a book balance.

Notes to the Financial Statements - Life Insurance Fund

A. FINANCIAL INVESTMENTS

As at 31 December	Note	2020		2019	
		Carrying Value Rs. '000	Fair Value Rs. '000	Carrying Value Rs. '000	Fair Value Rs. '000
Held-To-Maturity (HTM)	A.1	51,319,076	60,961,319	51,032,966	53,050,811
Loans & Receivables (L & R)	A.2	32,654,202	32,654,202	29,399,726	29,399,726
Available-For-Sale (AFS)	A.3	43,263,216	43,263,216	45,643,642	45,643,642
Fair Value Through Profit or Loss (FVTPL)	A.4	11,377,724	11,377,724	5,039,700	5,039,700
		138,614,218	148,256,461	131,116,034	133,133,879

A.1 Held-To-Maturity (HTM)

As at 31 December	Note	2020		2019	
		Carrying Value Rs. '000	Fair Value Rs. '000	Carrying Value Rs. '000	Fair Value Rs. '000
Treasury Bonds		51,319,076	60,961,319	51,032,966	53,050,811
		51,319,076	60,961,319	51,032,966	53,050,811

A.2 Loans & Receivables (L & R)

As at 31 December	Note	2020		2019	
		Carrying Value Rs. '000	Fair Value Rs. '000	Carrying Value Rs. '000	Fair Value Rs. '000
Unlisted Debentures		20,215,004	20,215,004	4,588,959	4,588,959
Fixed Deposits		8,963,895	8,963,895	21,168,973	21,168,973
Development Bonds		3,475,304	3,475,304	3,641,794	3,641,794
		32,654,202	32,654,202	29,399,726	29,399,726

Notes to the Financial Statements - Life Insurance Fund Contd.

A.3 Available-For-Sale (AFS)

As at 31 December	2020		2019	
	Carrying Value	Fair Value	Carrying Value	Fair Value
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Listed Stocks	11,186,021	11,186,021	14,198,975	14,198,975
Unit Trusts	856,514	856,514	926,768	926,768
Listed Debentures	29,994,194	29,994,194	29,397,116	29,397,116
Treasury Bonds	1,226,488	1,226,488	1,120,783	1,120,783
	43,263,216	43,263,216	45,643,642	45,643,642

A.4 Fair Value Through Profit or Loss (FVTPL)

As at 31 December	2020		2019	
	Carrying Value	Fair Value	Carrying Value	Fair Value
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Listed Stocks	10,435,667	10,435,667	5,039,700	5,039,700
Unit Trusts	942,057	942,057	-	-
	11,377,724	11,377,724	5,039,700	5,039,700

FVTPL investments and AFS investments are valued at fair value. HTM and LGR Investments are valued at amortised cost.

B. INVESTMENTS IN SUBSIDIARIES

As at 31 December	2020		2019	
	Carrying Value	Fair Value	Carrying Value	Fair Value
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
			1,296,543	1,296,543
	Note	Rs. '000	Rs. '000	Rs. '000
At Cost				
Listed Subsidiaries	B.1	1,296,543	3,162,434	1,296,543
		1,296,543	3,162,434	1,296,543

B.1 Listed Subsidiaries

	2020		2019	
	Number of shares	Carrying Value Rs. '000	Number of shares	Carrying Value Rs. '000
The Lanka Hospitals Corporation PLC	58,781,308	1,296,543	58,781,308	1,296,543
	58,781,308	1,296,543	58,781,308	1,296,543

C. LOANS TO LIFE POLICYHOLDERS

	2020	2019
	Rs. '000	Rs. '000
Policyholder loans	1,734,722	1,803,439
	1,734,722	1,803,439

D. OTHER ASSETS

	2020	2019
	Rs. '000	Rs. '000
Inventories	49,167	39,661
Other Debtors and Receivables	170,662	197,351
Other Loans	2,404,777	2,330,722
Amount Due from General Division	714,188	498,799
Prepaid Benefit on Loans	538,986	644,040
	3,877,779	3,710,573

Notes to the Financial Statements - Life Insurance Fund Contd.

E. PROPERTY, PLANT AND EQUIPMENT

As at 31 December	Land	Building	Total
Freehold	Rs.'000	Rs.'000	Rs.'000
Cost			
Balance as at 01.01.2020	43,530	47,194	90,724
Additions	-	-	-
Revaluation	-	-	-
Accumulated Depreciation Transferred to Revaluation Reserve	-	-	-
Balance as at 31.12.2020	43,530	47,194	90,724
Accumulated Depreciation			
Balance as at 01.01.2020	-	2,360	2,360
Depreciation charge for the period	-	2,360	2,360
Transferred to Revaluation Reserve	-	-	-
Balance as at 31.12.2020	-	4,719	4,719
Carrying Amount			
As at 31st December 2020	43,530	42,474	86,004

F. AVAILABLE FOR SALE RESERVE

Life Policyholders are entitled to Rs. 4,862 Mn and Shareholders are entitled for Rs. 2,885 Mn respectively.

G. REVENUE RESERVE

	2020	2019
	Rs. '000	Rs. '000
General Reserve	42,100	42,100
Reserve on Actuarial Gain/(Loss) on Retirement Benefit	(457,504)	(251,308)
Reserves of Shareholder Assets transfer	-	118,402
Surplus from Life Insurance	G.1 13,402,666	11,257,396
	12,987,262	11,166,590

G.1. Surplus from Life Insurance

	2020	2019
	Rs. '000	Rs. '000
Balance as at 01st January	11,257,397	8,886,022
Surplus attributable to Shareholders from Life Insurance	2,145,269	2,371,374
Balance as at 31st December	13,402,666	11,257,396

H. INSURANCE CONTRACT LIABILITIES - LIFE

	2020	2019
	Rs. '000	Rs. '000
Life Assurance Fund	112,914,376	101,000,840
Movement of the Fund	18,263,974	14,031,218
Current year profit transfer allocated to Shareholders in the fore of AFS	118,402	(118,402)
Reserves of Shareholder Assets transfer	-	372,094
Transfers of Surplus from Long Term Insurance Business	(2,145,269)	(2,371,374)
	129,151,483	112,914,376
AFS Reserves		
AFS Reserves - Life Fund	4,862,059	3,852,520
Policyholder Outstanding claims	3,115,494	2,400,968
	137,129,036	119,167,865

I. OTHER LIABILITIES

	2020	2019
	Rs. '000	Rs. '000
Premium Received in Advance	293,850	460,836
Trade Creditors & Accrued Expenses	2,967,121	2,611,174
	3,260,971	3,072,010

