LIFE INSURANCE CORPORATION (LANKA) LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

KPMG
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INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS OF LIFE INSURANCE CORPORATION (LANKA) LIMITED

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Life Insurance Corporation (Lanka) Limited ("the Company"), which comprise the statement of financial position as at 31st December 2021, and the income statement, 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 set out on pages 08 to 59.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31st December 2021, and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Basis for Opinion

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

Material Uncertainty Related to Going Concern

We draw attention to note 33 to the financial statements, which indicates that the Company recorded accumulated losses of Rs. 555,877,171/- as at 31 December 2021. The Company has also lower net asset position as at that date. As stated in Note 33, these events or conditions, along with other matters as set forth in said note, indicate that a material uncertainty exists that may cast substantial doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

Our opinion on the financial statements does not cover any other information and we will not express any form of assurance conclusion thereon. Management is responsible for the other information. These financial statements do not include any other information.

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INDEPENDENT AUDITORS' REPORT

Report on the Audit of the Financial Statements (Continued)

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

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

In preparing the financial statements, management is responsible for assessing the 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.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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INDEPENDENT AUDITORS' REPORT (Continued)

Report on the Audit of the Financial Statements (Continued)

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

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

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

A further description of the auditor's responsibilities for the audit of the financial statements is located at Sri Lanka Accounting and Auditing Standards website at: http://slaasc.com/auditing/auditorsresponsibility.php. This description forms part of our auditor's report.

Report on Other Legal and Regulatory Requirements

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

Further, it was noted that the Company's net assets are less than half of its stated capital and facing a serious loss of capital situation in terms of section 220 of the same Act for which the actions prescribed by the said Act are pending.

As required by section 47(2) of the Regulations of Insurance Industry Act, No 43 of 2000 and amendments thereto, as far as appears from our examination, the accounting records of the company have been maintained in the manner required by the rules issued by the Insurance Regulatory Commission of Sri Lanka, so as to clearly indicate the true and fair view of the financial position of the Company.

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Colombo, Sri Lanka
11 April 2022

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LIFE INSURANCE CORPORATION (LANKA) LIMITED
STATEMENT OF FINANCIAL POSITION
As at 31 December,

	Note	2021 Rs.	2020 Rs.
ASSETS			
Property, plant and equipment	5	**20,994,880**	22,297,920
Right of use asset	6	**25,470,825**	41,578,214
Investment property	7	**300,000,000**	240,000,000
Intangible assets	8	**-**	291,509
Financial investments	9	**2,837,601,801**	2,691,902,428
Loans to life policyholders	10	**96,313,986**	150,817,146
Premium receivables	11	**11,696,637**	7,674,994
Deferred tax asset	26.3	**20,450,096**	20,450,096
Other assets	12	**51,672,134**	49,734,465
Cash and cash equivalents	13	**89,714,562**	72,214,294
Total Assets		**3,453,914,921**	3,296,961,067
Equity and Liabilities			
Equity			
Stated capital	14	**839,015,838**	650,000,000
Accumulated losses		**(555,877,171)**	(695,416,324)
Available for sale reserve		**(14,670,975)**	44,358,730
Re-valuation reserve		**61,899,216**	61,899,216
Total Equity		**330,366,908**	60,841,622
Liabilities			
Insurance contract liabilities -life	15	**2,929,298,352**	2,996,632,450
Employee obligation	16	**20,533,557**	16,111,079
Premium deposits	17	**57,502,188**	9,793,935
Trade and other payables	18	**116,213,916**	213,581,981
Total Liabilities		**3,123,548,013**	3,236,119,445
Total Equity and Liabilities		**3,453,914,921**	3,296,961,067

The Notes to the Financial Statements form an integral part of these Financial Statements.

These financial statements are in compliance with the requirments of the Companies Act No. 07 of 2007.

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Finance Manager

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

Signed for and on behalf of the Board,

....
Director
Colombo, Sri Lanka
11 April 2022

....
Director

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LIFE INSURANCE CORPORATION (LANKA) LIMITED
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the year ended 31 December,

	Note	2021 Rs.	2020 Rs.
Gross written premiums	19	1,004,700,367	714,127,025
Premiums ceded to reinsurers		(3,954,321)	(3,986,163)
Net earned premiums		1,000,746,046	710,140,862
Other revenue			
Investment income	20	273,961,087	276,474,890
Realised gains	21	45,538,043	23,362,718
Fair value gains and losses	22	(45,269,446)	(25,366,738)
Fair value gain - investment property	7	57,889,762	34,471,730
Other income	23	8,523,084	5,951,463
Other revenue		340,642,529	314,894,063
Net income		1,341,388,575	1,025,034,925
Net benefit and claims			
Gross benefits and claims paid	24	(879,021,847)	(632,138,048)
Claims ceded to reinsurers		-	13,970,843
Gross change in contract liabilities and retained surplus	15	57,133,778	(415,134,412)
Underwritting and net acquisition costs		(89,149,325)	(73,284,955)
Other operating and administrative expenses	25	(256,666,914)	(265,432,415)
Finance cost		(33,565,825)	(24,159,829)
Total benefits claims and other expenses		(1,201,270,134)	(1,396,178,816)
Profit/ (loss) before tax		140,118,440	(371,143,891)
Income tax expense	26	-	-
Profit/ (loss) for the year		140,118,440	(371,143,891)
Other comprehensive income, net of tax:			
Items that are or may be reclassified subsequently to profit or loss			
- Net change in fair value of available-for-sale financial assets		(59,029,705)	42,603,618
Items that will not be reclassified to profit or loss			
- Actuarial gains/(losses) on defined benefit plans		(579,286)	(2,375,986)
Total other comprehensive income/(loss) for the year, net of income tax		(59,608,991)	40,227,632
Total comprehensive income/(loss) for the year		80,509,449	(330,916,259)
Basic Earnings/ (Loss) per share (Rs.)	26	2.16	(6.06)

The Notes to the financial statements form an integral part of these financial statements.
Figures in brackets indicate deductions.

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LIFE INSURANCE CORPORATION (LANKA) LIMITED
STATEMENT OF CHANGES IN EQUITY

	Note	Stated capital	Revaluation reserve	Available for sale reserves	Retained earnings	Stated Capital in advance	Total
		Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Adjusted balance as at 01 January 2020		500,000,000	61,899,216	1,755,112	(321,896,447)	150,000,000	391,757,881
Profit / (Loss) for the year		-	-	-	(371,143,891)	-	(371,143,891)
Other comprehensive income for the year							-
-Net change in fair value of available-for-sale financial assets		-	-	42,603,618	-	-	42,603,618
-Related tax		-	-	-	-	-	-
-Actuarial gains on defined benefit plans		-	-	-	(2,375,986)	-	(2,375,986)
							-
Shares issued during the year		150,000,000	-	-	-	(150,000,000)	-
Total other comprehensive income/(loss) for the year		150,000,000	-	42,603,618	(2,375,986)	(150,000,000)	40,227,632
Total comprehensive income/(loss) for the year		150,000,000	-	42,603,618	(373,519,877)	(150,000,000)	(330,916,259)
Balance as at 31st December 2020		650,000,000	61,899,216	44,358,730	(695,416,324)	-	60,841,622
Balance as at 01 January 2021		**650,000,000**	**61,899,216**	**44,358,730**	**(695,416,325)**	**-**	**60,841,621**
Profit for the year		**-**	**-**	**-**	**140,118,440**	**-**	**140,118,440**
Other comprehensive income for the year		**-**	**-**	**-**	**-**	**-**	**-**
-Net change in fair value of available-for-sale financial assets		**-**	**-**	**(59,029,705)**	**-**	**-**	**(59,029,705)**
-Acturial loss on defined benfit plans					**(579,286)**		**(579,286)**
Issue of shares		**189,015,838**	**-**	**-**	**-**		**189,015,838**
Total other comprehensive income/(loss) for the year		**189,015,838**	**-**	**(59,029,705)**	**(579,286)**	**-**	**129,406,847**
Total comprehensive income/(loss) for the year		**189,015,838**	**-**	**(59,029,705)**	**139,539,154**	**-**	**269,525,288**
Balance as at 31st December 2021		**839,015,838**	**61,899,216**	**(14,670,975)**	**(555,877,171)**	**-**	**330,366,908**

Nature and purpose of reserves

a. Revaluation reserve - The revaluation reserve relates to the revaluation of land and building immediately before its reclassification as investment property.
b. Available for sale reserve - The cumulative net change in the fair value of AFS investments

The Notes to the financial statements form an integral part of these financial statements.
Figures in brackets indicate deductions.

LIFE INSURANCE CORPORATION (LANKA) LIMITED
STATEMENT OF CASH FLOWS

For the Year Ended 31 December,	Note	2021 Rs.	2020 Rs.
Cash flow from operating activities			
Profit/ (loss) before tax		**140,118,440**	(371,143,892)
Adjustments for:			
Interest income	**20**	**(262,225,292)**	(272,331,255)
Dividend income	**20**	**(11,735,795)**	(4,143,635)
Amortisation of intangible assets	**8**	**291,509**	373,333
Depreciation of property, plant and equipment	**5**	**9,782,754**	9,892,760
Depreciation of right of use asset	**6**	**16,107,390**	21,765,480
Interest on lease liability	**18**	**2,908,936**	4,572,285
Provision for employee benefits	**16**	**4,041,977**	2,703,488
Net fair value (gain)/losses	**22**	**45,269,446**	25,366,738
Net realized gain on investments at fair value through profit or loss	**21**	**(45,538,043)**	(23,362,718)
Adjustments			
Loss/(profit) on sale of property, plant and equipment	**23**	**166,546**	(22,900)
		(100,812,131)	(606,330,317)
Changes in working capital			
(Increase)/Decrease in loans to life policyholders	**10**	**54,503,160**	30,122,584
(Increase)/Decrease in premium receivables	**11**	**(4,021,643)**	(3,065,644)
(Increase)/Decrease in other assets	**12**	**(1,937,668)**	(3,008,516)
Increase/(Decrease) in other liabilities	**18**	**(97,761,428)**	103,150,773
Increase/(Decrease) in insurance contract liabilities	**15**	**(57,133,778)**	423,642,180
Increase/(decrease) in premium deposits	**17**	**47,708,253**	328,175
Cash flow from operating activities		**(159,455,236)**	(55,160,765)
Gratuity paid	**16**	**(198,785)**	(570,733)
Net cash used in operating activities		**(159,654,021)**	(55,731,498)
Cash flow from investing activities			
Net acquisition of investment securities	**9**	**(202,921,046)**	(147,650,069)
Interest received		**216,809,743**	246,290,237
Dividend received	**20**	**11,735,795**	4,143,635
Acquisition of property, plant and equipment	**5**	**(8,690,360)**	(2,280,367)
Proceeds from the sale of property, plant and equipment		**44,100**	22,900
Net cash generated from investing activities		**16,978,232**	100,526,337
Cash flow from financing activities			
Proceeds on share issue	**14**	**189,015,838**	-
Repayments of lease liability	**18**	**(28,839,785)**	(24,205,003)
Net cash generated from/ (used in) financing activities		**160,176,053**	(24,205,003)
Net increase/ (decrease) in cash and cash equivalents		**17,500,268**	20,589,836
Cash and cash equivalents at the beginning of the year		**72,214,294**	51,624,458
Cash and cash equivalents at the end of the year		**89,714,562**	72,214,294

The Notes to the Financial Statements form an integral part of these Financial Statements.
Figures in brackets indicate deductions.

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1. CORPORATE INFORMATION

1.1 Reporting entity

Life Insurance Corporation (Lanka) Limited, ("the Company") is a public company incorporated on 7thOctober 2002 and domiciled in Sri Lanka. The registered office is situated at No. 65, Braybrooke Place, Colombo 2 and the principal place of business is situated at 29/2, Sharnell Building, Visaka Road, Colombo 4.

1.2 Principal Activities and Nature of Operations

The Principal activity of the Company is life insurance business.

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

1.3 Parent Entity and Ultimate Parent Entity

The Company is 80% owned by Life Insurance Corporation of India which is the immediate and ultimate holding company.

1.4 Number of employees

The staff strength of the Company as at December 31, 2021 was 99(2020 was 100).

2. BASIS OF PREPARATION

2.1 Statement of compliance

The Financial Statements of the Company which comprise the statement of financial position, statement of profit or loss and other comprehensive income, statement of changes in equity, statement of cash flows and notes thereto have been prepared in accordance with the Sri Lanka Accounting Standards (SLFRSs and LKASs) laid down by the Institute of Chartered Accountants of Sri Lanka, and comply with the requirements of Companies Act No 7 of 2007 and the Regulation of Insurance Industry Act, No. 43 of 2000.

Approval of financial statements

The Board of Directors of the Company is responsible for the preparation and presentation of the Financial Statements as per the provisions of the Companies Act No. 07 of 2007 and Sri Lanka Accounting Standards (SLFRSs and LKASs).

The financial statements for the year ended 31December 2021 were authorized for issue by the directors on 11th April 2022.

2.2 Basis of Measurement

The Financial Statements have been prepared on the historical cost basis and applied consistently with no adjustments being made for inflationary factors affecting the Financial Statements, except for the following;

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- Financial instruments classified as fair value through profit or loss are measured at fair value(Note 3.2)
- Available-for-sale financial assets are measured at fair value(Note 3.2)
- Life insurance fund has been measured at actuarially determined values(Note 3.9)
- Liability for defined benefit obligations is recognized at the present value of the defined benefit Obligation(Note 3.10.3)
- Re-valuation of land and building held as investment property.(Note 3.4)
- Going concern basis for accounting

2.3 Functional and presentation currency

The Financial Statements are presented in Sri Lankan Rupees, which is the Company's functional currency.