Ten Year Summary Statement of Profit & Loss-Company

	2020 Rs. '000	2019 Rs. '000	2018 Rs. '000	2017 Rs. '000	2016 Rs. '000
Non- Life					
Gross Written Premium	20,163,296	18,974,323	18,532,092	18,920,562	15,720,793
Reinsurance	(3,133,728)	(3,358,526)	(2,989,790)	(4,542,029)	(2,556,737)
Unearned Premium	(1,667,533)	(306,793)	(450,954)	(726,188)	(830,098)
Net Earned Premium	15,362,035	15,309,003	15,091,348	13,652,345	12,333,957
Net Claims Incurred	(7,786,221)	(9,290,432)	(10,028,386)	(9,127,011)	(8,605,127)
Underwriting & Net Acquisition Expenses /					
Commission Expenses	(864,830)	(967,782)	(661,317)	(636,080)	(634,481)
Operating & administration Expenses	(5,047,881)	(4,546,109)	(4,173,489)	(3,502,864)	(3,181,514)
Investment and Other Income	3,159,226	4,483,050	4,168,839	2,189,129	9,322,418
Interest Expense	-	-	-	(3)	(1)
Profit before Taxation	4,822,331	4,987,730	4,396,994	2,575,519	9,235,253
Taxation	(1,179,071)	(330,151)	(840,326)	(391,642)	(308,911)
Profit after Taxation	3,643,260	4,657,579	3,556,668	2,183,878	8,926,342
Long Term					
Gross Written Premium	19,257,997	14,820,025	13,205,802	12,517,120	11,893,640
Net Written Premium	18,844,423	14,463,057	12,913,268	12,285,325	11,679,336
Investment and Other Income	15,321,245	14,425,899	12,278,853	11,272,939	8,772,049
Claims Incurred	(7,986,076)	(7,333,265)	(7,726,263)	(6,899,558)	(5,871,667)
Commission Expenses	(2,131,963)	(2,018,406)	(1,836,556)	(1,688,772)	(1,560,526)
Management Expenses	(4,779,473)	(4,660,164)	(4,721,492)	(3,981,540)	(3,265,086)
Change in contract liabilities - Life fund	(16,118,705)	(11,659,844)	(8,154,201)	(7,673,707)	(5,198,390)
Profit before Taxation	3,149,451	3,217,278	2,753,606	3,314,688	4,555,715
Taxation	(1,004,178)	(845,900)	(1,065,480)	(929,414)	(740,739)
Profit after Taxation	2,145,273	2,371,377	1,688,126	2,385,274	3,814,976
Total Business					
Revenue	52,614,495	48,608,571	44,379,869	39,399,736	42,107,760
Gross Written Premium	39,421,293	33,794,347	31,737,894	31,437,682	27,614,433
Net Earned Premium	34,206,458	29,772,061	28,004,616	25,937,670	24,013,293
Benefits, losses and expenses	(31,891,002)	(31,269,726)	(25,908,850)	(23,700,275)	(19,675,183)
Investment and Other Income	18,408,038	18,836,510	16,375,253	13,462,066	18,094,467
Underwriting & Net Acquisition Expenses /					
Commission Expenses	(2,996,793)	(2,986,189)	(2,497,873)	(2,324,852)	(2,195,008)
Operating & administrative expenses	(9,754,918)	(9,133,838)	(8,822,546)	(7,484,404)	(6,446,601)
Profit before Taxation	7,971,782	8,205,004	7,150,600	5,890,205	13,790,968
Taxation	(2,183,249)	(1,176,052)	(1,905,805)	(1,321,056)	(1,049,650)
Profit after Taxation	5,788,533	7,028,955	5,244,795	4,569,150	12,741,317

	SLFRS /LKAS				
	2015	2014	2013	Restated 2012	Restated 2011
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
	14,049,934	12,544,828	12,953,151	12,803,592	11,477,600
	(2,427,362)	-	(3,129,667)	(2,992,362)	(2,674,304)
	(1,536,333)	(2,724,678)	(318,509)	(324,012)	(974,651)
	10,086,240	9,820,149	9,504,974	9,487,217	7,828,645
	(6,628,963)	(6,205,796)	(4,934,074)	(6,194,011)	(4,970,962)
	(345,480)	(485,323)	(500,629)	(519,906)	(323,990)
	(2,532,021)	(3,492,049)	(2,851,002)	(2,008,724)	(2,129,670)
	2,472,763	2,224,732	2,516,799	2,064,835	(245,498)
	(14)	(51)	(110)	(12)	
	3,052,539	1,861,713	3,736,069	2,829,411	158,513
	(538,488)	(217,101)	(803,033)	(900,971)	(407,432)
	2,514,051	1,644,612	2,933,035	1,928,440	(248,919)
	10,470,079	8,121,159	8,397,718	7,369,032	6,743,073
	10,307,235	7,984,758	8,300,082	7,281,225	6,593,457
	8,290,528	9,272,341	7,658,997	6,811,040	3,236,025
	(6,304,646)	(5,733,524)	(4,870,410)	(4,089,232)	(3,592,818)
	(1,240,955)	(1,127,919)	(1,053,299)	(1,088,644)	(933,627)
	(2,443,684)	(2,507,814)	(2,306,933)	(2,146,961)	(2,129,210)
	(6,840,241)	(5,376,416)	(5,109,549)	(3,733,466)	2,102,772
	1,768,238	2,511,426	2,618,801	3,033,846	5,276,575
	(842,932)	(899,025)	(897,006)	(726,442)	(813,114)
	925,306	6,988,817	6,831,344	6,040,870	2,360,689
	31,156,767	29,301,980	27,890,852	25,644,316	17,207,927
	24,520,012	20,665,987	21,350,869	20,172,624	18,220,673
	20,393,475	17,804,905	17,805,056	16,768,442	14,422,101
	(19,773,850)	(17,315,736)	(14,914,033)	(14,016,713)	(6,461,008)
	10,763,292	11,497,075	10,175,796	8,875,874	2,785,827
	(1,586,435)	(1,613,242)	(1,553,928)	(1,608,550)	(1,257,616)
	(4,975,705)	(5,999,863)	(5,158,022)	(4,155,798)	(4,054,218)
	4,820,777	4,373,139	6,354,869	5,863,255	5,435,086
	(1,381,420)	(1,116,126)	(1,700,039)	(1,627,413)	(1,220,547)
	3,439,357	3,257,013	4,654,830	4,235,842	4,214,539