2.4 Use of Estimates and Judgments

The preparation of Financial Statements in conformity with Sri Lanka Accounting Standards requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

Information about significant areas of estimation, uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the Financial Statements are described in the relevant notes as follows;

2.4.1 Significant accounting judgements

Information about judgments made in applying accounting policies that have the most significant effects on the amounts recognised in these Financial Statements are as follows:

- Lease terms-Extension option- (Note 3.5)
- Classification of financial assets (Note 3.2)
- Classification of insurance, reinsurance and investment contracts: assessing whether the contract transfers significant insurance risk and whether an insurance contract contains direct participation features (Note 3.1)

2.4.2 Accounting assumptions and estimate uncertainties

Information about assumptions and estimation uncertainties that have a significant risk of resulting in material adjustments for the year ended 31 December 2021 are included in the following notes.

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- Insurance contract liabilities and key actuarial assumptions(Note 3.9)
- Liability Adequacy Test (LAT)(Note 3.9)
- Fair value of land and building classified as investment property (Note 3.6)
- Measurement of defined benefit obligation: key actuarial assumptions (Note 3.10.3)
- Recognition of deferred tax asset (Note 3.19.2)
- Recognition and measurement of contingencies: key assumptions about likelihood and magnitude of an outflow of resources.

2.4.3 Insurance Contract Liabilities

The valuation of the Long-Term insurance business as at 31st December 2021 was carried out by the Consultant Actuary based on the assumptions set out in Note 4.2.1to the Financial Statements.

2.5 Materiality and Aggregation

Each material class of similar items is presented separately in the financial statements. Items of a dissimilar nature or function are presented separately unless they are immaterial as permitted by the Sri Lanka Accounting Standards.

2.6 Foreign currency transactions

All foreign exchange transactions are converted to the functional currency, at the rates of exchange prevailing at the time the transactions were affected. Insurance contracts which were underwritten in foreign currency are converted to functional currency at the rates of exchange prevailing at the time of underwriting and Revenue is recognised accordingly.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. Non- monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognized in profit or loss.

3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these Financial Statements, unless otherwise indicated.

3.1 Insurance contracts

As permitted by SLFRS 4 Insurance Contracts, the Company continues to apply the existing accounting policies for Insurance Contracts that were applied at the time of adoption of SLFRS.

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.

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Insurance contracts are those contracts when the 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 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.

Investment contracts are those contracts that transfer significant financial risk and no significant insurance risk. Financial risk is the risk of a possible future change in one or more of a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of price or rates, credit rating or credit index or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract.

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

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

Lability Adequacy Test (LAT)

At each reporting date, an assessment is made of whether the recognised life insurance liabilities are adequate by using an existing liability adequacy test as laid out under SLFRS 4. The liability value is adjusted to the extent that it is insufficient to meet future benefits and expenses. In performing the adequacy test, current best estimates of future contractual cash flows, including related cash flows such as claims handling and policy administration expenses, policyholder options and guarantees, as well as investment income from assets backing such liabilities, are used.

3.2 Financial instruments

The Company classifies non-derivative financial assets into the following categories: financial assets at fair value through profit or loss, held-to-maturity financial assets, loans and receivables and available-for-sale financial assets.

The Company classifies non-derivative financial liabilities into the other financial liabilities' category.

3.2.1 Non-derivative financial assets and financial liabilities – Recognition and de-recognition

The Company initially recognizes loans and receivables and debt securities issued on the date when they are originated. All other financial assets and financial liabilities are initially recognized on the trade date.

The Company de-recognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred, or it neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control over the transferred asset. Any interest in such de-recognized financial assets that is created or retained by the Company is recognized as a separate asset or liability.

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

3.2.2 Non-derivative financial assets – Measurement

Financial assets at fair value through profit or loss	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.
Held-to-maturity financial assets	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.
Loans and receivable	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. Loans and receivables comprise cash and cash equivalents, staff loans, and policy holder loans, including related party receivables. Quoted debentures have been classified as loans and receivables by considering the inactive nature, i.e. breadth and depth of the market.
Available-for-sale financial assets	These assets are initially recognized at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at fair value and changes therein, are recognized in other comprehensive income and accumulated in the fair value reserve. When these assets are derecognized, the gain or loss accumulated in equity is reclassified to profit or loss.

Reinsurance

The Company cedes insurance risk in the normal course of business to recognised 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 Company will receive from the reinsurer. The impairment loss, if any is recorded in profit or loss.

Ceded reinsurance arrangements do not relieve the Company from its obligations to policyholders.

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

Premium Receivable

Insurance receivables are recognised when due and measured on initial recognition at the fair value of the consideration receivable. Collectability of premiums is reviewed on an ongoing basis.

The Company decided to account for life insurance premiums on accrual basis in accordance with Sri Lanka Accounting Standards. Accordingly, due Life Insurance premiums (only the premiums due in the 30 day grace period) are recognized at each reporting date and will be reversed if the premiums are not settled during the subsequent month, and thus the policies will be lapsed as per the Company policy.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with original maturities of three months or less. Bank overdrafts that are repayable on demand form an integral part of the Company's cash management, are included as a component of cash and cash equivalents for the purpose of the statement of cash flow.

3.2.3 Non-derivative financial liabilities – Measurement

Non-derivative financial liabilities are initially recognized at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these liabilities are measured at amortized cost using the effective interest method.

The amortised cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount recognized and the maturity amount, minus any reduction for impairment.

3.2.4 Fair Value Measurement

SLFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

A Fair value measurement requires an entity to determine all the following,

1. the particular asset or liability that is the subject of the measurement

2. for a non-financial asset, the valuation premise that is appropriate for the measurement (consistently with its highest and best use)

3. the principal (or most advantageous) market for the asset or liability

4. the valuation technique(s) appropriate for the measurement, considering the availability of data with which to develop inputs that represent the assumptions that market participants would use when pricing the asset or liability and the level of the fair value hierarchy within which the inputs are categorized.

Fair value is a market-based measurement, not an entity-specific measurement. For some assets and liabilities, observable market transactions or market information might be available. For other assets and liabilities, observable market transactions and market information might not be available. However, the objective of a fair value measurement in both cases is the same to estimate the price at which an orderly transaction to sell the asset or to transfer the liability would take place between market participants at the measurement date under current market conditions (i.e. an exit price at the measurement date from the perspective of a market participant that holds the asset or owes the liability).

When a price for an identical asset or liability is not observable, an entity measures fair value using another valuation technique that maximizes the use of relevant observable inputs and minimizes the use of unobservable inputs. Because fair value is a market-based measurement, it is measured using the assumptions that market participants would use when pricing the asset or liability, including assumptions about risk. As a result, an entity's intention to hold an asset or to settle or otherwise fulfill a liability is not relevant when measuring fair value.

When an asset is acquired or a liability is assumed in an exchange transaction for that asset or liability, the transaction price is the price paid to acquire the asset or received to assume the liability (an entry price). In contrast, the fair value of the asset or liability is the price that would be received to sell the asset or paid to transfer the liability (an exit price).

When transaction price provides the best evidence of fair value at initial recognition, the financial instrument is initially measured at the transaction price and any difference between this price and the value initially obtained from a valuation model is subsequently recognised in profit or loss on an appropriate basis over the life of the instrument but not later than when the valuation is supported wholly by observable market data or the transaction is closed out.

3.2.5 Determination of Fair values

The determination of fair value for financial assets and liabilities for which there is no observable market price requires the use of valuation techniques. For financial instruments that trade infrequently and have little price transparency, fair value is less objective, and requires varying degrees of judgment depending on liquidity, concentration, uncertainty of market factors, pricing assumption and other risks affecting the specific instrument.

Level 1 - Fair value measurements using quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 - Fair value measurements using inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e.as prices) or indirectly (i.e. derived from prices);and

Level 3 - Fair value measurements using inputs for the asset or liability that are not based on observable market data (i.e. unobservable inputs).

3.2.6 Amortised cost measurement

The amortised cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment.

3.2.7 Reclassification

Reclassifications of financial assets, other than as set out below, or of financial liabilities between measurements categories are not permitted following initial recognition.

Held for trading non-derivative financial assets are transferred out of the held at fair value through profit or loss category in the following circumstances: to the available-for-sale category, where, in rare circumstances, they are no longer held for the purpose of selling or repurchasing in the near term; or to the loan and receivables category, where they are no longer held for the purpose of selling or repurchasing in the near term and they would have met the definition of a loan and receivable at the date of reclassification and the Company has the intent and ability to hold the assets for the foreseeable future or until maturity.

Financial assets are transferred out of the available for-sale category to the loan and receivables category where they would have met the definition of a loan and receivable at the date of reclassification and the Company has the intent and ability to hold the assets for the foreseeable future or until maturity.

Held-to-maturity assets are reclassified to the available-for sale category if the portfolio becomes tainted following the sale of other than an insignificant amount of held-to-maturity assets prior to their maturity.
Financial assets are reclassified at their fair value on the date of reclassification. For financial assets reclassified out of the available-for-sale category into loans and receivables, any gain or loss on those assets recognized in shareholder's equity prior to the date of reclassification is amortised to the profit or loss over the remaining life of the financial asset, using the effective interest method.

3.3 Impairment

3.3.1 Non-derivative financial assets.

Financial assets not classified at fair value through profit or loss, are assessed at each reporting date to determine whether there is objective evidence of impairment.

Objective evidence that financial assets are impaired includes default or delinquency by a debtor, restructuring of an amount due to the Company on terms that the Company would not consider otherwise, 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; or observable data indicating that there is a measurable decrease in the expected cash flows from a group of financial assets.

In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

Financial assets measured at amortised cost	The Company 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.
Available-for-sale financial assets	Impairment losses on available-for-sale financial assets are recognized by reclassifying the losses accumulated in the fair value reserve to profit or loss. The amount reclassified is the difference between the 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 statement of profit or loss; otherwise, it is reversed through OCI.

3.3.2 Non-financial assets

At each reporting date, the Company reviews the carrying amounts of its non-financial assets (other than 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

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, 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.

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

3.4 Property, Plant and Equipment

3.4.1 Recognition and measurement

Items of property and equipment are measured at cost less accumulated depreciation and accumulated impairment losses except for freehold land.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that asset.

KPMG Chartered Accountants

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

The gain or loss on disposal of an item of property and equipment is determined by comparing the proceeds from disposal with the carrying amount of the item of property and equipment, and is recognised in other income/other expenses in profit or loss.

3.4.2 Subsequent costs

The cost of replacing a component of an item of property or equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property and equipment are recognised in profit or loss as incurred.

3.4.3Depreciation

The Company provides depreciation from the date the assets are available for use up to the date of disposal, at the following rates on a straight-line basis over the periods appropriate to the estimated useful lives of the different types of assets.

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

Furniture and fittings	5 years
Office equipment	5 years
Name boards and sign boards	3 years
Motor vehicles	4 years
Computers hardware	3 years
Electric fittings	3 years
Lease hold improvements (Fixtures)	Based on Lease Agreement period

The assets' residual values, useful lives and methods of depreciation are reviewed, and adjusted if appropriate, at each financial year end.

3.4.4De-recognition

The carrying amount of an item of Property, Plant and Equipment is de-recognised on disposal or when no future economic benefits are expected from it. The gain or loss arising from de-recognition of an item of Property, Plant and Equipment is included in profit or loss when the item is de-recognised.

3.4.5 Revaluation

Land and building owned by the Company is re-valued to ensure the carrying amounts do not differ materially from the fair values at the reporting date. On revaluation of an asset, any increase in the carrying amount is recognized in other comprehensive income and accumulated in equity, under revaluation reserve or used to reverse a previous revaluation decrease relating to the same asset, which was charged to the statement of comprehensive income. Any decrease in the carrying amount is recognized as an expense in the statement of comprehensive income or debited in the other comprehensive income to the extent of any credit balance existing in the capital reserve in respect of that asset. The decrease recognized in other comprehensive income reduces the amount accumulated in equity under revaluation reserves. Any balance remaining in the revaluation reserve in respect of an asset is transferred directly to retained earnings on retirement or disposal of the asset.

3.5 Leases

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for a consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company assess whether:

- The contract involves the use of an identified asset—this may be specified explicitly or implicitly and should be physically distinct or represent substantially all the capacity of a physically distinct asset. If the supplies has substantive substitution right, then the asset is not identified;
- The Company has the right to obtain substantially all of the economic benefits from the use of the asset throughout the period of use; and
- The Company has the right to direct the use of the asset. The Company has the right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used.

As a lessee

At inception or on reassessment of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices. However, for leases of land and buildings in which it is a lease, the Company has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The Company 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 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 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 Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

The company determines its incremental borrowing rate by obtains interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Company is reasonably certain to exercise, lease payments in an optional renewal period if the is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

The lease liability is measured at amortised 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 Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The company presents right-of-use assets that do not meet the definition of investment properly in right-to-use asset and lease liabilities in trade and other payables in the statement of financial position.

Short-term leases and leases with low-value assets

The Company has elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets, if any. The Company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

3.6 Investment Property

Investment property is initially measured at cost and subsequently at fair value with any change therein recognised in profit or loss

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 recognised 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.

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

3.7 Intangible assets - Software

3.7.1 Basis of recognition

An intangible asset is recognized if it is probable that future economic benefits that are attributable to the asset will flow to the entity and the cost of the asset can be measured reliably.