Ten Year Summary Balance Sheet-Group

	2020 Rs. '000	2019 Rs. '000	2018 Rs. '000	2017 Rs. '000	2016 Rs. '000
Assets					
Property,Plant and Equipment	56,752,233	52,346,702	52,381,971	49,598,222	44,033,234
Investments	173,678,452	164,880,936	152,975,185	147,069,847	132,453,389
Other Assets	59,286,109	47,550,609	38,431,876	35,114,339	37,311,014
Total Assets	289,716,794	264,778,247	243,789,031	231,782,408	213,797,636
Equity And Liabilities					
Share Capital	6,000,000	6,000,000	6,000,000	6,000,000	6,000,000
Capital Reserve	13,112,599	13,058,735	11,109,100	10,442,923	11,623,290
Regulatory restricted reserves from one off surplus	98,237	98,237	98,237	98,237	-
General Reserve	643,442	643,442	643,442	643,442	643,442
Available for Sale Reserve	5,704,652	9,472,363	12,267,184	16,227,399	21,055,304
Revenue Reserve	58,671,046	53,068,008	49,970,064	44,600,992	39,514,579
Non-Controlling Interest	8,985,168	8,767,718	8,226,474	8,077,450	7,961,626
Total Capital and Reserves	93,215,144	91,108,503	88,314,502	86,090,443	86,798,241
Liabilities					
Insurance Provision-Long Term	137,129,036	119,167,865	108,005,959	101,671,180	90,010,165
Insurance Provision-Non -Life	18,866,402	16,648,028	17,806,430	17,128,395	16,517,151
Other Liabilities	40,506,213	37,853,852	29,662,140	26,892,391	20,472,077
Total Liabilities	196,501,651	173,669,744	155,474,529	145,691,965	126,999,394
Total Equity and Liabilities	289,716,794	264,778,247	243,789,031	231,782,408	213,797,636
Long Term -Supplemental					
Assets					
Property,Plant and Equipment	86,004	88,364	90,723	66,048	61,343
Investments	139,910,761	132,412,578	121,200,379	114,714,700	104,129,909
Other Assets	20,054,747	8,380,564	7,126,910	6,958,991	5,333,967
Total Assets	160,051,512	140,881,508	128,418,012	121,739,739	109,525,219
Liabilities					
Long Term Insurance Funds	134,013,542	116,766,896	105,459,545	98,580,437	87,357,386
Other Liabilities	10,010,204	7,931,630	7,348,093	7,123,087	5,742,466
Equity Attributable to Shareholders					
Capital Reserve	57,378	57,378	57,378	31,128	43,296
Revenue /Other Reserves	15,970,387	16,125,603	15,552,996	16,005,085	16,382,071
Total Liabilities	160,051,512	140,881,508	128,418,012	121,739,739	109,525,219

	2015	2014	2013	SLFRS /LKAS	
				Restated 2012	Restated 2011
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
	38,265,273	35,754,938	32,337,013	27,909,258	16,531,061
	133,912,388	119,156,967	94,771,272	88,784,965	93,335,443
	34,308,328	40,171,009	45,113,975	36,136,924	21,494,742
	206,485,989	195,082,914	172,222,260	152,831,147	131,361,246
	6,000,000	6,000,000	6,000,000	6,000,000	6,000,000
	8,523,861	8,681,951	8,738,238	9,161,368	4,638,021
	-	-	-	-	-
	643,442	643,442	643,442	643,442	643,442
	22,390,664	26,525,252	15,364,711	12,521,041	13,190,776
	44,611,275	37,499,812	32,651,211	25,022,161	19,046,744
	7,509,450	7,246,077	7,056,139	1,647,284	1,522,687
	89,678,692	86,596,534	70,453,741	54,995,296	45,041,670
	80,650,581	77,254,496	69,079,061	62,526,048	58,494,522
	14,916,652	13,195,783	13,288,956	14,297,803	13,132,830
	21,240,064	18,036,101	19,400,502	21,012,000	14,692,223
	116,807,297	108,486,380	101,768,519	97,835,851	86,319,575
	206,485,989	195,082,914	172,222,260	152,831,147	131,361,245
	41,658	42,172	55,969	57,012	46,553
	96,996,254	92,914,463	73,643,020	73,029,822	72,799,868
	6,055,405	6,140,884	12,553,679	9,497,112	4,850,532
	103,093,317	99,097,519	86,196,699	82,583,945	77,696,953
	77,858,384	74,706,062	69,079,806	62,526,048	58,494,521
	6,031,340	5,764,890	2,743,847	2,510,653	2,575,067
	27,877	27,877	40,892	40,892	16,106
	19,175,716	18,598,689	14,332,153	17,506,352	16,611,259
	103,093,317	99,097,519	86,196,699	82,583,945	77,696,953

Branch Network

No	Regional Office (Branch)	#	Branch	Attached Branches Count	Province	Address	Telephone Number	Fax Number
1	Central	1	Kandy	13	CP	25, Hill Street, Kandy.	081 - 2234296 081 - 2234954 081 - 2228172	081 - 2201685
		2	Matale		CP	134, Dharmapala Mawatha, Matale.	066 - 2233989 066 - 2224735 066 - 5671653	066 - 2222417
		3	Gampola		CP	176/A, Kandy Road, Gampola	081 - 2351709 081 - 5675128	081 - 2351709
		4	Pilimathalawa		CP	211/C, Colombo Road, Pilimathalawa.	081 - 2575444 081 - 5630070	081 - 2575444
		5	Mawathagama		NW	54/A, 1st Floor, Kandy Road, Mawathagama	037 - 2299861	#N/A
		6	Katugastota		CP	No.431, Katugastota Rd, Kandy	081 - 2229938	081 - 2229938
		7	Kandy City		CP	6, Wadugodapitiya Road, Kandy	081 - 2224246	#N/A
		8	Kegalle		SG	389, Main Street, Kegalle	035 - 2222531 035 - 2222531	035 - 2222531
		9	Digana		CP	42, Gonawala Road, Digana, Rajawella.	081 - 2376814 081 - 5630744	081 2376814
		10	Nawalapitiya		CP	79, Kothmale Road, Nawalapitiya.	054 - 2222019	054 - 2222019
		11	Mawanella		SG	238,1/1, Kandy Road, Mawanella	035 - 2249335 035 - 5672981	#N/A
		12	Rikillagaskada		CP	68, Ragala Road, Rikillagaskada.	081 - 2365279 081 - 5674793	081 - 2365279
		2	Eastern		13	Peradeniya - ABDC	CP	No. 159, Colombo Rd., Peradeniya
14	Batticaloa			EP	30, Pioneer Road, Batticaloa.	065 - 2224470	#N/A	
15	Trincomalee			EP	46, Main Street, Trincomalee.	026 - 2222434 026 - 5675025	026 - 2223123	
16	Kalmunai			EP	52/90, Batticalloa Rd, Kalmunai	067 - 2229912 067 - 5670168	067 - 2229912	
17	Kantale			EP	62/P, Main Street Kantale	026 - 2234043	026 - 2234043	
3	Northern	18	Akkaraipattu	EP	143, Main Street Akkaraipattu - 2, Akkaraipattu	067 - 2279627	067 - 2222331	
		19	Jaffna	NP	1st Floor Pizza Hut Building, Jaffna	021 - 2222023	021 - 2224526	
		20	Nelliady	NP	Main Street, Opposite Peoples Bank, Nelliady	021 - 2264686	021 - 2264686	
		21	Mannar	NP	Station Road, (Opposite Pakiya Studio) Mannar	023 - 2223236	023 - 2223235	
		22	Mullaitivu	NP	Main Street, Mullaitivu	021 - 2290089	#N/A	
		23	Chankanai	NP	45, Ponnalai Road (Main Street), Chankanai.	021 - 2250462 021 - 2250463	021 - 2250463	
		24	Chavakachcheri	NP	A9 Road, Chavakachcheri	021 - 2270711	021 - 2270711	
		25	Vavuniya	NP	119/1, Kandy Road, Vauniya.	024 - 2222380 024 - 5670021	024 - 2222380	
		26	Kilinochchi	NP	31, A-09 Road, Karadippokku, Kilinochchi	021 - 2280031	021 - 2280032	

No	Regional Office (Branch)	#	Branch	Attached Branches Count	Province	Address	Telephone Number	Fax Number
4	North Central 01	27	Anuradhapura	10	NC	248, Maithripala Senanayaka Mw, Anuradhapura	025 - 2222167 025 - 5673819	025 - 2235258
		28	Horowpothana		NC	Rest House Junction, Horowpothana	025 - 2278600	025 - 2278600
		29	Padavi Parakramapura		NC	Infront of School, Padavi Parakramapura	025 - 2254115	#N/A
		30	Kekirawa		NC	81, Thalawa Road, Kekirawa.	025 - 2264573 025 - 5673430	025 - 2264573
		31	Hingurakgoda		NC	31, Main Street, Hingurakgoda	027 - 2246345 027 - 2246295	#N/A
		32	Kaduruwela		NC	25, Batticaloa Road, Polonnaruwa	027 - 2222954 027 - 5672041	027 - 2222954
		33	Dehiattakandiya		EP	256, Mahaweli Uyana, Dehiattakandiya	027 - 2250318	027 - 2250318
		34	Bakamuna		NC	10, Samupakara Mawatha, Bakamuna	066 - 2256550	#N/A
		35	Medirigiriya -CSC		NC	Pola Road, Medirigiriya	071 - 8600247	#N/A
		36	Aralaganwila		NC	208/14, New Town, Aralaganwila	027 - 2050830	#N/A
5	Upper Western	37	Nittambuwa	21	WP	New Super Market Complex, Nittambuwa.	033 - 2289709 033 - 5671351	033 - 2289709
		38	Veyangoda		WP	166, Negombo Road, Veyangoda	033 - 2288027 033 - 5676037	033 - 2288027
		39	Gampaha		WP	116, Buddhaloka Mawatha, Gampaha	033 - 2222676 033 - 2224710 033 - 5675786	033 - 2222676
		40	Yakkala		WP	No.39/C/1, Kandy Rd, Yakkala	033 - 2225522	033 - 2225522
		41	Minuwangoda		WP	21/B, M.P.De.Z. Siriwardhane Mawatha, Minuwangoda.	011 - 2280870 011 - 5667822	011 - 2280870
		42	Pugoda -CSC		WP	40/1, Kospitiyana, Pugoda	033 - 5621223	#N/A
		43	Ganemulla -CSC		WP	187/A/8 Main Street , Ganemulla	033 - 5621208	#N/A
		44	Kirindiwela -CSC		WP	27/8/1, Colombo Road, Kirindiwela.	033 - 5621192	#N/A
		45	Mirigama -CSC		WP	Opposite Police Station, Mirigama.	033 - 2273441	#N/A

Branch Network Contd.

No	Regional Office (Branch)	#	Branch	Attached Branches Count	Province	Address	Telephone Number	Fax Number
5	Upper Western	46	Negombo	21	WP	20, Rajapaksha Broadway, Negombo.	031 - 2231374 031 - 2235235 031 - 2224426	031 - 2233498
		47	Ja-Ela		WP	205/1/1, Negombo Road, Ja Ela	011 - 2233169 011 - 5639270	011 - 2233169
		48	Marawila		WP	02, Erick Suriyasena Mawatha , Marawila	032 - 2254297 032 - 5672090	032 - 2254297
		49	Wennappuwa		NW	236/3/A, Chilaw Road, Wennappuwa	031 - 2253319 031 - 5672447	031 - 2253319
		50	Kandana		WP	54, Negombo Road, Kandana.	011 - 2228848 011 - 5649536	011 - 2228848
		51	Kochchikade		WP	18/1/4, Negombo Rd, Kochchikade	031 - 2274626 031 - 5677135	031 - 2274626
		52	Divulapitiya -CSC		NW	71/1, Divulapitiya Plaza, Colombo Road, Divulapitiya.	031 - 5674774	#N/A
		53	Mahabage - ABDC		WP	No:562 (1st Floor),Negombo Road, Mahabage, Ragama.	#N/A	#N/A
		54	Dankotuwa - ABDC		WP	No 96/1, Pannala Road, Dankotuwa	#N/A	#N/A
		55	Weliweriya -ABDC		WP	No.480/46/1, Palliyawatta, Weliweriya	#N/A	#N/A
		56	Udugampola - ABDC		WP	No.13,14, Super Market, Minuwangoda Rd, Udugampola	#N/A	#N/A
		57	Kirillawala -ABDC	WP	No. 325/B, Webada, Kokiskade Junction, Kirillawala	#N/A	#N/A	
6	Ratnapura	58	Ratnapura	11	SG	258, Main Street, Rathnapura.	045 - 2222433	045 - 2231517
		59	Avissawella		WP	77, Ratnapura Road, Avissawella	036 - 2222311 036 - 5672324	036 - 2222311
		60	Avissawella Life		WP	No.31, Kudagama Rd, Avissawella	#N/A	#N/A
		61	Embilipitiya		SG	67, Pallegama, Embilipitiya	047 - 2230389 047 - 5672205	047 - 2230389
		62	Balangoda		SG	60/1/1, Barne's Ratwatte Mawatha, Balangoda	045 - 2287670 045 - 5678445	045 - 2287670
		63	Kahawatta		SG	46/1A, Walawwatte Road, Kahawatta.	045 - 2270160 045 - 5674248	045 - 2270160
		64	Kalawana		SG	56, Sampath Bank Building, Matugama Road, Manana, Kalawana.	045 - 2255930	045 - 2255930
		65	Eheliyagoda		SG	344, Main Street, Eheliyagoda	036 - 2259014	036 - 2259014
		66	Pallebedda		SG	No 151/1, Main Street, Pallebedda	045 - 2241717	045 - 2241717
		67	Ruwanwella		SG	No.197, Avissawella Rd, Ruwanwella	036 - 2267737	036 - 2267737
					68	Hanwella - ABDC	WP	No.133 D,Main street ,Hanwella