All computer software cost incurred, licensed to be used by the Company, which are not integrally related to associated hardware, which can be clearly identified, reliably measured and it's probable that they will lead to future economic benefits, are included in the balance sheet under the category intangible assets and carried at cost less accumulated amortization and any accumulated impairment losses.

3.7.2 Subsequent Expenditure

Subsequent expenditure on software assets is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

3.7.3 Amortisation

Amortisation is recognized in profit or loss on a straight-line basis over the estimated useful life of the software, from the date that it is available for use since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. The estimated useful life of software is three years.

Amortisation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

3.7.4 De-recognition

An Intangible Asset is de-recognized on disposal or when no future economic benefits are expected from it. The gain or loss arising from the de-recognition of such Intangible Assets is included in profit or loss when the item is derecognized.

3.8 Stated Capital

3.8.1 Ordinary Share Capital

Ordinary Shares are classified as equity.

3.9 Insurance contract liabilities

3.9.1 Insurance Provision – Life Insurance

Life insurance liabilities are recognized when contracts are entered into and premiums are charged. These liabilities are measured by using the Gross Premium Valuation method as specified by the Insurance Regulatory Commission of Sri Lanka (IRCSL) based on the recommendation of the Independent 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 premiums that would be required to meet the future cash outflows based on the valuation assumptions used. The liability

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iscomputed based on IRCSL specified guidelines and current assumptions which vary based on the contract.

Furthermore, adjustments are performed to capture the likely liabilities that may arise due to currently lapsed contracts reviving in the future.

3.9.2 One Off Surplus Arising From Change In Policy Liability Valuation

Based on the letter issued by the Insurance Regulatory Commission of Sri Lanka (IRCSL) dated 30 December 2016, all insurance companies have been instructed to maintain the one-off surplus arising from change in policy liability valuation as at 31/12/2015 within the long-term insurance fund / insurance contract liabilities identified separately. Accordingly, the one-off surplus is identified separately within the insurance contract liabilities as "Surplus created due to changes in valuation method from NPV to GPV "and will not be transferred/ distributed until specific instructions are issued by IRCSL.

3.10 Employee benefits

3.10.1 Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Company 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.

3.10.2 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 recognised as an expense in profit and loss when incurred.

Employee Provident Fund

All employees of the Company are members of the Employees' Provident Fund (EPF). The Company and employees contribute 12% and 8% respectively of the salary to EPF.

Employees Trust Fund

All employees of the Company are members of the Employees' Trust Fund (ETF). The Company contributes 3% of the salary of each employee to ETF.

3.10.3 Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The defined benefit obligation is calculated annually by the Company, using internally generated method. The Company's net obligation in respect of defined benefit plan is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods. The assumptions based on which the results of the valuation were determined are included in the Note 16 to the Financial Statements.

The Company has obtained an insurance policy to meet the future defined benefit obligation. Based on the insurance policy the Company has recognised its right to

reimbursement as a separate asset. The insurance policy obtained is structured to meet the employee benefit obligation.
The Company recognizes all actuarial gains and losses arising from defined benefit plan in other comprehensive income and expenses related to defined benefit plans in staff expenses in profit or loss.

Provision has been made for retirement gratuities from the first year of service for all employees in conformity with the LKAS 19. However, 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.

3.11 Provisions

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

3.12 Capital Commitments and Contingencies

All discernible risks are accounted for in determining the amount of all known liabilities. Contingent liabilities are possible obligations whose existence will be confirmed only by uncertain future events or present obligations where the transfer of economic benefit is not probable or cannot be reliably measured. Contingent liabilities are not recognised in the Statement of Financial Position but are disclosed unless they are remote.

3.13 Revenue recognition

3.13.1 Insurance Premiums

Gross written premiums on life insurance contracts are recognised as revenue when payable by the policyholder (policies within the 30 day grace period are considered as due). Any premiums received in advance is not recorded as revenue and recorded as liability until the premium is due. Benefits and expenses are provided against such revenue to recognize profits over the estimated life of the policies.

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

3.13.2 Reinsurance premiums

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

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3.14 Interest income

Interest income is recognised 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 liabilities (or, where appropriate, a shorter period) to the carrying amount of the financial asset or liabilities. When calculating the effective interest rate, the 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 or liability.

3.15 Dividends

Dividend income is recognised when the right to receive income is established. Usually this is the ex-dividend date for equity securities. Dividends are presented in net trading income or net income from other financial instruments at fair value through profit or loss based on the underlying classification of the equity investment.

3.16 Reinsurance commission income

Reinsurance commission income on outwards reinsurance contracts arerecognised as revenue when receivable.

3.17 Benefits, claims and expenses

3.17.1 Gross benefits and claims

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.

3.17.2 Reinsurance claims recoveries

Reinsurance claims are recognised when the related gross insurance claim is recognised according to the terms of the relevant contract.

3.17.3 Acquisition Costs

All acquisition cost arerecognised as an expense when incurred.

3.18 Other Expenses

Other expenses are recognised on accrual basis. All expenditure incurred in the running of the business and in maintaining the property, plant and equipment has been charged to profit or loss.

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3.19 Income Tax expense

Income tax expense comprises current and deferred tax. Current and deferred taxes are recognised in profit and loss except to the extent that it relates to items recognised directly in equity, where then it is recognised in equity.

3.19.1 Current income tax

The Inland Revenue Department has issued Inland Revenue Act No. 24 of 2017 which was effective from 01st April 2018.

3.19.2 Deferred tax

Deferred taxation is provided using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the tax base of assets and liabilities, which is the amount attributed to those assets and liabilities for tax purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount substantively enacted by the reporting date.

Deferred tax liabilities are recognised for all taxable temporary differences. As at the date of the Statement of Financial Position, the Company has deferred tax liabilities arising from land revaluation, Property Plant and Equipment and the gain on available for sale financial investments.

Deferred tax assets, including those related to temporary tax effects of income tax losses and credits available to be carried forward, are recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be fully utilised. Deferred tax assets, if any, 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.

Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

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

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

3.20 Events Occurring after the Reporting Date

All material subsequent events have been considered and where appropriate, adjustments or disclosures have been made in the respective notes to the Financial Statements.

3.21 Comparative Information

The comparative information is re-classified wherever necessary to conform with the current year's classification in order to provide a better presentation.

3.22 Earnings Per Share (EPS)

The Company presents basic (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period.

3.23 Cash Flow Statement

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, Cash Flow Statements.

Cash and cash equivalents comprise short term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value. The cash and cash equivalents include cash in-hand, balances with banks and short-term deposits with banks.

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

3.23 Standards Issued but Not yet Effective

3.23.1 Standards issued but not yet effective which may have an Impact

SLFRS 9 Financial Instruments and Amendments to SLFRS 4 Insurance Contracts

SLFRS 9, issued in 2014, 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, including a new expected credit loss model for calculating impairment on financial assets, and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from LKAS 39. SLFRS 9 is effective for annual periods beginning on or after 1 January 2023 for insurance companies.

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 earlier of 2023 or adopting the revised SLFRS 4, which is currently expected to commence in 2023. An insurer may apply the temporary exemption from SLFRS 9 if, and only if:

(a) it has not previously applied any version of SLFRS 9, other than only the requirements for the presentation of gains and losses on financial liabilities designated as at fair value through profit or loss

(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.

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 not anticipated however that it will significantly change the company's total equity.

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 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 contacts under SLFRS 17 is represented by the recognition of the service provided to policy holders in the period (release of CSM), realise from non-economic risk (realise of risk adjustment) and investment profit.

SLFRS 17 is expected to have a substantial changes 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.

3.23.2 Standard Issued but Not Yet Adopted Which May Not Have a Significant Impact

A number of new standards are effective for annual periods beginning after 1 January 2021 and earlier application is permitted; however, the Company has not early adopted the new or amended standards in preparing these financial statements. The following amended standards and interpretations are not expected to have a significant impact on the Company's financial statements

A. Onerous contracts – Cost of Fulfilling a Contract (Amendments to LKAS 37)-The amendments apply for annual reporting periods beginning on or after 1 January 2022.

B. Other Standards

The following new and amended standards are not expected to have a significant impact on theCompany's financial statements.

- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to LKAS 16). The amendment applies to annual reporting periods beginning on or after 1 January 2022.

- Reference to Conceptual Framework (Amendments to SLFRS 3). The amendment applies to annual reporting periods beginning on or after 1 January 2022.
- Classification of Liabilities as Current or Non-current (Amendments to LKAS 1). The amendment applies to annual reporting periods beginning on or after 1 January 2023.
- Annual Improvements to SLFRS Standards 2018–2020. The amendments are effective for annual reporting periods beginning on or after 1 January 2022.
- Definition to Accounting Estimates (Amendments to LKAS 8). The amendment applies to annual reporting periods beginning on or after 1 January 2023.
- Deferred tax related to Assets and Liabilities arising from a single transactions (Amendments to LKAS 12). The amendment applies to annual reporting periods beginning on or after 1 January 2023.

4 Management of Insurance and Financial Risk

4.1 Introduction and Overview

The Company has implemented a risk management framework in order to identify, measure, mitigate and manage the various risks falling within credit, liquidity, market, operational and insurance categories. Risk reporting entails not only accounting but also the activities of risk management. The disclosures in the risk report largely adopt an economic view.

The Company has exposure to the following risks;

- Insurance risk
- Financial risk
  - ✓ Credit risk
  - ✓ Liquidity risk
  - ✓ Market risk
  - ✓ Operational risk
  - ✓ Capital Management

This section deals in detail with the various risks from insurance contracts and describe uncertainties in measuring them. In accordance with the requirements of SLFRS 4, the effects of a change in the assumptions underlying the measurement of insurance contracts and / or in the market environment are also quantified. In relation to financial instruments, SLFRS 7 stipulates that the disclosures must comprise information on the maximum credit risk exposure, the remaining terms, the rating, and a sensitivity analysis regarding the market risk. This information is also relevant for assessing the risk stemming from financial instruments.

4.2 Insurance Risk

By the very nature of an insurance contract, risk is based on fortuity and is therefore unpredictable. The risk under any insurance contract is the possibility that the insured event occurs and the uncertainty regarding the amount of the resulting claim.

For a portfolio of insurance contracts where the theory of probability is applied to pricing and provisioning, the principal risk that the Company faces is that the actual claim and benefit payments exceed the carrying amount of the insurance liabilities. This could occur because the frequency or severity of claims and benefits are greater than estimated. Insurance events are random, and the actual number and amount of claims and benefits will vary from year to year from the level established using statistical techniques.

Table A: Risk management procedures adopted by the Company to manage insurance risk

Area	Risk management procedure
Underwriting discipline	• Limits are set on underwriting capacity, and authority granted to individuals based on their specific expertise. • Only registered laboratories are used when obtaining medical reports and medical reports are sent to General Insurance Corporation (Re-Insurer)when the sum assured is above the threshold determined in the agreement. • Appropriate pricing guidelines have been set, with a focus on consistent technical pricing across the organization.
Reinsurance The Company obtains reinsurance to limit its exposure to individual risks and aggregation of risks arising from individual large claims and catastrophe events. The types of reinsurance obtained are as follows; ✓ Excess of loss reinsurance obtained to protect a range of individual inwards contracts which could give rise to individually large claims. ✓ Facultative reinsurance obtained to reduce risk relating to an individual specific inwards contract.	• Review adequacy of reinsurance support for catastrophe / extreme events on a regular basis. • Re- Insurance is done with the General Insurance Corporation of India.
Claims The possibility of adverse variance in claim pattern of the product which is not expected at the product development	• Obtaining adequate reinsurance cover. • Adequate information is gathered to confirm the event occurredprior to processing the claim.

stage.	• Management closely monitors claim reserves.

4.2.1 Life Insurance Contracts

Concentration risk

The Company defines concentration risk in the life business as the risk of exposure to increased losses associated with inadequately diversified portfolios of assets and /or obligations.

A more diversified portfolio of risks is less likely to be affected across the board by a change in any subset of risks.

Any potential change in the mix of the portfolio could significantly alter the nature of the overall risk. Hence the Executive Committee reviews risks inherent in all new business propositions against the risk appetite of the life business.

Risk Management–

Life insurance products include protection and annuity covers.

Protection products carry mortality, longevity and morbidity risks as well as market and credit risk. The most significant factors that could increase the frequency of mortality claims are epidemics, such as strains of influenza, or lifestyle changes such as eating, drinking and exercise habits, resulting in earlier or more claims than expected. Morbidity claims experience would not only be affected by the factors mentioned above, but because disability is defined in terms of the ability to perform an occupation, it could also be affected by economic conditions. In order to reduce cross-subsidies in the pricing basis, premiums are differentiated, where permitted, for example by product, age, gender and smoker status. The policy terms and conditions and the disclosure requirements contained in insurance applications are designed to mitigate the risk arising from non-standard and unpredictable risks that may result in severe financial loss.

In the life annuity business, the most significant insurance risk is continued medical advances and improvement in social conditions that lead to increase in longevity. Annuitant mortality assumptions include allowance for future mortality improvements.

In addition to the specific risks listed above, the Company is exposed to policyholder behavior and expense risks. Policyholder behavior risk is mitigated by product designs that match revenue and expenses associated with the contract as closely as possible. Expense risk is mitigated by careful control of expenses and by regular expense analyses and allocation exercises.

Certain life insurance contracts contain guarantees for which liabilities have been recorded for additional benefits and minimum guarantees.

The Company is exposed to two main types of concentration risks in its life business:

- Market risk: Interest rate guarantees expose the Company to financial losses that may arise as a result of adverse movements in financial markets.