No	Regional Office (Branch)	#	Branch	Attached Branches Count	Province	Address	Telephone Number	Fax Number
7	Sothorn-01	69	Galle	18	SP	50 A, Havlock Road, Galle	091 - 2234531 091 - 2224029 091 - 5676528	091 - 2241981
		70	Ambalangoda		SP	299, Wickramasuriya Road, Ambalangoda -	091 - 2258339 091 - 5678298	091 - 2255855
		71	Thalgaswala		SP	New Town Thalgaswala.	091 - 2296268	091 - 2296344
		72	Elpitiya		SP	18/12, 1/1, New Road, Elpitiya	091 - 2291365 091 - 5673672	091 - 2291365
		73	Udugama		SP	Pasans New Building, Mavi Dola, Bar Junction Udugama	091 - 2285097 091-5674987	091 - 2285097
		74	Baddegama		SP	60 1/1, Gall Road, Baddegama	091 - 2292303 091 - 5624502	091 - 2292303
		75	Thanipolgaha -CSC		SP	45, H K Edmam Mw, Thanipolgaha,	091 - 2227041	#N/A
		76	Habaraduwa -CSC		SP	Near the petrol shed, Matara Road, Habaraduwa	091 - 2282605	091 - 2282605
		77	Hikkaduwa -CSC		SP	153 B, Galle Road, Hikkaduwa	091 - 5627494	#N/A
		78	Karapitiya -CSC		SP	Hirimbura Road, Karapitiya	091 - 2247191	091 - 5624190
		79	Kalutara		WP	326/2, Main Street, Kalutara	034 - 2222474 034 - 5674535 034 - 2236616	034 - 2228696
		80	Horana		WP	50/09/C,Graceland Circular Road, Horana	034 - 2261351 034 - 5674512	034 - 2261351
		81	Panadura		WP	534, Galle Rd, Panadura	038 - 2234736 038 - 5671547	038 - 2234736
		82	Mathugama		WP	79/1/1, Kalutara Road, Matugama.	034 - 2247510 034 - 5674654	034 - 2247510
		83	Aluthgama		WP	433, 1st Floor, Wickramarathne Building, Depot Junction, Galle Road, Aluthgama	034 - 2276409 034 - 5674655	034 - 2276409
		84	Bandaragama		WP	72, Jayakody Building , Horana Road, Bandaragama.	038 - 2293940	038 - 2293940
		85	Pitigala -ABDC		SP	No.25, Thotupala Para, Pitigala	#N/A	#N/A
		86	Baduraliya-ABDC		WP	1st Floor, Wijesewana Building, Baduraliya	#N/A	#N/A

Branch Network Contd.

No	Regional Office (Branch)	#	Branch	Attached Branches Count	Province	Address	Telephone Number	Fax Number
8	Southern 02	87	Matara	19	SP	5A, Hakmana Road, Matara	041 - 2227962 041 - 2222352	041 - 2221472
		88	Deniyaya		SP	122, Rathna Mahal, Main Street, Deniyaya	041 - 2273565 041 - 5674483	041 - 2273565
		89	Akuressa		SP	40 2/1, Matara Road, Akuressa	041 - 2283590 041 - 5674482	041 - 2283590
		90	Weligama		SP	352/2,Galle / Matara Middle Road, Weligama.	041 - 2250647 041 - 5673167	041 - 2250647
		91	Dickwella		SP	95, Matara Road, Dickwella	041 - 2255630 041 - 5674476	041 - 2255630
		92	Hakmana		SP	New Pradesheeya Sabha Building, Matara Road, Hakmana	041 - 5670600	041 - 2287616
		93	Neluwa		SP	2nd Floor, Manuka Building, Delwala Rd, Neluwa	091- 2285140	091- 2285140
		94	Imaduwa -CSC		SP	New Shopping Complex, Main Street, Imaduwa.	091 - 5678781	#N/A
		95	Middeniya -CSC		SP	Walasmulla Road, Middeniya	047 - 5670437	#N/A
		96	Urubokka -CSC		SP	2nd floor, Shopping Complex, Main Street, Urubokka	041 - 5670420	#N/A
		97	Kamburupitiya -CSC		SP	154 A/1 , Matara Road , Kamburupitiya	041 - 5670291	#N/A
		98	Ambalantota		SP	195, Main Steet, Ambalantota	047 - 2223235 047 - 5670906	047 - 2223235
		99	Beliatta		SP	74, Tangalla Road, Beliatta.	047 - 2243211 047 - 5670908	047 - 2243211
		100	Tissamaharama		SP	211 B, Kachcheriyagama, Tissamaharama	047 - 2237152 047 - 5670905	047 - 2237152
		101	Tangalle		SP	No.85, Beliatta Road, Thangalle	047 - 2242514 047 - 5676144	047 - 2242514
102	Hambantota	SP	59, Main Street,Hambantota	047 - 2222572	047 - 2222571			
103	Kekanadura - ABDC	SP	No.09, Ratmale Road, Kekanadura	#N/A	#N/A			
104	Walasmulla -ABDC	SP	No 43 , Beliatta Road , Walasmulla	#N/A	#N/A			
105	Morawaka - ABDC	SP	Commercial Bank Building, Morawaka	#N/A	#N/A			
9	Wayamba 01	106	Kurunegala	16	NW	16/1, Dambulla Road, Kurunegala.	037 - 2222376 037 - 2227433	037 - 2224053
		107	Kurunegala City		NW	111/2, Rajapihilla Road, Kurunegala	037 - 2234176	037 - 2234176
		108	Narammala		NW	159/A,Super City Building, U.B. Wijekoon Mawatha, Kurunegala Road, Narammala	037 - 2248920	037 - 2248920
		109	Melsiripura		NW	197/1, Dambulla Road, Melsiripura	037 - 2250459	037 - 2250459
		110	Warakapola		SG	459, Main Street, Warakapola	035 - 2267747 035 - 5671938	035 - 2267747