- Insurance risk: Main factors include mortality risk, morbidity risk, longevity risk, policyholder behavior risk (lapse, anti-selection) and expense risk.

Accordingly having a well-diversified portfolio of products reduces risk associated with the life business.

The Company's exposure to life insurance risks varies significantly by the product lines and may change over time.

The insurance risk described above is also affected by the contract holder's right to pay reduced premiums or no future premiums, to terminate the contract completely or to exercise guaranteed annuity options. As a result, the amount of insurance risk is also subject to contract holder behavior.

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Table B: Concentration risk within the life business

Description	Insurance contract liabilities As at 31 December 2021 (Rs'000)	Insurance contract liabilities As at 31 December 2020 (Rs'000)
Participating	1,349,472	1,095,950
Non-participating	1,469,787	1,780,442
Life insurance fund-Surplus Created due to Change in Valuation	109,044	109,044
Total	**2,928,303**	**2,985,436**

Assumptions in Determining Life Insurance Contract Liabilities

Life insurance contracts, estimates are made in two stages. At inception of the contract, the Company determines assumptions in relation to future deaths, voluntary terminations, investment returns and administration expenses. Subsequently, new estimates are developed at each reporting date to determine whether liabilities are adequate in the light of the latest current estimates. Improvements in estimates have no impact on the value of the liabilities and related assets, while significant enough deteriorations in estimates have an impact.

Sensitivity Analysis

The table C presents the sensitivity of the value of insurance liabilities disclosed in this note to movements in the assumptions used in the estimation of insurance liabilities. For liabilities under life insurance contracts with fixed and guaranteed terms, changes in assumptions will not cause a change to the amount of the liability, unless the change is severe enough to trigger a liability adequacy test adjustment.

No adjustments were required in 2021 or 2020, based on the results of the liability adequacy test. The table C indicates the level of the respective variable that will trigger an adjustment and then indicates the liability adjustment required as a result of a further deterioration in the variable.

Table C: Sensitivity of the value of insurance liabilities for the year ended 31 December 2021

Assumption	Change in assumptions	Impact on liabilities
Mortality	+10%	100.18%
	-10%	99.82%
Discount rate	+50 basis points	98.20%
	-50 basis points	101.87%

4.3 Financial Risk

4.3.1 Introduction and overview

The Company is exposed to a range of financial risks through its;

- Financial assets
- Financial liabilities
- Reinsurance receivables and
- Insurance liabilities

In particular, the key financial risk is investment proceeds not being sufficient to fund the obligations arising from insurance contracts. The key risk categories are;

- Credit risk
- Liquidity risk
- Market risk
- Operational risk

4.3.2 Credit Risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss to the other party by failing to discharge an obligation. The Company's credit risk could mainly arise from;

- Financial investments in debt securities
- Reinsurance receivable
- Premiums receivable
- Loans to Life policyholders and others
- Cash and cash equivalents and
- Other financial receivables

The Company manages credit risk exposure within parameters that reflect the Company's strategic objectives and risk tolerance. Sources of credit risk are identified, assessed and monitored, and the Company has policies to manage the specific risks within the various subcategories.

Credit Risk Exposure

The Company's exposure to credit risk as at the balance sheet date is given in table D with the comparative figures and has been derived as per the company risk management policy of using the carrying values in the statement of financial Positions.

Table D: Credit risk exposure

As at 31 December	2021 Rs.'000	% of allocation	2020 Rs.'000	% of allocation
Financial Investments*				
Debt securities - Held to maturity	1,167,219	48%	1,112,895	46%
Debt securities - Loans and receivables	1,065,891	44%	1,042,209	43%
Debt securities - Available for sale	189,254	8%	253,395	11%
Total debt securities	**2,422,365**	**100%**	**2,408,499**	**100%**
Life Policyholders loans	96,313	41%	150,817	56%
Premiums receivable	11,697	5%	7,675	3%
Other financial assets	32,473	14%	37,949	14%
Cash and cash equivalents	89,715	40%	72,214	27%
Total credit risk exposure	**230,198**	**100%**	**269,912**	**100%**

The Company is exposed to credit risk on securities issued by third parties. The Company limits its exposure by analysing the creditworthiness of each debt security investment. The credit worthiness of a potential debt security investment is assessed mainly through ratings assigned to the issuing institution or the ratings assigned to an issue. The debt security investments are broadly categorized into investments in government securities and investments in corporate debt securities.

Table E: Credit risk - financial investments in Debt securities

As at 31 December	2021		2020	
	Rs.000	% of total	Rs.000	% of total
Government securities and related institutions	1,356,473	85%	1,366,290	85%
Corporate debt securities.	234,878	15%	233,378	15%
Total	**1,591,351**	**100%**	**1,598,668**	**100%**

Table F: Corporate debt security allocation - credit rating wise

As at 31 December	2021		2020	
Rating	Rs.000	% of total	Rs.000	% of total
AAA+	-	-	-	-
AAA	46,436	20%	-	-
AAA-	-	-	-	-
AA+	-	-	-	-
AA	-	-	27,824	12%
AA-	41,145	17%	53,549	23%
A+	35,274	15%	5,450	2%
A	108,396	46%	26,926	11%
A-	116,002	49%	116,002	50%
BBB+	3,627	2%	3,627	2%
BBB	-	-	-	12%
BBB-	-	-	-	
Total	**234,878**	**100%**	**233,378**	**100%**

4.3.2.1 Credit risk relating to Reinsurance Receivable

As part of its overall risk management strategy, The Company cedes insurance risk through proportional, non-proportional and specific risk reinsurance treaties. While these mitigate insurance risk, the recoverable from reinsurers and receivables arising from ceded reinsurance exposes the Company to credit risk.

Reinsurance is placed in line with policy guidelines approved by the Board of Directors on an annual basis in line with the guidelines issued by the Insurance Board of Sri Lanka and concentration of risk is managed by reference to counterparties' limits that are set each year and are subject to regular reviews.

4.3.2.2 Credit Risk relating to Loans to Life Policyholders and Others

The credit risk exposure arising from loans granted to policyholders, staff and field staff are as follows;

Table G

Loan category	2021 Rs.'000	2020 Rs.'000
Policyholders	96,313	150,817
Staff loans	10,192	8,925
Loans to agents	764	824
Total	**107,269**	**161,823**

A loan issued by an insurance company considers the surrender value of the life policy as collateral. As at the reporting date, the value of policy loans granted amounted to Rs. 15million (2020 – Rs.25million).

The Company grants loan facilities to staff including field staff after a robust process of evaluating the credit worthiness of the individual, value of the facility and the related collateral.

4.3.2.3 Credit Risk relating to Cash and Cash Equivalents

The Company held cash and cash equivalents of Rs. 89.7Mn as at 31st December 2021 (2020: Rs. 72.2Mn), which presents its maximum credit exposure on these assets.

4.3.3 Liquidity Risk

Liquidity risk is the risk that the Company may not have sufficient liquid financial resources to meet its obligations when they fall due, or would have to incur excessive costs to do so. In respect of catastrophic / unexpected large claim events there is also a liquidity risk associated with the timing differences between gross cash outflows and expected reinsurance recoveries.

The following policies and procedures are in place to mitigate the exposure to liquidity risk:

- The Investment Committee manages this risk by diversifying investment durations and reviewing cash flow projections regularly.

- Guidelines are set for asset allocations, portfolio limit structures and maturity profiles of assets, in order to ensure availability of sufficient funding to meet insurance and investment contract obligations.
- Reinsurance contracts contain clauses permitting the immediate draw down of funds to meet claim payments should claim events exceed a certain size.

Maturity Profiles

The table Hsummaries the maturity profiles of non-derivative financial assets and financial liabilities based on remaining undiscounted contractual obligations, including interest payable and receivable.

For insurance contracts liabilities and reinsurance receivables, maturity profiles are determined based on estimated timing of net cash outflows from the recognised insurance liabilities.

Table H: Maturity Profile

31 December 2021	Carrying Amount Rs. 000'	Current Rs. 000'	Non Current Rs. 000'	No Maturity Rs. 000'	Total Rs. 000'
Financial investments					
Held to maturity	1,167,219	-	1,167,219	-	1,167,219
Loans and receivables	1,065,891	-	1,065,891	-	1,065,891
Available-for-sale	189,254	-	189,254	-	189,254
Financial assets at fair value through profit or loss	415,237	-	-	415,237	415,237
Life Policyholders loans	96,313	-	96,313	-	96,313
Premiums receivable	11,697	11,697	-	-	11,697
Other financial assets	32,473	32,473	-	-	32,473
Cash and cash equivalents	89,714	89,714	-	-	89,714
Total undiscounted assets	**3,067,798**	**134,154**	**2,518,677**	**415,237**	**3,067,798**
Insurance contract liabilities - life	2,929,298	-	2,929,298	-	2,929,298
Reinsurance payable	3,954	3,954	-	-	3,954
Other financial liabilities	87,440	87,440	-	-	87,440
Lease liability	20,522	4,479	16,042	-	20,522
Total undiscounted liabilities	**3,041,214**	**95,873**	**2,945,340**	-	**3,041,214**
Total liquidity excess	**26,584**	**38,281**	**(426,663)**	**415,237**	**26,584**

31 December 2020	Carrying Amount Rs. 000'	Current Rs. 000'	Non Current Rs. 000'	No Maturity Rs. 000'	Total Rs. 000'
Financial investments					
Held to maturity	1,112,895	-	1,112,895	-	1,112,895
Loans and receivables	1,042,209	-	1,042,209	-	1,042,209
Available-for-sale	253,395	-	253,395	-	253,395
Financial assets at fair value through profit or loss	283,403	-	-	283,403	283,403
Life Policyholders loans	150,817	-	150,817	-	150,817
Premiums receivable	7,675	7,675	-	-	7,675
Other financial assets	37,949	37,949	-	-	37,949
Cash and cash equivalents	72,214	72,214	-	-	72,214
Total undiscounted assets	**2,961,814**	**117,838**	**2,560,573**	**283,403**	**2,961,814**
Insurance contract liabilities - life	2,996,632	-	2,996,632	-	2,996,632
Reinsurance payable	6,244	6.244	-	-	6,244
Other financial liabilities	160,477	160,477	-	-	160,477
Lease liability	46,453	19,373	27,080	-	46,453
Total undiscounted liabilities	**3,209,806**	**186,094**	**3,023,712**	**-**	**3,209,806**
Total liquidity deficit	**(247,992)**	**(68,256)**	**(463,139)**	**283,403**	**(247,992)**

4.3.4 Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risks:

- Equity price risk
- Foreign exchange risk and
- Interest rate risk

Exposure to market risk on these products is limited to the extent that income arising from asset management charges is based on the value of assets in the fund.

4.3.4.1 Equity Price Risk

Listed equity securities are susceptible to market price risk arising from uncertainties of future values of the investment securities. The Company manages the equity price risk through diversification and placing limits on individual and total equity portfolio investments. The Company's equity risk management policies are;

- Equity investment decisions are based on fundamentals rather than on speculation.
- Decisions are based on in depth macroeconomic and industry analysis as well as research reports on company performance

The risk exposure to listed equity securities as at 31st December 2021 with the comparatives
are as follows;

Table I: Listed Equity Investment

Segment	2021 Rs.'000	2020 Rs.'000
Investment in equity shares	327,403	200,481
Total	**327,403**	**200,481**

The Company has no significant concentration of equity price risk as it has a diversified portfolio. The table J shows the sector diversity of quoted equity investments of the Company.

Table J: Portfolio diversification of equity investments

Sector	2021		2020	
	Rs.'000	%of total	Rs.'000	%of total
Banks Finance and Insurance	81,539	25%	90,929	46%
Beverage Food and Tobacco	114,258	35%	-	-
Chemical Pharms	1,920	0.05%	2,193	1%
Constructions	5,258	1.6%	20,493	10%
Diversified Holdings	45,571	14%	1,273	0.6%
Manufacturing	34,824	11%	-	-
Materials	-	-	24,417	11%
Oil palms	-	-	40,236	20%
Plantations	-	-	-	-
Capital Goods	-	-	20,746	11%
Health Care	-	-	-	-
Hotel Travel	23,975	7%	-	-
Household & Personal	1,586	-	-	-
Land Property	-	-	-	-
Trading	7,467	0.04%	194	0.4%
Investment & Trust	10,772	3.3%	-	-
Motors	233	0.007%	-	-
Power	-	-	-	-
Total	**327,403**	**100%**	**234,601**	**100%**

Table K: Sensitivity

The following table demonstrates the sensitivity of the Company's equity portfolio.

2021	5% increase in market price	5% decrease in market price
	P&L Impact (Rs)	**P&L Impact (Rs)**
Financial assets held for trading	32,740,299	(32,740,299)
2020	**5% increase in market price**	**5% decrease in market price**
	P&L Impact (Rs)	**P&L Impact (Rs)**
Financial assets held for trading	10,024,053	(10,024,053)

4.3.4.2 Foreign Exchange Risk

Currency risk is the risk of loss resulting from changes in exchange rates. The Company's principal operation is based in Sri Lanka, therefore it is not exposed to the financial impact arising from changes in the exchange rates of various currencies.

4.3.4.3 Interest Rate Risk

Interest rate risk is the risk of fluctuation of the value or cash flows of an instrument due to changes in market interest rates.

The Company has adopted the following policies to manage interest rate risk.

- The Investment Committee members keep a regular track of macroeconomic scenarios and their likely impact on interest rates
- Initial recognition of investments is closely monitored

Floating rate instruments expose the Company to cash flow fluctuations, whereas fixed interest rate instruments expose the Company to changes in fair values.