No	Regional Office (Branch)	#	Branch	Attached Branches Count	Province	Address	Telephone Number	Fax Number
9	Wayamba 01	111	Rideegama	16	NW	1st Floor, No.107 A, Keppetigala Rd, Rideegama	#N/A	#N/A
		112	Giriulla		NW	101, Negombo Road, Giriulla.	037 - 2288304 037 - 5673405	037 - 2288304
		113	Kuliyapitiya		NW	74/A, Hettipola Road, Kuliyapitiya.	037 - 2281304 037 - 5673401	037 - 2281304
		114	Polgahawela		NW	130, Godawela, Polgahawela	#N/A	#N/A
		115	Rambukkana		SG	06, Thomas Silva Mw, Rambukkana	#N/A	#N/A
		116	Alawwa -CSC		NW	09, Narammala Rd, Alawwa	071 - 8240786	#N/A
		117	Pannala -CSC		NW	No.38- C , Rajapakse Building, Pannala	037 - 2245100	#N/A
		118	Ibbagamuwa - ABDC		NW	No 06, Dambulla Road, Ibbagamuwa	#N/A	#N/A
		119	Polpithigama - ABDC		NW	Kudawewa Junction, Polpithigama.	#N/A	#N/A
		120	Katupotha -ABDC		NW	Munamaldeniya, Katupotha	#N/A	#N/A
		121	Hettipola -ABDC		NW	112, Kurunegala Rd, Hettipola	#N/A	#N/A
10	Wayamba 02	122	Wariyapola	11	NW	10, Puttalam Road, Wariyapola	037 - 2267451 037 - 5673407	037 - 2267451
		123	Galewela		CP	59-A, Kurunegala Road, Galewela.	066 - 2289285 066 - 5671651	066 - 2289285
		124	Anamaduwa		NW	70, Puttalam Road, Anamaduwa.	032 - 2263033 032 - 5675227	032 - 2263033
		125	Nikaweratiya		NW	196, Puttalam Road, Nikaweratiya.	037 - 2260279 037 - 5673441	037 - 2260279
		126	Galgamuwa		NW	121, Anuradhapura Road, Galgamuwa	037 - 2254141 037 - 5673406	037 - 2254141
		127	Thambuttegama		NC	64, Kurunegala Road, Thambuttegama.	025 - 2275088 025 - 2275088	#N/A
		128	Chilaw		NW	431/1, Kurunegala Road, Chilaw.	032 - 2222371 032 - 5671749	032 - 2222371
		129	Puttalam		NW	80, Kurunegala Road, Puttalam.	032 - 2265324 032 - 5672749	032 - 2265324
		130	Maho		NW	Infront of Town Hall, Nikaweratiya Rd, Maho	#N/A	#N/A
		131	Dambulla		CP	642, Anuradhapura Road, Dambulla .	066 - 2284616 066 - 5671624	066 - 2284616
	132	Hiripitiya -ABDC	NW	Dayarathna Shopping Complex', Kurunegala Road, Hiripitiya	#N/A	#N/A		

Branch Network Contd.

No	Regional Office (Branch)	#	Branch	Attached Branches Count	Province	Address	Telephone Number	Fax Number
11	Western-01	133	Battaramulla	10	WP	119, Pannipitiya Road, Battaramulla.	011 - 2866357 011 - 5634629	011 - 2866357
		134	Nugegoda		WP	310A, High Level Road, Colombo 06.	011 - 2817739 011 - 2826364	011 - 2826365
		135	Kirulapone		WP	88 1/1, 1st Floor, High Level Road, Kirulapone	011 - 2514348 011 - 5649541	011 - 2514348
		136	Pitakotte		WP	463, Kotte Road, Pita Kotte.	011 - 2866755	011 - 2866755
		137	Dehiwala		WP	Ramanayake Automobile, No 121, 1/1, Galle Road, Dehiwala	011 - 2713702 011 - 5744962	011 - 2713702
		138	Moratuwa		WP	710, Galle Road, Idama, Moratuwa	011 - 5554451 011 - 5644634	011 - 5554451
		139	Ratmalana		WP	143/2/4, Mount City, Galle Road, Ratmalana	011 - 5635475 011 - 2715992	011 - 2715982
		140	City Office		WP	288, Union Place, Colombo 02.	011 - 2357562 011 - 2303914 011 - 5677136	011 - 2303914
		141	City Circle -CSC		WP	City Office	#N/A	#N/A
		142	City Group -CSC		WP	City Office	#N/A	#N/A
12	Western-02	143	Kadawatha	12	WP	151/5, Kandy Road, Kadawatha	011 - 2921567	011 - 2921567
		144	Kiribathgoda		WP	101/1, Gala Junction, Kandy Road, Kiribathgoda	011 - 5554485 011 - 5635483	011 - 2912742
		145	Colombo Metro 1		WP	Head Office	#N/A	#N/A
		146	Colombo Metro 2		WP	Head Office	#N/A	#N/A
		147	Colombo Metro 3		WP	Head Office	#N/A	#N/A
		148	Colombo Metro 4		WP	Head Office	#N/A	#N/A
		149	Colombo Metro 6		WP	Head Office	#N/A	#N/A
		150	Colombo Metro 07		WP	Head Office	#N/A	#N/A
12	Western-02	151	Colombo Metro 10	12	WP	Head Office	#N/A	#N/A
		152	Colombo Metro 11		WP	Head Office	#N/A	#N/A
		153	Kelaniya - ABDC		WP	608 A, Kandy Road, Bulugaha Junction, Kelaniya	#N/A	#N/A
13	Western-03	154	Delgoda - ABDC	8	WP	328/c New Kandy Road, Delgoda.	#N/A	#N/A
		155	Kaduwela		WP	482/8, Colombo Road, Kaduwela.	011 - 2579976 011 - 5628269	011 - 2579976
		156	Maharagama		WP	128, Opposite Elhena Road, High Level Road.	011 - 2843563 011 - 5635465	011 - 2843010
		157	Homagama		WP	64, High Level Road, Homagama.	011 - 2893426 011 - 5634670	011 - 2893200