As at31 December 2021 there were no cash flow interest rate exposures, as the Company did not have any floating rate investments. However, The Company is exposed to fair value fluctuations on fixed rate investments which are measured at fair value.

4.3.5 Operating Risk

Operational risk is the risk of loss arising from system failure, human error, fraud or external events. When controls fail to perform, Operational risks can cause damage to reputation, have legal or regulatory implications or can lead to financial losses. The Company cannot expect to eliminate all operational risks, but by initiating a rigorous control framework and by monitoring and responding to potential risks, the Company is able to manage the risks.

Controls to manage the Operational Risk includes effective segregations of duties, access controls, authorization and reconciliation procedures, staff education and assessment processes, including the use of internal audit. Business risk such as changes in

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environment, technology and the industry are monitored through the Company's strategic planning and budgeting process.

4.3.6 Regulatory capital - Risk Based Capital (RBC) Framework

As a regulator of the industry, Insurance Regulatory Commission ofSri Lanka has implemented a Risk Based Capital (RBC) Framework tomonitor insurance companies in the country.

This framework, based on emerging international standards andgood practices in developed countries, is risk focused. It reflects therelevant risks that the insurance companies face. The minimum capitalprescribed under the framework, which includes a consistent approachto the valuation of assets and liabilities, will serve as an effectivebuffer to absorb losses. With greater transparency, it will facilitatecomparisons across insurance companies. .It will also provide clearerinformation on the financial strength of the Company.

Risks involved in order to comply with new RBC Framework

- Changing business strategy to align with the new regulatoryenvironment
- Increase in compliance cost

Risk response to capital management

- In preparation for the adoption of the RBC Framework,the Company already uses appointed actuaries service.
- Closely follow up RBC guideline issued by IRCSL.

Summary of Company's compliances to the RBC framework describeas following table.

As at 31 December	2021 (Rs 000')	2020 (Rs 000')
Total Available Capital	565,340	485,940
Risk Based Capital Requirement	309,810	338,700
Risk Based Capital Adequacy Ration	182%	143%
Minimum Capital Requirement	500,000	500,000
Capital Adeqacy Satisfied	Yes	No

4.4Impact of COVID 19

The Coronavirus Disease 2019 ("COVID-19") pandemic and measures taken to prevent its spread has significantly impacted to Sri Lankan business industries, disrupting their operations, financial, risk management and internal control systems for the year ended 31December 2021. The COVID-19 pandemic continues to evolve and develop. Given these uncertainties, the Company had to consider additional assumptions, estimates and judgements in relating to COVID -19 pandemic in preparing the Financial Statements for the year ended 31 December 2021.

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The Company has evaluated implications to financial statements due to the COVID-19 outbreak considering the key areas in the Financial Statements for the year ended 31 December 2021 as disclosed below.

4.4.1 Financial instruments

(a) Credit risk

To respond to the credit risk under COVID-19 pandemic the Company implemented several initiatives such as periodic review of the creditworthiness of its counterparties using external ratings, financial statements reviews, and industry information. Further, economic environment was scrutinized in response to Covid-19 pandemic limiting exposure to counterparties who were severely affected.

(b) Liquidity risk

The Company has taken action to mitigate the impact on liquidity due to COVID-19 pandemic, including reducing capital expenditure and operating expenditure. Further the Company revisited its investment strategy and provide guideline to make investments in low-risk investments. In addition to that the Company regularly monitor cash inflows and outflows.

(c) Interest rate risk

The global outbreak of the novel COVID-19 pandemic and current economic condition have resulted in a consecutive increase in policy rates and monetary easing policies by CBSL. Further there is a increase in yield of Treasury bill and bond Market. As at31 December 2021 there were no cash flow interest rate exposures, as the Company did not have any floating rate investments.

(d)Market risk

The COVID-19 pandemic has significantly affected financial markets in the first quarter of 2021. Stock market has declined sharply, and volatility has been increased significantly and market became inactive for certain period. The stock market has returned to its normal operations in quarter 03 and 04 and therefore quoted market prices were used to determine fair value of equity instruments.

4.4.2 Property plant and equipment and leases

The Management has assessed the potential impairment loss of property, plant and equipment as at 31 December 2021. Based on the assessment, the Company does not foresee any indications of impairment as at the reporting date due to the COVID-19 pandemic, and functions under the business continuity plan allowing operations to function through alternate working arrangements, whilst strictly adhering to and supporting government directives.

4.4.3 Insurance Contract Liabilities

The liability for Life Insurance contracts is either based on current assumptions or on assumptions established at the inception of the contract, reflecting the best estimate at the time increased with a margin for risk and adverse deviation.

All contracts are subject to a liability adequacy test, which reflect management's best current estimate of future cash flows. The main assumptions used are mortality, morbidity, longevity, investment returns, expenses, lapse and surrender rates and discount rates. For those contracts that ensure risk related to longevity, prudent allowance is made for expected future mortality improvements, as well as wide ranging changes to lifestyle, which could result in significant changes to the expected future mortality exposure.

Estimates are also made as to future investment income arising from the assets backing the Life Insurance Contracts. These estimates are based on current market returns, as well as expectations about future economic and financial developments. Assumptions on future expenses are based on current expense levels, adjusted for expected expense inflation, if appropriate. Lapse and surrender rates are based on the Company's historical experience of lapses and surrenders. Discount rates are based on current industry risk rates for the non-participating products, whereas it is the expected fund yield of par fund for the policies with Discretionary Participating Benefit. The key assumptions and estimations made in the valuation of the Life Fund is given in note 15.

4.4.4 Investment Property

Significant judgement is required when evaluating the inputs into fair value determination of investment property. Reasonably possible changes at the reporting date to one of the relevant assumptions, holding other assumptions constant, would have affected the fair value of the commercial property by the amounts shown below. The effect of the COVID-19 pandemic has meant that the range of reasonably possible changes is wider for the 2020 figures that for the Comparative year.

Description	31 Dec 2021		31 December 2020	
	Increase	Decrease	Increase	Decrease
Discount rate (2021:2% movement; 2020: 2% movement)	(67,902,230)	120,678,670	(63,060,900)	113,878,200
Outgoings rate (2021:10% movement; 2020: 10% movement)	(32,224,380)	24,490,806	(30,252,459)	22,184,426

4.4.5 Deferred tax asset

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-19environment 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 based on this assessment no deferred tax asset has been recognized on carried forward tax losses since 2019.

05 PROPERTY PLANT AND EQUIPMENT

	Furniture and Fittings	Motor Vehicles	Computers	Office Equipments	Electric Fittings	Name Boards and Sign Boards	Total
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Cost							
Balance as at 1 January 2021	26,842,463	28,349,500	11,637,482	16,737,988	329,840	4,023,986	87,921,259
Additions during the year	5,782,900		1,862,100	711,080		334,280	8,690,360
Disposals during the year	(4,674,381)		(1,847,078)	(3,081,284)	-	(1,254,425)	(10,857,168)
	-	-	-	-	-	-	-
Balance as at 31 December 2021	27,950,982	28,349,500	11,652,504	14,367,784	329,840	3,103,841	85,754,451
Accumulated depreciation							
Balance as at 1 January 2021	21,920,295	18,071,267	11,332,099	10,969,730	66,465	3,263,484	65,623,339
Charge for the year	2,219,411	4,897,374	380,953	1,824,394	-	460,622	9,782,754
Disposals	(4,560,349)		(1,838,931)	(3,076,196)	-	(1,171,046)	(10,646,522)
Balance as at 31 December 2021	19,579,357	22,968,641	9,874,121	9,717,928	66,465	2,553,060	64,759,571
Written Down Value							
As at 31 December 2021	8,371,625	5,380,859	1,778,383	4,649,856	263,375	550,781	20,994,880
Cost							
Balance as at 1 January 2020	26,052,604	28,349,500	11,467,922	15,690,138	329,840	3,750,886	85,640,890
Additions during the year	789,858		169,560	1,047,849		273,100	2,280,367
Balance as at 31 December 2020	26,842,462	28,349,500	11,637,482	16,737,987	329,840	4,023,986	87,921,257
Accumualted depreciation							
Balance as at 1 January 2020	19,923,128	13,173,892	10,794,726	9,110,572	66,465	2,661,794	55,730,577
Charge for the year	1,997,164	4,897,375	537,374	1,859,157	-	601,690	9,892,760
Disposals during the year	-		-	-	-	-	-
Balance as at 31 December 2020	21,920,292	18,071,267	11,332,100	10,969,729	66,465	3,263,484	65,623,337
Written Down Value							
As at 31 December 2020	4,922,170	10,278,233	305,382	5,768,258	263,375	760,502	22,297,920

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5.1 Fully depreciated assets

Property plant and equipment includes fully depreciated assets having a gross carrying amount of Rs. 36.94 Mn (2019 - Rs.46.75 Mn).

5.2 The title restrictions on property plant and equipment

There were no restrictions on the title of the property, plant and equipment of the Company as at the reporting date.

5.3 Property, plant and equipment pledged as security for liabilities

There were no items of property, plant and equipment pledged as securities for liabilities of the Company as at the reporting date.

06 RIGHT - OF - USE ASSET

	2021 Rs.	2020 Rs.
Cost		
Balance as at 1 January	**85,033,363**	64,038,448
Additions during the year	**-**	20,994,914
Balance as at 31 December	**85,033,363**	85,033,363
Depreciation		
Balance as at 1 January	**43,455,148**	21,689,668
Depreciation during the year	**16,107,390**	21,765,480
Balance as at 31 December	**59,562,538**	43,455,148
Written Down Value		
As at 31 December	**25,470,825**	41,578,214

The Company leases buildings for branch operations.

07 INVESTMENT PROPERTY

	Investment property		2021	2020
	Land	Building	Total	Total
	Rs.	Rs.	Rs.	Rs.
Opening Balance	45,000,000	195,000,000	**240,000,000**	204,000,000
Acquisitions during the year	-	2,110,238	**2,110,238**	1,528,270
Change in fair value	7,675,000	50,214,762	**57,889,762**	34,471,730
Closing Balance	**52,675,000**	**247,325,000**	**300,000,000**	240,000,000

7.1 Measurement of Fair Values

7.1.1 Fair Value Hierarchy

The carrying amount of investment property is the fair value of property as determined by an external, independent property valuer, having an appropriate recognized professional qualification and recent experience in the location and the category of the property being valued. Fair values were determined having regard to recent market transactions for similar properties in the same location as the Company's investment properties.

The fair value measurement for the investment properties has been categorised as a Level 3 fair value based on the inputs to the valuation technique used.

Valuation technique and significant unobservable inputs

Address	Extent	Name of the Valuer	Market Value Rs.	Date of the valuation
LIC Tower, No 34-36, Sir Vaithiyalingam Thuraisamy Road, Jaffna	**Land - 30.1P Building - 29,982 Sqft**	Mr S Jeganathan B.Sc (Special) E.M.V (SL) F.I.V (SL)	Land - per perch Rs. 1,750,000/- Building - per average sqft Rs. 8,249	31-Dec-21

Valuation technique and significant unobservable inputs

Description	Fair value as at 31st December 2021	Valuation technique	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
Land	**52,675,000**	Income Approach- dividing the net operating income by the capitalization rate	Outgoings RRIM - 10% Capitalisation - 6% Rent per sqft.	The estimated fair value would increase / decrease if Repairs was lower / higher Rates was higher / lower. Insurance was lower / higher Capitalisation rate was lower / higher
Building	**247,325,000**			

Amounts recognised in profit or loss

Monthly Rental income of 123,000 will be recognised in profit or loss under other income.

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As at 31 December,	Note	2021 Rs.	2020 Rs.
08 INTANGIBLE ASSETS			
Computer software			
Cost			
Balance as at 1 January		**2,794,770**	2,794,770
Balance as at 31 December		**2,794,770**	2,794,770
Accumulated amortisation			
Balance as at 1 January		**2,503,261**	2,129,928
Amortisation for the year		**291,509**	373,333
Balance as at 31 December		**2,794,770**	2,503,261
Carrying amount as at 31 December		**-**	291,509

09 FINANCIAL INVESTMENTS

	Note	2021 Rs.	2020 Rs.
Held To Maturity (HTM)	9.1	**1,167,219,175**	1,112,895,212
Loans and Receivables (L & R)	9.2	**1,065,891,313**	1,042,209,089
Available For Sale (AFS)	9.3	**189,254,605**	253,395,208
Fair Value Through Profit or Loss (FVTPL)	9.4	**415,236,706**	283,402,919
Total financial investments		**2,837,601,801**	2,691,902,428

9.1 Financial Investments - Held to Maturity (HTM)

		2021 Rs.	2020 Rs.
Treasury bonds	9.1.1	**1,167,219,175**	1,112,895,212
		1,167,219,175	1,112,895,212

9.1.1 Government of Sri Lanka - Treasury Bonds

	2021		2020	
Year of Maturity	**Face value**	**Amortised cost**	Face value	Amortised cost
	Rs.	**Rs.**	Rs.	Rs.
2021	**-**	**-**	5,000,000	5,036,539
2023	**68,484,277**	**68,298,078**	68,484,277	67,538,735
2026	**295,200,000**	**260,260,366**	292,700,000	250,671,711
2028	**15,000,000**	**13,361,195**	15,000,000	13,158,391
2029	**33,000,000**	**41,894,342**	33,000,000	42,677,113
2030	**117,783,290**	**115,761,842**	97,783,290	96,075,587
2032	**352,900,000**	**280,839,115**	337,800,000	264,961,745
2033	**177,000,000**	**187,552,771**	177,000,000	187,777,890
2041	**40,000,000**	**41,688,712**	40,000,000	41,735,318
2043	**79,750,000**	**62,239,081**	76,000,000	59,038,291
2044	**50,000,000**	**58,214,879**	50,000,000	58,290,394
2045	**32,250,000**	**37,108,794**	21,500,000	25,933,498
	1,261,367,567	**1,167,219,175**	1,214,267,567	1,112,895,212

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09 FINANCIAL INVESTMENTS (CONT.)

9.2 Financial Investments - Loans and receivables (L & R)

		Amortised cost	Amortised cost
Fixed deposits		831,013,033	808,831,585
Quoted debentures	9.2.1	234,878,280	233,377,504
		1,065,891,313	1,042,209,089

9.2.1 Quoted Debentures

	Date of maturity	No of debentures	Amortized cost 2021	Amortized cost 2020
HNB PLC	30-Aug-23	112,930	11,590,509	11,590,939
Bank of Ceylon	11-Jun-23	70,000	7,138,117	7,138,518
Commercial Bank PLC	25-Feb-26	150,000	15,578,872	15,579,689
HNB PLC	11-Mar-21	50,000	-	5,450,048
Sampath Bank PLC	10-Jun-21	100,000	-	10,613,219
CDB	7-Jun-21	50,000	-	5,041,802
Seylan Bank PLC	15-Jul-23	34,100	3,626,734	3,626,865
Siyapatha Finance	20-Sep-21	50,000	-	5,180,331
Commercial Bank PLC	28-Oct-26	50,000	5,105,197	5,105,504
HNB PLC	1-Nov-23	25,300	2,581,549	2,581,643
Sampath Bank PLC	21-Dec-22	50,000	5,017,045	5,017,338
Sri Lanka Telecom	19-Apr-28	85,000	8,714,148	8,714,936
LOLC	30-Jul-23	150,000	15,799,064	15,799,939
Siyapatha Finance	8-Aug-24	166,700	17,520,393	17,523,037
Hatton national bankPLC	23-Sep-24	100,100	10,332,288	10,332,696
Hatton national bank Finance	30-Dec-24	100,000	11,294,314	11,295,549
First Capital	30-Jan-25	200,000	21,062,169	21,064,655
Commercial Leasing & Finance PLC	24-Sep-25	500,000	53,996,999	51,392,470
DFCC	23-Oct-25	200,000	20,327,373	20,328,326
People Leasing Finance	9-Aug-24	145,000	14,947,011	-
Commercial Bank PLC	21-Sep-26	100,000	10,246,498	
			234,878,280	233,377,506

9.3 Financial Investments - Available for sale (AFS)

Government of Sri Lanka treasury Bonds

Year of Maturity	Face value	2021 Amortized cost	2021 Fair Value	2020 Amortized cost	2020 Fair value
2021	5,000,000	-	-	5,055,572	5,142,660
2026	9,000,000	7,936,964	7,583,459	7,707,471	8,621,874
2030	73,216,710	72,787,939	72,037,182	72,696,659	90,479,819
2032	4,300,000	308,586	248,383	308,389	316,975
2041	10,000,000	10,788,654	10,819,739	10,792,082	14,671,780
2045	90,000,000	112,226,085	98,565,842	112,429,605	134,162,100
		204,048,228	189,254,605	208,989,779	253,395,208

09 FINANCIAL INVESTMENTS (CONT.)

9.4 Financial Investments - Fair value through profit or loss (FVTPL)

			2020	
	Cost	Fair value	Cost	Fair value
- Equity shares (Note 9.4.1)	309,916,738	327,402,993	194,555,659	200,481,061
- Unit trusts	80,000,000	87,833,713	80,000,000	82,921,858
	389,916,738	415,236,706	274,555,659	283,402,919

9.4.1 Equity shares

	2021			2020	
Name of the Investee	No. of shares	Cost (Rs.)	Fair value (Rs.)	No. of shares	Fair value (Rs.)
Access Engineering PLC	50,000	1,668,480	1,595,000	200,000	4,920,000
ACL Cables PLC	100,000	10,106,255	10,025,000	70,033	5,364,528
Agstar PLC	150,000	1,515,000	1,590,000	-	-
Aitken Spence PLC	-	-		75,000	4,335,000
Alumex PLC	-	-		485,000	10,233,500
Bogala Graphite Lanka PLC	22,500	2,734,201	2,289,375	-	-
Capital Alliance PLC	50,000	909,188	900,000	-	-
Cargills (Ceylon) PLC	411	86,516	88,468	-	-
Cargi Boat Development Company PLC	1,000	68,762	68,000	-	-
CDB-N	-	-		7,500	668,250
Carson Cumberbatch PLC	1,000	300,000	307,000	-	-
Central Finance Co. PLC	314,990	28,946,935	29,294,070	68,500	5,685,500
Central Industries PLC	25,000	5,686,549	5,293,750	-	-
Ceylon Beverage Holding PLC	3,159	2,276,060	2,606,965	1,565	1,176,880
Ceylon Cold Stores PLC	195,657	103,698,210	103,698,210	1,880	1,324,648
Ceylon Guardians Investment Trust PLC	34,500	3,260,250	3,588,000	10,000	1,273,000
Ceylon Tobaco Company PLC	6,211	5,557,292	5,453,258	-	-
CIC- N	150,000	8,235,000	9,750,000	10,000	1,823,000
Commercial Bank of Ceylon PLC-N	-	-	-	400,000	32,360,000
Commercial Leasing and Finance PLC	300,000	11,187,998	8,970,000	-	-
C T Holdings PLC	37,370	6,166,050	6,222,105	244,000	40,235,600
DFCC Bank PLC	12,500	750,000	750,000	-	-
Dipped Products PLC	265,000	13,847,557	13,435,500	-	-
Distilleries Company of Sri Lanka PLC	100,000	1,680,000	1,700,000	-	-
Haycarb PLC	25,000	1,865,000	1,920,000	-	-
Hayleys Leisure PLC	20,000	420,000	450,000	-	-
Hsenid Business Solutions PLC	10,700	133,750	370,220	-	-
Hemas Holdings PLC	200,000	13,660,000	13,380,000	-	-
Hnb Assurance PLC	175,000	7,534,230	8,470,000	32,500	1,891,500
HNB PLC-N	90,000	12,987,160	12,150,000	160,000	20,240,000
Hnb PLC-X	10,000	1,239,630	1,222,500	50,000	5,030,000
Ceylon Hotel Corporation PLC	100,090	1,577,320	1,841,656	-	-
John Keels Holdings PLC	100,000	14,250,000	15,000,000	26,500	3,964,400
John Keels PLC	-	-	-	3,156	194,094
Kelani Cables PLC	-	-	-	25,000	2,162,500
Kelani valley Plantation PLC	-	-	-	10,000	791,000
Kelsey Developments PLC	92,184	2,666,711	3,254,095	-	-
Lanka Credit and Businees Finance PLC	500,000	1,850,000	1,950,000	-	-
Lanka Reality Investment PLC	100,000	2,732,262	2,600,000	-	-
Lion Brewary Ceylon PLC	895	494,264	492,250	-	-
LOLC Ceylon Holdings PLC	1,500	1,481,798	1,743,000	60,000	8,100,000

09 FINANCIAL INVESTMENTS (CONT.)

9.4.1 Equity shares

Name of the Investee	2021 No. of shares	2021 Cost (Rs.)	2021 Fair value (Rs.)	2020 No. of shares	2020 Fair value (Rs.)
Melstacorp PLC	**100,000**	**5,420,000**	**5,610,000**	100,000	5,200,000
Nat.Dev.Bank PLC	**25,000**	**1,752,500**	**1,722,500**	40,000	3,124,000
Nestle Lanka PLC	**1,000**	**1,213,440**	**1,215,500**		
People Leasing and Finance PLC	**600,000**	**6,470,879**	**6,420,000**	250,000	7,050,000
Renuka City Hotels PLC	**15,722**	**4,634,939**	**5,557,727**	-	-
Resus Energy Plc	**10,000**	**394,367**	**409,000**	-	-
Raigam Wayaba Salterns PLC	-	-	-	250,000	1,675,000
Ramboda Falls PLC	-	-	-	14,219	292,911
Sampath Bank PLC	**150,000**	**8,055,000**	**7,815,000**	50,000	6,780,000
Samson International PLC	-	-	-	2,500	362,750
Sunshine Holdings PLC	-	-	-	125,000	10,325,000
Swisstek Ceylon PLC	-	-	-	10,000	968,000
Serindib Hoel PLC- N	**20,498**	**207,362**	**235,727**	-	-
Seylan Bank PLC	**10,000**	**443,462**	**440,000**	-	-
Seylan Bnk PLC -X	**59,984**	**2,048,162**	**1,997,467**	-	-
Sunshine Holdings PLC	**350,000**	-	**15,890,000**	-	-
Swadeshi Industries Works PLC	**400**	**6,001,400**	**6,001,400**	-	-
Teejay Lanka PLC	-	-	-	50,000	1,900,000
Tokyo Cement Company (Lanka) PLC (N)	-	-	-	100,000	7,620,000
Tokyo Cement Company (Lanka) PLC (X)	-	-	-	50,000	3,410,000
Union Bank PLC	**125,000**	**1,450,000**	**1,387,500**	-	-
United Motors Lanka PLC	**2,500**	**252,800**	**232,750**	-	-
		309,916,738	**327,402,993**		200,481,061

10 LOANS TO LIFE POLICYHOLDERS

		2021 Rs.	2020 Rs.
Balance as at 1st January		**108,871,233**	129,965,195
Loans granted during the year		**14,902,486**	24,636,709
Repayments during the year		**(52,697,497)**	(45,730,671)
Loan written off		-	
		71,076,222	108,871,233
Add. Interest receivable		**25,237,764**	53,523,818
Provision for impairment	10.1	-	(11,577,905)
Balance as at 31st December		**96,313,986**	150,817,146

10.1 Impairment provision for loans to life policy holders

	2021 Rs.	2020 Rs.
Opening Balance	**11,577,905**	856,515
Provision during the year	**(11,577,905)**	10,721,390
	-	11,577,905

10.2 The Company recognised an accumulated impairment provision of Rs. 11,577,905 on loans to policy holders as at 31 December 2020 due to the surrender value and loan recoverable difference as at that date. Subsequently, the Company assessed the recoverability of the said receivables and reversed the accumulated provision during the year as all such cases matured and settled during the year. Further, as per the recoverability assessment as at 31 December 2021, the Company is of the view that no impairment is required as at the reporting date due to such matters do not anymore.

As at 31 December,

		Note	2021 Rs.	2020 Rs.
11	**PREMIUM RECEIVABLES**			
	Premium receivables	11.1	**13,983,520**	9,750,868
	Provision for premium receivables	11.2	**(2,286,883)**	(2,075,874)
			11,696,637	7,674,994

11.1 Premium receivables

The Company has opted to record the life insurance premium on an accrual basis in accordance with SLFRS 4 - Insurance Contracts from 1 January 2014. The life insurance premiums for policies within the 30 day grace period are considered as due premium, subject to a provision for premium default. Premium default ratio is computed by analyzing the default history.

11.2 Impairment losses on premium receivables

The Board of Directors has assessed potential impairment loss of premium receivable as at 31 December 2021. Based on the assessment, adequate impairment provision has been made in the financial statements as at the reporting date in respect of premium receivable.

		Note	2021 Rs.	2020 Rs.
12	**OTHER ASSETS**			
	Advance and deposits		**8,441,780**	15,185,707
	Taxes Recoverable from the Commissioner General of Inland Revei	12.1	**13,838,537**	13,838,537
	Staff loans		**10,191,797**	8,924,647
	Insurance contract asset		**11,925,200**	11,690,575
	Other receivables		**7,274,820**	95,000
			51,672,134	49,734,465
12.1	**Taxes recoverable from the commissioner general of inland revenue (CGIR)**			
	Withholding tax receivable		**13,838,537**	13,838,537
			13,838,537	13,838,537
13	**CASH AND CASH EQUIVALENTS**			
	Cash in hand		**181,804**	200,172
	Cash at bank		**134,152,818**	108,743,340
			134,334,622	108,943,512
	Bank overdraft (book balance with a right of set-off)		**(44,620,060)**	(36,729,218)
	Cash and cash equivalents as per statement of cash flow		**89,714,562**	72,214,294

		No of Shares	2021 Rs.	2020 Rs.
14	**STATED CAPITAL**			
	Opening Balance	**65,000,000**	**650,000,000**	500,000,000
	Shares issued during the year	**18,901,583**	**189,015,838**	150,000,000
	Closing Balance	**83,901,583**	**839,015,838**	650,000,000

The Company received Rs 189,015,838 from LIC India in 2021 as an advance payment for shares to be issued. This was provided by LIC India to ensure that the Company meets the TAC requirements of "Regulation of Insurance Industry Act No 43 of 2000".

Subsequentlly during 2021, the Company issued 18,901,583 shares at Rs. 10/- per share to LIC India, based on the share certificates dated 31st December 2021.

The holders of Ordinary Shares are entitled to receive dividends as declared from time to time and are entitled to one vote per individual present at meeting of shareholders or one vote per share in case of poll. Par value of shares is Rs. 10/-.