No	Regional Office (Branch)	#	Branch	Attached Branches Count	Province	Address	Telephone Number	Fax Number
13	Western-03	158	Kottawa	8	WP	119/1/ Highlevel Rd, Kottawa, Pannipitiya	#N/A	#N/A
		159	Piliyandala		WP	34, Vidyala Mawataha, Piliyandala	011 - 2613976	011 - 2613976
		160	Malambe		WP	821/3C, New Kandy Road, Malambe.	011 - 2762312 011 - 5651612	011 - 2762312
		161	Ingiriya		WP	Padukka Road, Ingiriya	034 - 2268270	034 - 2268270
		162	Athurugiriya		WP	70/15 C, Main Street, Athurugiriya	011 - 2077868	#N/A
14	Western-04	163	Kotahena	7	WP	178,Gold Tower , George R De Silva Mawatha, Colombo 13	011 - 5673345 011 - 2335254	#N/A
		164	Wattala		WP	396, Negombo Road, Wattala	011 - 5355531 011 - 5355532 011 - 5635480	011 - 5355532
		165	Kotikawatta		WP	No. 257/7/31, IDH Road, Kotikawatta.	011 - 2568502	011 - 2568502
		166	Pettah		WP	2nd Floor, 101, Olcott Mw, Colombo-11	011 - 5741820	011 - 2423752
		167	Ragama		WP	34/1, Mahabage Road, Ragama	011 - 2956371	#N/A
		168	Bambalapitiya		WP	No.22, Duplication Road, Colombo-04	011 - 5632790 011 - 5673296	011 - 5332427
15	Uva	170	Badulla	10	UP	14, R H Gunawardane Mawatha, Badulla.	055 - 2230972 055 - 5670251 055 - 2224777	055 - 2222372
		171	Mahiyangana		UP	14, 1st Floor, Samanala Building, Kandy Road, Mahiyangana	055 - 2257179 055 - 5670344	055 - 2257179
		172	Welimada		UP	15 2/1, 2nd Floor, New Shoping Complex, Badulla Road , Welimada	057 - 2245174 057 - 5670702	057 - 2245174
		173	Hatton		CP	01,1/1, Sunday Fair Road, Hatton	051 - 2222196 051 - 5670202	051 - 2222196
		174	Nuwaraeliya		CP	60/1, Park Road, Nuwara - Eliya.	052 - 2222759 052 - 5670529	052 - 2222759
		175	Bandarawela		UP	250/1/A, Badulla Road, Bandarawela.	057 - 2223526 057 - 5670703	057 - 2223526
		176	Monaragala		UP	114/1, Wellawaya Road, Monaragala.	055 - 2276145 055 - 5670525	055 - 2276145
		177	Ampara		EP	01, Inginiyagala Road, Ampara	063 - 2222073 063 - 5670307	063 - 2222073
		178	Wellawaya		UP	145/1/1, Hambantota Road, Wellawaya	055 - 2274133 055 - 5673345	055 - 2274874
		179	Bibila		UP	Opposite R.S. Office, Bibila	055 - 5675673	#N/A

Corporate Information

NAME OF THE COMPANY & REGISTERED OFFICE

Sri Lanka Insurance Corporation Ltd.
Rakshana Mandiraya
No. 21, Vauxhall Street, Colombo 2.
Tel : +94 11 2357457
Fax : +94 11 2447742
Web : www.srilankainsurance.com

COMPANY REGISTRATION NUMBER

Company was incorporated on 3rd February 1993 under the Companies Act No.17 of 1982 bearing No. N(PBS/CGB)/ 159 and re-registered under the Companies Act No.07 of 2007 on 17th April 2008 bearing No. PB 289.

BOARD OF DIRECTORS

The Board of Directors as at reporting date is as follows:

Mr.Jagath Wellawatta (Chairman)
Mr. K A Vimalenthirajah
Mr.Anil Koswatta
Mr. Anil Meegahagedera
Mr.Nishantha Dayananda
Ms. J Surekha Alles
Mr. W.A. Samantha Upananda
(*Ms. K D Rosemary Olga resigned from the Board w.e.f 17/08/2020 and Mr. W.A. Samantha Upananda was appointed to the Board w.e.f 24/02/2021*)

LEGAL FORM

Sri Lanka Insurance Corporation Ltd was established under the provisions of Insurance Corporation Act No. 2 of 1961 as a State Owned Corporation. In 1993, the Corporation was converted to a fully government-owned limited liability Company of which the sole shareholder of 100 per cent shares was the Secretary to the Treasury, under the Conversion of Public Corporations or Government Owned Business Under-takings into Public Companies Act, No. 23 of 1987. Under the privatization programme of the Government, the Company was privatized in 2003 and was under the private management for a brief period of six years. The Company was re-registered under the Companies Act No. 7 of 2007. Pursuant to the Supreme Court Judgment on 04th June 2009, annulling the privatization, 99.97 per cent shares are vested with the Secretary to the Treasury on behalf of the Government of Sri Lanka.

TAX PAYER IDENTIFICATION NUMBER (TIN)

294001590

VAT REGISTRATION NUMBER

294001590-7000

COMPANY SECRETARIES

N & N Agents and Secretaries (Private) Limited
Kandiah Neelakandan Building (Level 5)
No. 2, Deal Place, Colombo 03.
(Ms. Ruwani Dharmawardna functioned as the Company Secretary until 01st December 2020.)

SUBSIDIARIES

Management Services Rakshana (Pvt) Ltd
The Lanka Hospitals Corporation PLC
Litro Gas Lanka Ltd
Litro Gas Terminal Lanka (Pvt) Ltd
Canwill Holdings (Pvt) Ltd
Canowin Hotels and Spas (Pvt) Ltd

SUB-SUBSIDIARIES

Lanka Hospitals Diagnostics (Pvt) Ltd
Helanco Hotels & Spa (Pvt) Ltd
Sinolanka Hotels & Spa (Pvt) Ltd

AUDITORS

Auditor General

BANKERS

Bank of Ceylon
People's Bank
Commercial Bank of Ceylon PLC
Hatton National Bank PLC
Nations Trust Bank PLC
Standard Chartered Bank
Sampath Bank PLC
Seylan Bank PLC
National Savings Bank
Regional Development bank
Pan Asia Banking Corporation PLC
Development Finance Corporation of Ceylon

ACTUARY-LIFE

Wills Towers Watson India Pte. Ltd.
Unitech Business Park, 2nd Floor, Tower B, South City – I,
Sector 41, Gurugram – 122002, India

ACTUARY-NON-LIFE

M/s NMG Financial Services Consulting
Level 31 Grosvenor Place, 225 George Street,
Sydney, 2000 Australia.