As at 31 December,

		Note	2021	2020
15	**INSURANCE CONTRACT LIABILITIES - LIFE**			
	Life insurance fund	15.1	**2,928,302,339**	2,985,436,117
	Death Claims outstanding		**996,013**	11,196,333
			2,929,298,352	2,996,632,450

15 INSURANCE CONTRACT LIABILITIES - LIFE (CONT.)

15.1 The movement in the life insurance fund is as follows:

	Note	2021 Rs.	2020 Rs.
Balance as at 1 January	15.2	**2,985,436,117**	2,570,301,705
(Decrease)/ increase in life insurance fund		**(57,133,778)**	415,134,412
Balance as at 31 December		**2,928,302,339**	2,985,436,117

15.1.1 Reconciliation to the life insurance contract liability as at 31 December

	2021 Rs.	2020 Rs.
Net Liability	**2,819,258,665**	2,876,392,443
Surplus Created due to change in valuation method from NPV to GPV	**109,043,674**	109,043,674
Total Life Fund	**2,928,302,339**	2,985,436,117

15.2 Change in contract liabilities

	2021	2020
Life Insurance Obligation -1 January	**2,985,436,117**	2,570,301,705
Life Insurance Obligation -31 December	**2,928,302,339**	2,985,436,117
Charge to profit or loss	**(57,133,778)**	415,134,412

The valuation of the Life Insurance business as at 31 December 2021 was performed by M/S K.A.Pandit (Consultants & Actuaries). In accordance with the Consultant Actuary's report, the reserve for the year amounted to Rs.2,928 Million (2020 - Rs.2,985 Million). In the opinion of the Consultant Actuary, the reserve is adequate to cover the liabilities pertaining to the Life Insurance business.

The actuary has estimated that the solvency margin required (including the solvency margin for the new reversionary bonus allotted as at 31 December 2021 under the regulation of Insurance Industry Act, No. 43 of 2000 as Rs.2,928 Million.

As approved by the actuary, the Company has a Risk Based Capital Adequacy ratio of 182%

15.3.a The assumptions used for the insurance contracts disclosed in this note are as follows;

Assumption	Description
Mortality	The Mortality table used was the A67/70 (70%) ultimate for all assurances and deferred annuities before vesting and,a (90) ultimate table of annuitants vesting.
Investment returns	Investments returns affect the assumed level of future benfits due to the contract holders and the selection of discount rate set out by IRCSL

15.3.b Liability adequacy testing (LAT)

A Liability adequacy test ("LAT") for Life Insurance contract liability was carried out by M/S K.A.Pandit (Consultants & Actuaries) as at 31 December 2021 as required by SLFRS 4 - Insurance Contracts. When performing the LAT, the Company discounted all contractual cash flows and compares this amount with the carrying value of the liability. According to the consultant actuary's report, assets are sufficiently adequate as compared to the discounted cash flow reserves and in contrast to the reserves as at 31 December 2021. No additional provision was required against the LAT as at 31 December 2020.

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16 EMPLOYEE BENEFIT OBLIGATION

16.1 Defined contribution plans

	2021	2020
Balance as at 1 January	**16,111,079**	11,602,338
Current service cost	**1,905,763**	1,515,206
Past service cost	**695,162**	-
Interest charge for the year	**1,441,052**	1,188,282
Remeasurement of defined benefit obligation	**579,286**	2,375,986
Payments during the year	**(198,785)**	(570,733)
	20,533,557	16,111,079

Expenses on defined benefit obligation

Recognised in profit or loss

	2021	2020
Current service cost	**1,905,763**	1,515,206
Past service cost	**695,162**	-
Interest cost	**1,441,052**	1,188,282
	4,041,977	2,703,488

Recognized in other comprehensive income

	2021	2020
Defined benefit plan actuarial (gains)/losses	**579,286**	2,375,986
	579,286	2,375,986

As at 31 December 2021, the gratuity liability was actuarially valued under the Projected Unit Credit (PUC) method by M/S K.A.Pandit (Consultants & Actuaries) as required by Sri Lanka Accounting Standard (LKAS) 19 - Employee Benefits.

16.2 Past service cost

During 2021, the gratuity arrangement for employees were adjusted to reflect new legal requirement as per minimum retirement age of Workers Act No. 28 of 2021 regarding the retirement age. As a result of the plan amendment, the company defined benefit obligation increased by Rs. 695,162 (2020 - Nil). Corresponding past service cost was recognised in profit or loss.

16.3 Prinicpal Assumptions as at reporting date

	2021	2020
Discount rate as at 31 December	**9.00%**	9.00%
Future Salary increase	**10.00%**	10.00%
Weighted average retirement age	**36.55**	36.45
Retirement age (years)	**60**	55

Assumptions regarding the future mortality are based on published statistics and mortality table.

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16 EMPLOYEE BENEFIT OBLIGATION (CONT.)

16.4 Sensitivity of assumptions used in actuarial valuation

The following table demonstrates the sensitivity to a reasonably possible change in the key assumptions employed with all other variables held constant in the employment benefit liability measurement.

The sensitivity of the statement of profit or loss and other comprehensive income statement of financial position is the effect of the assumed changes in discount rate and salary increment rate on the profit or loss and employment benefit obligation for the year.

2021	Change in assumption	Increase in assumption	Decrease in assumption
Discount rate	1.00%	(1,483,460)	1,716,335
Salary increment rate	1.00%	1,682,991	(1,483,534)

2020	Change in assumption	Increase in assumption	Decrease in assumption
Discount rate	1.00%	(1,019,311)	1,174,709
As at December 2021 Salary increment rate	1.00%	1,169,031	(1,032,373)

17 Premium Deposits

	2021	2020
	Rs.	Rs.
Premium Deposit (Proposal and policy)	**6,323,900**	3,650,567
Army Deposit	**5,741,849**	6,140,340
P & GS premium deposit	**3,029**	3,028
Gratuity Deposit (Note 17.1)	**45,433,410**	-
	57,502,188	9,793,935

17.1 Premium deposits includes unidentified deposits made by the customers. During the year there is 45 Mn gratuity deposit was made by the Lanka Island Resort LTD to the Life Insurance Corporation (Lanka) Limited

18 TRADE AND OTHER LIABILITIES

		2021	2020
		Rs.	Rs.
Amount due to General Insurance Corporation		**10,198,237**	6,243,916
Outstanding maturity & survival benefit claims		**22,312,781**	48,644,686
Other sundry creditors		**12,603,237**	11,832,568
Lease liability	18.1	**20,521,718**	46,452,567
Redeemable preference Shares	18.2	**50,000,000**	100,000,000
Agency commision and allowance payable		**577,942**	408,244
		116,213,916	213,581,981

18.1 Lease Liability

	2021	2020
	Rs.	Rs.
Movement		
Balance as at 1 January	**46,452,567**	45,090,371
Additions during the year		20,994,914
Interest on lease liability	**2,908,936**	4,572,285
Repayments of lease liability	**(28,839,785)**	(24,205,003)
	20,521,718	46,452,567

Maturity analysis - contractual undiscounted cash flows		
Less than one year	**18,534,303**	21,492,154
One to five years	**17,091,093**	30,835,394
Total undiscounted liabilities as at 31 December	**35,625,396**	52,327,548

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For the Year Ended 31 December,	Note	2021 Rs.	2020 Rs.
Lease liabilities included in the Statement of financial position as at 31 December		**20,521,718**	46,452,567
Current		**4,479,445**	19,372,876
Non Current		**16,042,273**	27,079,691
Amounts recognised in profit or loss			
Interest on lease liabilities		**2,908,936**	5,649,033
Depreciation		**9,782,754**	9,892,760
Amounts recognised in statement of cash flows			
Total cash outflow for leases		**28,839,785**	24,205,003

18.2 The company passed a resolution in terms of Article 126 of the Articles of Association of the Company, to raise additional capital to meet the regulatory capital requirements by the issue of Ten million (5,000,000) non-voting non-cumulative redeemable preference shares ("Class C Preference Shares") at a consideration of Rupees 10 (LKR 10/-) per share to Lanka Islan Resort Ltd (Holder). Each Class C Preference share gives the right to the holder to receive a preferential dividend at the rate of 10% per annum on the Class C subscription Price. Upon expiry of a period of 1 year from the date of issue of the Class C Preference Shares, a Holder shall, at its option, be entitled to require the Company to redeem all or some of the then outstanding Preference Shares held by it, plus all declared but unpaid dividends thereon up until the date of redemption.

	Note	2021 Rs.	2020 Rs.
19 GROSS WRITTEN PREMIUM			
Individual policies		**1,004,700,367**	714,127,025
		1,004,700,367	714,127,025

The Company records Life Insurance premium on an accrual basis.

	Note	2021 Rs.	2020 Rs.
20 NET INVESTMENTS INCOME			
Net interest income	20.1	**262,225,292**	272,331,255
Dividend income	20.2	**11,735,795**	4,143,635
		273,961,087	276,474,890
20.1 Net interest income			
Interest income from held to maturity investments and available for sale investments			
- Treasury bonds		**137,454,412**	138,373,616
		137,454,412	138,373,616
Interest income from loans and receivables			
- Fixed deposits		**83,816,030**	82,274,356
- Staff, agents and policy loans		**11,703,410**	26,229,052
- Debentures		**25,152,951**	21,476,494
		120,672,391	129,979,902
Interest income from cash and cash equivalents		**4,098,489**	3,977,737
		262,225,292	272,331,255
20.2 Dividend income			
- Equity shares		**11,735,795**	4,143,635
		11,735,795	4,143,635
21 NET REALISED GAINS			
Realised gains			
- Equity shares		**45,538,043**	23,362,718
		45,538,043	23,362,718
22 NET FAIR VALUE GAINS /(LOSSES)			
Unrealised profit / (losses)			
- Equity securities		**(45,269,446)**	(28,295,096)
- Unit trust		-	2,928,358
		(45,269,446)	(25,366,738)
23 OTHER OPERATING INCOME			
Loss on sale of property, plant and equipment		**(166,546)**	-
Others		**8,689,630**	5,951,463
		8,523,084	5,951,463

For the Year Ended 31 December,	Note	2021 Rs.	2020 Rs.
24 GROSS INSURANCE BENEFITS AND CLAIMS PAID			
Claim - death, disability and accident benefit		**4,626,495**	16,342,030
Surrenders		**47,740,646**	21,971,425
Maturity claims		**417,583,959**	474,500,991
Periodical endowment benefits		**78,921,691**	63,774,600
Interim bonus/loyalty additions/medical support benefits/term rider benefits		**9,428,033**	3,129,612
Gratuity Claim paid		**320,721,023**	52,419,390
		879,021,847	632,138,048
25 OTHER OPERATING AND ADMINISTRATION EXPENSES			
Staff expenses	**25.1**	**81,621,562**	74,807,721
Administration and establishment expense		**56,242,190**	81,463,358
Selling expenses		**87,390,760**	73,728,269
Amortisation of intangible assets		**291,509**	373,333
Depreciation of property plant and equipment		**9,782,754**	9,892,760
Auditors fees and expenses		**1,700,000**	2,100,000
Directors' emoluments and post employment benefits		**9,855,409**	9,815,097
Legal fees & professional charges		**9,782,730**	13,251,878
		256,666,914	265,432,415
25.1 Staff expenses			
Staff salaries		**63,395,203**	54,109,392
Defined contribution plan costs - EPF & ETF		**7,335,917**	7,208,480
Defined benefit plan costs - employee benefits		**4,041,977**	2,703,488
Other staff costs (travelling, over-time, bonus etc.)		**6,848,465**	10,786,361
		81,621,562	74,807,721

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26 TAX EXPENSES

	2021 Rs.	2020 Rs.
The major components of income tax expense for the years ended 31 December are as follows :		
Current tax		
Income tax on current year's profits	-	-
Under/(over) provision of current taxes in respect of prior years	-	-
	-	-
Deferred tax		
Origination /(reversal) of deferred tax	-	-
	-	-

26.1 Tax reconciliation statement

	2021 Rs.	2020 Rs.
Amounts dervied that are effectively connected to business	**10,182,139**	24,034,311
Other income	**12,737,170**	-
Less: Management expenses	**(1,200,000)**	(2,851,400)
Underwriting and net acquisition costs	-	-
Total Amount dervied	**21,719,309**	21,182,911
Less:	-	-
-Exempt income	-	240,601
-Final withholding payments	-	-
Net Amount dervied	**21,719,309**	20,942,310
Brought forward tax loss - set off during the year	**(21,719,309)**	(20,942,310)
Taxable income/ (loss)	-	-

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

The Business income of the Life insurance Business shall be ascertained in terms of section 67 of the New Inland Revenue Act No 24 of 2017. As per this section the gains and profits on which tax is payable is agregate of;

. Surplus distributed to shareholders from the Life Insurance Policyholders fund as certified by the actuary at a rate of 24%
. Investment income of the shareholder fund less any expenses incurred in the production of such income at a rate of 24%
. Surplus distributed to a Life Insurance Policyholders at a rate of 14%.
The tax loss carried forward as at 31st December 2021 is Rs. 839 million (2020: Rs. 861 million) is made up as follows:

26.2 Tax loss analysis

	2021 Rs.	2020 Rs.
Balance as at 1 January	**861,025,185**	871,850,455
Tax losses incurred/ (claimed) during the year	**(21,719,309)**	(20,942,310)
Adjustments to tax losses	-	10,117,040
Balance as at 31 December	**839,305,876**	861,025,185

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26.3 DEFERRED TAXATION

Deferred tax assets are recognized for unused tax losses and deductible temporary differences to the extent that is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. 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 realized; such reductions are reversed when the probability of future taxable profits improve. Any unaccounted deferred tax is disclosed in note 25.4
The Company is of the view that there will not be material temporary differences arising, which will result in a deferred tax liability.
Deferred tax assets and liabilities are off set when there is a legally enforceable right to off set tax assets against tax liabilities and when the deferred income taxes relate to the same fiscal authority. The off set amounts are as follows:

Recognised deferred tax assets and liabilities

as at,	Assets		Liabilities		Net	
	31.12.2021	31.12.2020	**31.12.2021**	31.12.2020	**31.12.2021**	31.12.2020
	Rs.	Rs.	**Rs.**	Rs.	**Rs.**	Rs.
Tax losses	**20,450,096**	20,450,096	-	-	**20,450,096**	20,450,096
	20,450,096	20,450,096	-	-	**20,450,096**	20,450,096

Deferred tax has been computed on the basis of 24% (2020-28%). The Company assessed the recoverability of deferred tax assets on tax losses as at 31 December 2021, accordingly the Company concluded that there are no sufficient taxable profits available to allow the benefit of the tax losses to be realised in accordance with LKAS 12 and provisions of the Inland Revenue Act No. 24 of 2017 and subsequent amendments thereto. Accordingly, no deferred tax recognized during the year except for the extent of the one off surplus as at the reporting date.