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the FORTY SEVENTH (47TH) ANNUAL GENERAL MEETING of THE SRI LANKA INSURANCE CORPORATION LIMITED, will be held virtually as an online Audio-Visual meeting from the Auditorium of the Company, at its Registered Office at No.21, Vauxhall Street, Colombo 02, on 30th June 2021, at 10.00 a.m. for the following purposes:

1. To receive and consider the Report of the Board of Directors and the Financial Statements for the year ended 31st December 2020 and the Report of the Auditors thereon.
2. To declare a final Dividend of Rs.1.50 per share amounting to Rs.899,614,800/- for the year ended 31st December 2020, as recommended by the Directors.
3. To re-elect Mr. Anil Koswatte, Director who retires in terms of Article 92 of the Articles of Association of the Company.
4. To re-elect Mr. Nishantha Dayananda, Director who retires in terms of Article 92 of the Articles of Association of the Company.
5. To elect Mr. W.A. Samantha Upananda, Director who retires in terms of Article 98 of the Articles of Association of the Company.
6. To authorize the Directors to determine donations for the year 2021 and up to the date of the next Annual General Meeting.
7. To re-appoint the Auditor General as the External Auditor in terms of Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka.
8. Any other business of which due notice has been given.

By Order of the Board,



N G N AGENTS AND SECRETARIES (PRIVATE) LIMITED

Company Secretaries

Colombo

03rd June 2021

NOTE:

The Shareholder/s attending the Virtual online Audio-Visual Meeting is/are required to complete and submit the Registration Form which is enclosed herewith (together with the Proxy if applicable) to the Registered Office of the Company at Sri Lanka Insurance Corporation Limited, 8th Floor, No.21, Vauxhall Street, Colombo 00200 or via email to mail@nandn.lk not less than 48 hours before the time fixed for the Annual General Meeting to enable the Virtual meeting link to be sent.

Registration Form

(FOR PARTICIPATION IN THE VIRTUAL ONLINE AUDIO-VISUAL ANNUAL GENERAL MEETING REGISTRATION OF SHAREHOLDER DETAILS)

To: Sri Lanka Insurance Corporation Limited
No. 21, Vauxhall Street
Colombo 02

1. Full Name of the Shareholder :

.....

2. Address of Shareholder/s :

.....

4. NIC No./ P.P. No. / Co. Reg. of Shareholder/s :

.....

5. Contact details of Shareholder/s :

Telephone Residence :

Telephone Office : Fax :

Mobile:

E-mail: (Please type clearly, mandatory)

6. In the event a Proxy is appointed by the Shareholder following details will be required if the Proxy is not a Director of Sri Lanka Insurance Corporation Limited :

i. Name of Proxy :

NIC No. :

Mobile:

E-mail: (Please type clearly, mandatory)

.....

Shareholder's Signature

Further information and instructions

- ◆ The Board of Directors and Key Officers of the Company, whose participation is vital for the administration of the formalities of the Meeting may be present in person at the venue of the AGM.
- ◆ All the shareholders or their respective proxyholders participating at the Meeting remotely via the online platform are required to identify themselves when speaking online at the AGM.
- ◆ The method by which the Shareholders could vote on the Agenda items/resolutions and the relevant procedures to be followed in casting the votes will be explained before the commencement of the meeting.
- ◆ The shareholders who are unable to participate at the AGM virtually, may forward their queries, if any, via email to mail@nandn.lk, not less than 48 hours before the time fixed for the Annual General Meeting. The responses from the Board of Directors and the Management to the queries/ matters will be forwarded to the Shareholders by the Company, in due course.

Form of Proxy

I/We.....of.....
being a shareholder/shareholders of the Sri Lanka Insurance Corporation
 Limited, hereby appoint of
 or failing him/her*

Mr. Jagath Wellawatta - of Colombo or failing him
 Mr. K. A. Vimalenthirarajah - of Colombo or failing him
 Mr. Anil Koswatta - of Colombo or failing him
 Mr. Anil Meegahagedara - of Colombo or failing him
 Ms. J. Surekha Alles - of Colombo or failing her
 Mr. Nishantha Dayananda - of Colombo or failing him
 Mr. W.A. Samantha Upananda - of Colombo

all of whom are members of the Board of Directors of Sri Lanka Insurance Corporation Limited;
 as my/our* Proxy, to represent me/us*, and to vote on my/our* behalf at the Forty Seventh (47th) Annual General Meeting of the Company to be held virtually as an online Audio Visual meeting from the Auditorium of the Company, at its Registered Office at No.21, Vauxhall Street, Colombo 02 on 30th June 2021 at 10 a.m. and at any adjournment thereof and at every poll which may be taken in consequence of the aforesaid meeting thereof.

I/we* the undersigned, hereby direct my/our* Proxy to speak and vote for me/us* and on my/our* behalf** on the resolutions set out in the Notice convening the meeting, as follows***:

Resolution	For	Against
1. To receive and consider the Report of the Directors and the Financial Statements for the year ended 31st December 2020 and the Report of the Auditors thereon.		
2. To declare a Final Dividend of Rs. 1.50 per share amounting to Rs.899,614,800/- for the year ended 31st December 2020, as recommended by the Directors.		
3. To re-elect Mr. Anil Koswatte, Director who retires in terms of Article 92 of the Articles of Association of the Company		
4. To re-elect Mr. Nishantha Dayananda, Director who retires in terms of Article 92 of the Articles of Association of the Company.		
5. To elect Mr. W.A. Samantha Upananda, Director who retires in terms of Article 98 of the Articles of Association of the Company.		
6. To authorize the Directors to determine donations for the year 2021 and up to the date of the next Annual General Meeting.		
7. To re-appoint the Auditor General as the External Auditor in terms of article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka.		
8. Any other business of which due notice has been given		

Signed on thisday of.....2021 at

.....
 Signature of Shareholder/s

*Please strike off the inappropriate words

** If no indication is given, the Proxy in his/her discretion will vote as he/she thinks fit.

*** Please indicate with an "X" in the space provided as to how you direct your Proxy to vote on the above Resolutions.

Registration Form Contd.

NOTES:

1. A Form of Proxy is attached hereto, for use, if necessary, in which event, it should be completed and returned to the Registered Office of the Company at Sri Lanka Insurance Corporation Limited, 8th Floor, No.21, Vauxhall Street, Colombo 00200 or via email to mail@nandn.lk not less than 48 hours before the time fixed for the Annual General Meeting together with the Registration Form.
2. A Shareholder entitled to attend and vote at the Annual General Meeting is entitled to appoint a Proxy to attend and vote instead of him/her. A Proxyholder need not be a Shareholder of the Company. The vote by Proxy will be identified and recorded as if such Shareholder was present at the Meeting.
3. Shareholders are encouraged to appoint one of the Directors of the Company as their Proxy to act on their behalf with their voting preferences marked against each resolution to be taken up at the Meeting.
4. The instrument appointing a Proxy may be in writing under the hand of the appointor or of his/her Attorney (a copy of the Power of Attorney should be annexed), or if such appointor is a corporation under its Common Seal or under the hand of its Attorney or duly authorized person (in terms of the Articles of Association).



SLIC
Sri Lanka Insurance
Like a father - Like a mother