Movement of deferred tax assets

	Balance as at 01.01.2021	Recognised in profit or loss	Recognised in OCI	Balance as at 31.12.2021
	Rs.	**Rs.**	**Rs.**	**Rs.**
Tax losses	20,450,096	-	-	**20,450,096**
	20,450,096	-	-	**20,450,096**

26.4 Un-accounted deferred tax assets

The breakdown of un-accounted deferred tax assets is given below;

	2021	2020
	Rs.	Rs.
On tax Losses	**214,555,549**	220,636,956
Total	**214,555,549**	220,636,956

No deferred tax asset was recognized, as the Company may not have adequate taxable profits to claim tax losses except to the extent of the one off surplus amounting to Rs. 20 mn as in previous years.

27 BASIC EARNINGS/(LOSS) PER SHARE

	2021	2020
	Rs.	Rs.
Profit for the year	**140,118,440**	(371,143,891)
Weighted average number of shares in issue	**65,000,000**	61,250,000
Basic and diluted earnings/(loss) per share (Rs.)	**2.16**	(6.06)

There were no potential dilutive ordinary shares outstanding at any time during the year. Therefore, diluted earnings per share is same as basic earnings per share shown above.

KPMG Chartered Accountants

As at 31 December,

28 FINANCIAL ASSETS AND LIABILITIES

28 Accounting classifications and fair value

The table below sets out the carrying amounts and fair values of the Company's financial assets and financial liabilities:

28.1.a Financial assets

2021	Note	Fair value through profit or loss	Available for sales	Held to Maturity	Loans and Receivables	Total
		Rs.	Rs.	Rs.	Rs.	Rs.
Financial investments						
Measured at fair value	9.3 & 9.4	415,236,706	189,254,605	-	-	604,491,311
Measured at amortised cost	9.1 & 9.2	-	-	1,167,219,175	1,065,891,313	2,233,110,489
Loans to life policyholders	10	-	-	-	96,313,986	96,313,986
Premium receivables	11	-	-	-	11,696,637	11,696,637
Staff loans and other receivables	12	-	-	-	37,833,596	37,833,596
Total financial assets		415,236,706	189,254,605	1,167,219,175	1,211,735,533	2,983,446,020

2020	Note	Fair value through profit or loss	Available for sales	Held to maturity	Loans and Receivables	Total
		Rs.	Rs.	Rs.	Rs.	Rs.
Financial investments						
Measured at fair value	9.3 & 9.4	283,402,919	253,395,208	-	-	536,798,127
Measured at amortised cost	9.1 & 9.2	-	-	1,112,895,212	1,042,209,089	2,155,104,301
Loans to life policyholders	10	-	-	-	150,817,146	150,817,146
Premium receivables	11	-	-	-	7,674,994	7,674,994
Staff loans and other receivables	12	-	-	-	35,895,927	35,895,927
Total financial assets		283,402,919	253,395,208	1,112,895,212	1,236,597,156	2,886,290,495

28.1.b Financial liabilities

2021	Note	Fair value through profit	Other financial liabilities	Total
		Rs.	Rs.	Rs.
Amounts due to GIC	18	-	10,198,237	10,198,237
Other liabilities	18	-	34,916,018	34,916,018
Redeemable preference shares	18	-	50,000,000	50,000,000
Premium deposits		-	57,502,188	57,502,188
Agency commission and allowance payable		-	577,942	577,942
Lease liability	18		20,521,718	20,521,718
Total financial liabilities		-	173,716,103	173,716,103

2020	Note	Fair value through profit or	Other financial liabilities	Total
		Rs.	Rs.	Rs.
Amounts due to GIC	18	-	6,243,916	6,243,916
Other liabilities	18	-	60,477,254	60,477,254
Redeemable preference shares	18	-	100,000,000	100,000,000
Premium deposits		-	9,793,935	9,793,935
Agency commission and allowance payable		-	408,244	408,244
Lease liability	18		46,452,567	46,452,567
Total financial liabilities		-	223,375,916	223,375,916

28 FINANCIAL ASSETS AND LIABILITIES (CONT.)

28.2 Fair value hierarchy for assets carried at fair value

The table below analyses financial investments measured at fair value at the end of the reporting period, by the level of the fair value hierarchy.

	Note	Level 1 Rs.	Level 2 Rs.	Level 3 Rs.	Total Rs.
31st December 2021					
Fair value through profit or loss					
- Unit trusts: close ended	9.4	87,833,713	-	-	87,833,713
- Equity shares	9.4	327,402,993	-	-	327,402,993
Available for sale					
- Treasury bonds	9.3	189,254,605	-	-	189,254,605
Total financial assets		604,491,311	-	-	604,491,311
31st December 2021					
Fair value through profit or loss					
- Unit trusts: close ended	9.4	82,921,858	-	-	82,921,858
- Equity shares	9.4	200,481,061	-	-	200,481,061
Available for sale					
- Treasury bonds	9.3	253,395,208	-	-	253,395,208
Total financial assets		536,798,128	-	-	536,798,128

28.3 Fair values of financial assets and liabilities carried at amortized cost

The following table summarises the carrying amounts and the company's estimate of fair values of those financial assets and liabilities not presented on the Company's statement of financial position at fair value. The fair value in the table below may be different from the actual amounts that will be received or paid on the settlement or maturity of the financial instrument. For certain instruments, the fair value may be determined using assumptions which are not observable in the market.

As at 31 December	2021		2020	
	Carrying amount Rs.	Fair value Rs.	Carrying amount Rs.	Fair value Rs.
Financial assets				
Financial investments				
Measured at amortised cost	**2,233,110,489**	**2,676,194,401**	2,155,104,301	2,676,194,401
Loans to life policyholders	**96,313,986**	**96,313,986**	150,817,146	150,817,146
Premium receivables	**11,696,637**	**11,696,637**	7,674,994	7,674,994
Staff and agent loans	**10,191,797**	**10,191,797**	8,924,647	8,924,647
Cash and cash equivalents	**89,714,562**	**89,714,562**	72,214,294	72,214,294
Financial liabilities				
Amount due to GIC	**10,198,237**	**10,198,237**	6,243,916	6,243,916
Other liabilities	**45,114,255**	**45,114,255**	60,477,254	60,477,254
Lease Liability	**20,521,718**	**20,521,718**	46,452,567	46,452,567
Redeemable preference shares	**50,000,000**	**50,000,000**	100,000,000	100,000,000
	2,566,861,681	**3,009,945,593**	2,607,909,119	3,128,999,218

28 FINANCIAL ASSETS AND LIABILITIES (CONT.)

Given below is the basis adapted by the Company in order to establish the fair values of the financial instruments which are shown above.

28.4.a. Financial Investments

- Reverse repurchase agreements
The fair values of money market placements and reverse repurchase agreements with maturity of less than one year approximate their carrying amounts due to the relatively short maturity of the financial instruments.

- Financial investments held-to-maturity
The fair values of financial investments held-to-maturity are estimated based on current market yields.

- The fair values of listed debentures are calculated based on published market prices. The fair value of unlisted variable rate debentures equals carrying value due to inability to reliably predict future cash flows and unlisted fixed rate corporate debts are based on discounted cash flow method using current market yields of treasury bonds or treasury bills for similar maturity plus A risk premium determined based on the credit rating of the instrument.

- The fair value of term deposits have been ascertained to be equal to the amortised cost.

28.4.b. Cash and balances with banks – The carrying amount of cash and bank balances approximate fair value due to the relatively short maturity of the financial instruments.

28.4.c. For all the other items the carrying value has been considered as the fair value due to the short term nature of the cash

29 RELATED PARTY TRANSACTION

29.1 Transactions with key management personnel

The board of directors of the Company have the authority and responsibility of planning, directing and controlling the activities of the Company. Accordingly, the Board of directors of the Company have been identified as the key management personnel ("KMP") of the Company.

The emoluments paid to the KMP of the Company are disclosed as follow.

	2021	2020
	Rs.	Rs.
Short term employee benefits	9,855,409	9,815,097
Post employment benefits	Nil	Nil

Fees and remunerations paid to directors are disclosed in note 24.

29.2 Transactions with related parties

The Company carried out transactions in the ordinary course of its business with parties who are defined as related parties in LKAS 24 "Related Party Disclosures". The details are as follows:

Company	**Relationship**	**Nature of Transaction**	**Transaction amount 2021 (Rs.)**	Transaction amount 2020 (Rs.)
Bartleet Religare Securities (Pvt) Ltd	**Affiliated to a shareholder**	Brokerage Fee	-	7,733,481
		Receivable / (P'ble)	-	(552,256)
LIC India	**Parent**	Share Advance	-	-
		Receivable / (P'ble)	-	-

All outstanding balances with these related parties are priced on arm's length basis.

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As at 31 December,

30 COMMITMENTS

As at the year end, there were no capital expenditure approved by the Board and contracted for which require a provision in the Financial Statements.

31 EVENTS OCCURING AFTER THE REPORTING DATE

The Company understands that the current economic conditions affect the business operations and financial performance and position, thereby, is in the process of assessing the impact from the macroeconomic factors including the movement of interest rate, inflation rate, foreign exchange rates, and other market behaviors. The volatility of policy rates affects the valuation, interest income, related gains/losses of the financial investments, the valuation of the insurance contract liabilities, retirement benefit obligations, property, etc. The current movements in the equity market has also affected the Company's equity investments value adversely, approximately Rs. 100 Mn as of the date. Further, the current economic depression and spending capability of the public is also expected to affect customer behavior relevant to the life insurance business.

The Company believes that it is still early for a more accurate and realistic assessment, however, continues to monitor the economic and social developments closely and develop robust strategies to ensure stable business operations.There were no other events after reporting date that require adjustments to or disclosure in the financial statements.

32 CONTINGENCIES

In the opinion of the Directors, and in consultation with the Company Lawyers, litigation currently pending against the Company would not have a material impact on the reported financial position of the Company.

All pending litigations for claims have been evaluated and adequate provisions have been made in these Financial Statements where necessary.

33 GOING CONCERN

As at 31 December 2020, the Company experienced events/ conditions that indicates the existence of a material uncertainty, which may have cast substantial doubt on the Company's ability to continue as a going concern including the reported net loss of Rs 371,143,892/- during the year 2020, accumulated losses of Rs.695,416,325/- and not maintained a Total Available Capital (TAC) of Rs. 500 million as stipulated in the "Solvency Margin (Risk Based Capital) Rules 2015" as at 31 December 2020. Further, the Company faced a serious loss of Capital Situation as at the said date as well.

However, the following actions were taken during the year in order to mitigate the going concern risk and to stabilize the operations of the Company.

- Robust monitoring of operations to facilitate regular and timely foreclosure action has been taken throughout the year.
- Closure of loss making products such as limited payment endowment, single premium products, pure term policies and launching and selling of re-priced products
- Complete focus on selling of non-single premium products, company showed a growth of 23.45% against last year in NSP. Further, the GWP has increased by 41% compared to the previous year.
- Prudent and strategic investment has been done by the company, which leads to increase in investment income. Investment Income 2021 – 339 Mn, Growth by 10%
- Conduct an expense analysis and monitor expenses to identify non-essential expenses and manage in overall expenses, therby increase profitability.

With the implementation of the above actions, The Company has managed to improve its the financial performance by recording a net profit of Rs. 140,118,440 /- for the year ended 31st December 2021 and the financial position by reporting the equity of Rs. 330,366,908 /- as at that date.

Further, the Company was able to maintain the Total Available Capital (TAC) more than the threshold stipulated in the "Solvency Margin (Risk Based Capital) Rules 2015" while meeting the required capital adequacy ratio.

However, despite the improvement in the financial performance and position of the Company, it reported accumulated losses of Rs. 555,877,171/- as at 31 December 2021 and the net assets position is still in the early stage of recovery and the Parent Company has provided an additional capital infusion amounting to Rs. 30,984,162/- after the reporting date in addition to the Rs. 189, 015, 838/- provided during the year. The Company may require additional capital injection from the Parent Company in the future because, the Company continues to face a serious loss of capital situation till the date of signing these financial statements.

Considering these factors, the Company understands that the going concern risk has not resolved completely as at the reporting date and the management is confident that the Company would be able to overcome the risk fully during the year 2022 despite the challenges that the Company and the prevalent situation in the Country.

Based on these factors, the Board of Director has a reasonable expectation that the Company has and will have adequate resources to continue its operations for the foreseeable future.

34 DIRECTORS' RESPONSIBILITY STATEMENT

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

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